

Malta

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Malta

Sanctions:	None
FAFT list of AML Deficient Countries	No
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

potatoes, cauliflower, grapes, wheat, barley, tomatoes, citrus, cut flowers, green peppers; pork, milk, poultry, eggs

Industries:

tourism, electronics, ship building and repair, construction, food and beverages, pharmaceuticals, footwear, clothing, tobacco, aviation services, financial services, information technology services

Exports - commodities:

machinery and mechanical appliances; mineral fuels, oils and products; pharmaceutical products; printed books and newspapers; aircraft/spacecraft and parts; toys, games, and sports equipment

Exports - partners:

Germany 14.6%, France 9.9%, Italy 6.8%, Libya 5.5%, UK 5% (2012)

Imports - commodities:

mineral fuels, oils and products; electrical machinery; aircraft/spacecraft and parts thereof; machinery and mechanical appliances; plastic and other semi-manufactured goods; vehicles and parts thereof

Imports - partners:

Italy 39.6%, France 6.9%, UK 6.9%, Germany 5.3% (2012)

Investment Restrictions:

Malta, a member of the European Union since 2004, seeks foreign direct investment (FDI) to increase its rate of economic growth. Malta provides incentives to attract investment in manufacturing (especially pharmaceuticals manufacturing), transshipment and servicing industries, information and computer technology (ICT), R&D, aviation maintenance, registration of ships and aircrafts, electronics, and financial services.

There are no legal prohibitions against FDI oriented toward sales in the Malta domestic market, but the government carefully screens such investments. Certain sectors dominated by the state, such as the generation of electrical energy and distribution of fuels, are being liberalized in response to EU requirements.

- In efforts to attract investment, the Government of Malta gives priority to companies operating in the following fields:
- Information and Communications Technology, including electronic components;
- Health, Medical Equipment, and Pharmaceuticals;
- Back Office and regional support operations including call centres;
- Knowledge-based services, including aviation repair, education and training, and research and development;
- Logistics-based services, including maritime, warehousing, and oil/gas services;
- Film Industry
- Education and Training

Contents

Section 1 - Background	4
Section 2 - Anti – Money Laundering / Terrorist Financing	5
FATF status	5
Compliance with FATF Recommendations	5
Key Findings from latest Mutual Evaluation Report (2012):	5
US Department of State Money Laundering assessment (INCSR)	7
Reports	11
International Sanctions	13
Bribery & Corruption	14
Section 3 - Economy	17
Banking	18
Stock Exchange	18
Section 4 - Investment Climate	19
Section 5 - Government	35
Section 6 - Tax	36
Methodology and Sources	39

Section 1 - Background

Great Britain formally acquired possession of Malta in 1814. The island staunchly supported the UK through both world wars and remained in the Commonwealth when it became independent in 1964. A decade later Malta became a republic. Since about the mid-1980s, the island has transformed itself into a freight transshipment point, a financial center, and a tourist destination. Malta became an EU member in May 2004 and began using the euro as currency in 2008.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Malta is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Malta was undertaken by the Financial Action Task Force (FATF) in 2012. According to that Evaluation, Malta was deemed Compliant for 25 and Largely Compliant for 15 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 2 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2012):

The Maltese authorities explained that the money laundering and financing of terrorism risk to which the jurisdiction is exposed has not changed considerably since the last evaluation report. No specific national AML/CFT risk assessment has been undertaken since then. However, the Police and the FIAU have identified a number of risks and vulnerabilities, derived mainly from drug trafficking and economic crimes, such as fraud and misappropriation. Representatives of the financial sector emphasised the risks related to foreign investment, possibly for tax evasion purposes and the distinct risk of inward investment by foreign PEPs from Eastern Europe and North Africa. The overall economic loss from crime is not routinely quantified. The authorities consider the TF risk to be low.

Malta has a comprehensive legal structure to combat money laundering. The money laundering offences are broad, fully covering the elements of the Vienna and Palermo Conventions. The evaluation team welcomes the significant progress made by the Maltese authorities in extending the mental element of money laundering to cover 'suspicion' and in the effective application of the legal provisions emphasised by the convictions achieved in practice, both in self and autonomous money laundering cases since the third round.

The legislative base for the financing of terrorism is largely in place. FT is broadly in line with the international standards. However, the material element of the terrorism financing described in the Maltese legislation could leave room for interpretation in respect of financing of "legitimate" activities furthering terrorism and on direct and indirect financing of terrorism. Also, the financing of offences covered in the annex to the TF Convention has, in the Maltese law, an additional mental element not required by the TF Convention. The existing legislative framework has not been tested so that the effectiveness of the system is difficult to assess.

The legal requirements for provisional measures and the confiscation regime are carefully constructed in Malta. However, the lack of information on freezing and confiscation orders made in proceeds-generating predicate offences generally, coupled with lack of evidence of use of attachment orders in proceeds generating cases, raise doubts as to the effectiveness of the freezing and attachment regime, and indeed the confiscation regime overall.

Malta has implemented the UN Security Council Resolutions (UNSCRs) by domestic and EU legislation. However there is not any clear and publicly known procedure for de-listing and unfreezing in appropriate cases in a timely manner. While there is a system in place for freezing Report on fourth assessment visit of Malta the assets of EU internals, there is no evidence that designations of EU internals have been made under the Maltese legal framework. The evaluation team found insufficient guidance and communication mechanisms in respect of DNFBP and in sufficient monitoring of compliance in respect of DNFBP.

The FIU of Malta (FIAU) is an independent government agency falling within the structure of the Ministry of Finance, the Economy and Investment. Although, the FIAU has limited direct access to databases, the AML/CFT legislation provides indirect gateways to financial, administrative and law enforcement information. However in respect to law enforcement and administrative information no reference is made in law or guidance which expressly provides for law enforcement and administrative authorities to respond to the FIAU on a timely basis.

Overall progress has been made to strengthen the preventive AML/CFT system. The Prevention of Money Laundering and Financing of Terrorism Regulations introduced the concept of the risk-based approach and includes, inter alia, provisions catering for simplified and enhanced customer due diligence measures. Although the reporting obligation for suspicions of terrorism financing is now in place in Malta, the level of reporting STRs for both ML and TF suspicions remains relatively low. The PLMFTR obliges subject persons to determine whether an applicant for business is a politically exposed person. There were some difficulties by some categories of subject persons in the implementation of effective measures when dealing with PEPs, especially in relation to the identification of clients who acquire the status of a PEP in the course of the business relationship. The FATF requirements regarding correspondent relationships and professional/banking secrecy are fully implemented.

The ongoing practice of joint inspections carried out by MFSA and FIAU is a welcome step that has certainly contributed towards strengthening the supervisory regime. However, the number of the on-site visits remains low and not commensurate with the size of the financial market. In addition, the absence of a national risk assessment to identify the most risky areas for ML/FT give rise to concerns with regard to the effective implementation of risk based supervisory activity.

The current Maltese legislation provides for broad measures in terms of powers of sanctioning of subject persons for non compliance. There is a range of sanctions in the Law which are potentially effective, proportionate, and dissuasive (both criminal, and administrative). However, the evaluators consider that they have not been sufficiently used, and that the financial penalties that have been imposed were not necessarily dissuasive. No sanctions

have been imposed on the financial institutions. The lack of publicity of sanctions imposed is considered as a backward step from the 3rd round report.

With regard to DNFBP, a clear increase in the volume of reports is noticeable since the last MER, due mainly to the modification of the legal provisions on reporting obligations and to the efforts made in awareness-raising by the FIAU and some of the supervisory authorities. However, the uneven level of awareness of reporting obligations and procedures between different parts of this sector could negatively impact on the overall reporting behaviour of DNFBP. Enhancement of the resources involved for the oversight process is needed, together with a formalised risk based approach in order to leverage effectiveness.

The Maltese mutual legal assistance framework allows the judicial authorities to give sufficient assistance in money laundering and terrorism financing cases, including the execution of foreign criminal seizure or confiscation orders related to laundered property, proceeds, instrumentalities and equivalent value assets. The legal provisions regulating the mutual legal assistance appear to be effectively applied in practice by Maltese authorities.

Significant progress has been achieved since the 3rd round report, in order to address FATF requirements related to NPOs on the legislative side, by the adoption of the Voluntary Report on fourth assessment visit of Malta Organisations Act. However, the registration of the NPOs is still not compulsory in Malta. No specific risk assessment has been undertaken to identify possible vulnerabilities to misuse of NPOs for terrorist financing purposes. No awareness raising measures have been put in place and public access to NPO information is impeded by the lack of an electronic form of the register. The office of the Commissioner for Voluntary Organisations is understaffed for the fulfilment of its obligations under this standard.

US Department of State Money Laundering assessment (INCSR)

Malta was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Malta's location between North Africa and Italy makes it a transit point for narcotics and human trafficking to Europe. The country's offshore banking sector is relatively large (eight times GDP), and its ship registry is the largest in Europe. According to the Malta Police Force, the major sources of illegal proceeds are generated through drug trafficking (in particular cocaine, heroin, and cannabis resin) and economic crimes, primarily fraud and misappropriation of public funds. The proceeds generated are not substantial and are primarily based on domestic offenses and eventual self-laundering. Money laundering investigations related to drug trafficking revolve around the suspects living beyond their means and converting the funds by purchasing commodities, such as expensive vehicles, real estate, and other luxury goods.

Foreigners who route illicit gains from illegal activity in foreign jurisdictions to local Maltese bank accounts generate a significant volume of laundered funds. Such offenses usually

relate to investment scams and tax/value added tax fraud. Representatives of the financial sector emphasize the risks involved in foreign deposits and investment by politically exposed persons (PEPs) from Eastern Europe and North Africa and the possibility of their linkage to tax evasion or the diversion of funds. These activities are usually detected through requests for assistance by a foreign jurisdiction.

While there is very little evidence of organized criminal groups laundering money in Malta, recent events have indicated that Malta's online gaming industry may serve as a potential conduit for money laundering activities. Malta's various financial service and gaming authorities have taken steps to increase oversight to ensure Malta's gaming industry does not become targeted by crime organizations.

Maltese authorities have detected no terrorism financing activity, and Malta's financial regulators consider the terrorism financing risk to be low. Contraband smuggling does not appear to be a significant source of illicit proceeds.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 213: January – October, 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4: January – August, 2015

Convictions: 4: January – August, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Malta is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the Government of Malta made a number of amendments to AML/CFT legislation that resulted in significant changes in regulation and enforcement. Legal Notice 464 of 2014, published on December 16, 2014, led to a series of amendments to the Prevention of Money Laundering and Funding of Terrorism Regulations. The amendments include: the inclusion within the definition of “suspicion” of a situation where a person knows or suspects that the transaction involves property that may have derived directly or indirectly from, or constitutes the proceeds of, criminal activity; an amendment to the reporting obligation clarifying that the obligation also arises where the reporting person has “reasonable grounds” to suspect the funds are the proceeds of criminal activity; private trustees are no longer considered reporting entities, nor are natural persons acting as intermediaries on behalf of another intermediary; the obligation to establish customer due diligence policies and procedures on a risk-sensitive basis is extended to cover beneficial owners and applies in situations where the owner may pose a higher risk of money laundering or funding of terrorism; disclosures of suspicious transaction report (STR) filings to a court, tribunal, or other judicial authority or to a supervisory authority or professional body exercising supervision or regulatory oversight are exempt from tipping off prohibitions; and, whenever a STR is filed with the Financial Intelligence Analysis Unit (FIAU), Malta’s financial intelligence unit, reporting persons, investigators, prosecutors, or judicial or administrative authorities must protect and keep confidential the identity of persons and employees who report such suspicions.

The Maltese Parliament also amended the Prevention of Money Laundering Act and the Criminal Code, making them Act III of 2015 and Act VIII of 2015. The amendment to Act III of the Criminal Code addresses the statute’s broad language relating to terrorist financing, which previously left open for interpretation the issue of financing of “legitimate” activities. Act VIII increases the maximum prison term and the monetary fine. Furthermore, it establishes an Assets Recovery Bureau, entrusted with the tracing, collection, storage, preservation, management, and disposal of assets and proceeds seized in criminal activities. Investigation and enforcement efforts will become more robust with implementation of the changes described above. With these increased efforts, financial institutions in Malta should be increasingly aware of and compliant with their reporting obligations.

In November 2013, the FIAU, with technical assistance from international experts, began a national risk assessment (NRA) exercise aimed at identifying, assessing, and understanding the money laundering and terrorism financing risks that Malta faces. The next step is for FIAU to present to the Maltese government its summary evaluation of the risks and a proposed strategy to implement the NRA’s action plan.

Currently, oversight of the gaming industry by the FIAU is limited to land-based companies and casinos, while online gaming is regulated by the Malta Gaming Authority. The online gaming sector would benefit from increased scrutiny. In 2015, Italian authorities collaborated with Maltese police to arrest six individuals suspected of illegal gaming activities, money laundering, and ties to organized crime.

Malta's Financial Services Authority (MFSA), the single regulator for financial services activities in Malta and the entity that houses Malta's Registry of Companies, set up an AML unit in 2015. The MFSA's AML enforcement unit will be responsible for conducting site visits and other activities related to suspected money laundering activities. There is an opportunity for these oversight authorities to collaborate on gaming and money laundering activities.

The legislative base for preventing money laundering and terrorism financing is largely in place and in line with international standards. The Government of Malta should continue its implementation of its new legislation and regulations. Malta also should devote sufficient resources to adequately supervise its online gaming sector.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Malta does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Malta is on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Malta is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report

No report available

US State Dept Trafficking in Persons Report 2014 (introduction):

Malta is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Malta is a source and destination country for women and children subjected to sex trafficking. Female sex trafficking victims primarily originate from China, Hungary, Poland, Romania, Russia, and Ukraine. Women and children from Malta have also been found subjected to sex trafficking within the country. Forced labor victims largely originate from China and the Philippines. Filipina domestic workers, Chinese nationals working in massage parlors, and women from Central and Eastern Europe working in nightclubs represent populations vulnerable to exploitation. Maltese children in prostitution were vulnerable to sex trafficking in Malta. While there have been documented cases of sex trafficking of children in Malta in the past, no new cases were documented in the reporting period. The approximately 5,000 irregular African migrants from African countries currently residing in Malta may be vulnerable to human trafficking in the country's informal labor market.

The Government of Malta does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Although the government developed victim referral guidelines, it reduced the amount of public funds for trafficking programs by 70 percent. Furthermore, while the government continued to identify victims, including one victim of internal trafficking, it did not identify any child victims, including among children prosecuted by Maltese courts for prostitution offenses. Authorities initiated more trafficking prosecutions, yet the government did not convict any trafficking offenders for the second consecutive reporting period. The government passed an amendment to the criminal code that enhanced penalties for offenders and better aligned the code with international law on consent. The government launched a public awareness campaign during the reporting period.

Latest US State Dept Terrorism Report 2009

The Maltese government continued to freeze the assets of those entities on the UN 1267 consolidated list. Malta actively participated in the EU Clearing House and cooperated with other Member States and third states to defeat terrorist activities and, by extension, to prevent financing acts of terrorism, to deny safe havens to terrorists, and to exchange information to stop the commission of terrorist acts. The Maltese government has historically supported sharing information with the United States on matters related to terrorism, and has

demonstrated a commitment to interdiction operations and compliance with international requests.

The Maltese criminal code includes several specific provisions on terrorism. The law addresses "acts of terror" and "terrorism" and enumerates the actions constituting the offense. Malta criminalized terrorist financing through the Prevention of Money Laundering Act, which was expanded to include provisions for the funding of terrorism. Additionally, the act expanded the powers of the Maltese Financial Intelligence Unit to include terrorist financing. Since 2006, the Prevention of Money Laundering Regulations have been extended to financing terrorism and include controls that require proper record keeping, specific reporting requirements, and relevant training on the subject of terrorist financing.

International Sanctions

None applicable

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	55
World Governance Indicator – Control of Corruption	79

US State Department

Maltese law provides criminal penalties for official corruption, and the government generally implemented these laws effectively. Police and the Permanent Commission against Corruption are responsible for combating official corruption. The U.S. Embassy is aware of only isolated reports of government corruption.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Public sector corruption, including bribery of public officials, is a minor challenge for U.S. firms operating in Malta. According to a report released by the Council of Europe's Group of States Against Corruption (GRECO) in January 2005, "de facto instances of corruption within the public administration are rare." GRECO also noted that: "Malta promotes international and coordinated actions to prevent and fight corruption, organized crime and money laundering and takes account of the link between these crimes. It has taken several initiatives to adopt the legal provisions concerning the seizure and forfeiture of proceeds of crime as well as the criminal and civil liability of legal persons with a view of implementing the Criminal Law Convention on Corruption. Minor adaptations are still required. It also adapted in 1995 a Code of Ethics for employees in the public sector and subsequently several other code of ethics." For additional details, please see the following site:

[http://www.coe.int/t/dg1/greco/evaluations/round2/GrecoEval2\(2004\)14_Malta_EN.pdf](http://www.coe.int/t/dg1/greco/evaluations/round2/GrecoEval2(2004)14_Malta_EN.pdf)

Since the 2004 GRECO report, Malta has passed legislation to adapt Maltese law to EU requirements, including the Prevention of Money Laundering and Funding of Terrorism Regulations of July 2008 [which conforms to the European Union legislation under Directive 2005/60/EC (the Third Directive) and Directive 2006/70/EC (the Implementation Directive)].

A 2008 report by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) confirms that Maltese Authorities have taken measures to ensure that the AML/CFT (anti-money laundering - combating the financing of terrorism) regime in Malta is consistent with recognized international standards and practices. The MONEVAL report is available at:

[http://www.fiumalta.org/pdfs/MONEYVAL\(2008\)41ProgRep-MLT_en.pdf](http://www.fiumalta.org/pdfs/MONEYVAL(2008)41ProgRep-MLT_en.pdf).

Additionally, the government of Malta has established a Financial Intelligence Analysis Unit to support domestic and international law enforcement investigative efforts.

Every company (apart from SMEs) and government department in Malta has established a whistle-blowing unit which, if it receives information related to a crime, will pass this on to a specially set up external whistle-blowing unit. Small and medium-sized enterprises are not required to set up their own internal unit. Informers may also be admitted to the Witness Protection Program.

The Act to Remove Prescription (the maximum time after an event that legal proceedings based on that event may be initiated – equivalent to a statute of limitations in a common law legal system) on Corruption by Public Officials effectively abrogates the right of ministers, parliamentary secretaries, MPs, mayors and councilors to use prescription when charged with corruption. The State was given the right to file civil action to recoup assets that an elected official would have acquired from monies derived from corruption.

Local Laws: U.S. firms should familiarize themselves with local anti-corruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service (USFCS) can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

- **Corruption:** On June 14, 2013 authorities amended the Criminal Code to remove the statute of limitations on corruption charges for elected officials and to increase penalties for those found guilty. The amendment also includes provisions from the Criminal Law Convention on Corruption of the Council of Europe.
- **Whistleblower Protection:** On July 19, 2013, the government enacted the Protection of the Whistleblower Act. The law provides protection to public and private employees for making internal disclosures of evidence of illegal activity, such as the solicitation of bribes or other corrupt acts, gross waste or fraud, mismanagement, abuse of power, or other betrayals of public trust that employees discover or witness on the job.
- **Financial Disclosure:** Government officials are subject to financial disclosure laws; courts have the authority to compel disclosure, depending on the circumstances.
- **Public Access to Information:** In September 2012, a freedom of information law enacted in 2008 came into full force. The act established the right to request information held by public authorities, but also enumerated several exceptions, such as documents held by the Electoral Commission, the Employment Commission, the Public Service Commission, the Office of the Attorney General, the National Audit Office, the Security Service, the ombudsman, and the Broadcasting Authority when the latter authority was exercising its constitutional function.
- Additionally, the Press Act established procedures to provide members of the press information to help them "fulfill their public tasks." The government has not, however, defined the scope of this mandate. Access to government information in certain

specified areas – those dealing with matters of public interest, security, or ongoing court proceedings – was excluded from this requirement. For government activities not subject to disclosure under the Press Act, there is no legal entitlement to government-held information, although authorities generally provide access in specific instances.

Section 3 - Economy

Malta - the smallest economy in the euro zone - produces only about 20% of its food needs, has limited fresh water supplies, and has few domestic energy sources. Malta's geographic position between Europe and North Africa makes it a target for irregular migration, which has strained Malta's political and economic resources. Malta's fertility rate is below the EU average, and population growth in recent years has largely been from immigration, putting increasing pressure on the pension system. Malta adopted the euro on 1 January 2008. Malta's economy is dependent on foreign trade, manufacturing, and tourism, and was hurt by the global economic downturn, but fared better than most other EU member states. Malta has low unemployment relative to other European countries, and growth has recovered since the 2009 recession. Malta's financial services industry has grown in recent years and it has avoided contagion from the European financial crisis, largely because its debt is mostly held domestically and its banks have low exposure to the sovereign debt of peripheral European countries. The EU reopened an excessive deficit procedure against Malta in June 2013, having found that its forecasted deficit for the year was likely to exceed 3% of GDP.

Agriculture - products:

potatoes, cauliflower, grapes, wheat, barley, tomatoes, citrus, cut flowers, green peppers; pork, milk, poultry, eggs

Industries:

tourism, electronics, ship building and repair, construction, food and beverages, pharmaceuticals, footwear, clothing, tobacco, aviation services, financial services, information technology services

Exports - commodities:

machinery and mechanical appliances; mineral fuels, oils and products; pharmaceutical products; printed books and newspapers; aircraft/spacecraft and parts; toys, games, and sports equipment

Exports - partners:

Germany 14.6%, France 9.9%, Italy 6.8%, Libya 5.5%, UK 5% (2012)

Imports - commodities:

mineral fuels, oils and products; electrical machinery; aircraft/spacecraft and parts thereof; machinery and mechanical appliances; plastic and other semi-manufactured goods; vehicles and parts thereof

Imports - partners:

Italy 39.6%, France 6.9%, UK 6.9%, Germany 5.3% (2012)

Banking

Banking in Malta is regulated by the Central Bank of Malta Act, 2002 and by the Banking Act, 1994. The two major banks in Malta are HSBC (Malta) Ltd. and Bank of Valletta. They each operate about 40 branches across the main island of Malta and the smaller island of Gozo and together control over 80 percent of the banking market. The next three leading banks are Lombard Bank (Malta), Banif Bank and APS Bank. Commercial banks offer all forms of commercial banking services. Interest rates on foreign exchange deposits are in line with the international money markets.

Backed by a worldwide correspondent network, the banks offer a broad range of foreign exchange operations, including forward cover and expenditure payment services. The banks provide the standard lending services – overdraft, loan and trade finances. Banks are flexible in considering applications for finance.

Stock Exchange

The Malta Stock Exchange was set up in 1993. In 2002, the Financial Markets Act effectively replaced the Malta Stock Exchange Act of 1990 as the law regulating the operations and setup of the Malta Stock Exchange. This legislation divested the Malta Stock Exchange of its regulatory functions and transferred these functions to the Malta Financial Services Authority (MFSA). The Financial Markets Act also set up a Listing Authority, which is responsible for granting "Admissibility to Listing" to companies seeking to have their securities listed on the Exchange.

The small numbers of companies publicly listed on the Malta Stock Exchange have not been concerned with the possibility of hostile takeovers.

Executive Summary

The Republic of Malta is a small, but strategically located island country 60 miles south of Sicily and 180 miles north of Libya, astride some of the world's busiest shipping lanes. Malta, a politically stable parliamentary republic with a free press, is considered a safe, secure, and welcoming environment for American investors to do business.

Malta joined the European Union in 2004, the Schengen visa system in 2007, and the Eurozone in 2008. With a population of about 420,000 and a total area of only 122 square miles, it is the smallest country in the European Union. The economy is based on services, primarily shipping, banking, and tourism. Maltese and English are the official languages.

Given its central location in one of the world's busiest trading regions and its relatively small economy, Malta recognizes the important contribution that international trade and investment can provide to the generation of national wealth.

Malta's economy has weathered the recent global economic crisis relatively well. For 2013, Malta had a real Gross Domestic Product (GDP) growth of 2.4%, compared to slow growth of 0.1% in the EU-28 countries. In terms of unemployment, Malta is one of the best performers in the EU. For 2013, unemployment in Malta stood at 6.5%, compared to 10.9% recorded in the EU generally.

The top three credit rating agencies rank Malta well; all note a stable outlook. The current sovereign credit ratings:

- S&P, BBB+ with a stable outlook
- Moody's, A3 with a stable outlook
- Fitch, A with a stable outlook

In 2013, the Government of Malta established the Individual Investor Program (IIP), which assigns citizenship by naturalization to a person and his or her dependents who are contributors to an individual investor program and who pay a fee of €650,000 (additionally, €25,000 for spouses and for dependents under age 18; €50,000 for dependents over age 18). This amendment to the Maltese Citizenship Act, (Chapter 188 of the Laws of Malta) was passed in November 2013 and has met with criticism as mainly attracting investors due to Malta's being an EU member state and a member of the Schengen zone. In response, the Government has modified the law in some ways, such as adding a one-year residency requirement and publicizing the names of new citizens. IIP conditions include a € 350,000 threshold for purchasing immovable property; or a € 16,000/year threshold for leasing immovable property (which must be retained for at least five years); or a € 150,000 threshold for investment in stocks, bonds, or debentures.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

Malta seeks foreign direct investment (FDI) to increase its rate of economic growth. Malta provides incentives to attract investment in high-tech manufacturing (especially **health technologies** such as pharmaceuticals manufacturing and life sciences), **information and communications** technology (ICT), R&D, **aerospace & defense**/aviation maintenance, registration of ships and aircrafts, electronics, transshipment and related service industries, **finance** services and digital gaming.

Malta's comparative advantages include membership in the EU, the Eurozone, and the Schengen Zone; competitive wage rates (even though the standard of living is high, labor costs are relatively low compared with other EU countries); a highly skilled English-speaking labor force; proximity to European and North African markets; a fair and transparent business environment; and excellent telecommunications and transport connections. Malta also offers financial, tax, and other investment incentives in order to attract FDI. Foreign investment plays an integral part in the Government of Malta's policies to reduce the role of the state in the economy and increase private sector activity.

Other Investment Policy Reviews

The government organization "Malta Enterprise", established to promote foreign direct investment in Malta, provides information to prospective investors, processes applications for government investment incentives, and serves as liaison between investors and other government entities. Malta Enterprise offers an attractive investment package for American and other investors (see section 5 entitled Performance Requirements and Incentives).

The following are the most important laws that govern foreign investment in Malta:

- The Income Tax Act of 1948 (as amended) establishes a single rate of taxation of 35 percent on income for limited liability companies in Malta. In certain qualifying cases, this rate is effectively reduced to 5 percent through a system of tax refunds on dividends paid.
- The Business Promotion Act authorizes the government of Malta to allocate fiscal and other incentives to companies engaged in manufacturing (including software development), repair, or maintenance activities.
- The Malta Enterprise Act of 2003 enables Malta Enterprise to develop and administer incentives and other forms of support to liberalize and update legislation relevant to FDI.
- The Companies Act of 1995 regulates the creation of limited liability companies. The Companies Act provides for the establishment of investment companies with variable share capital (SICAVS) and companies with share capital denominated in a foreign currency.
- The Malta Financial Services Authority Act of 1989 established the Malta Financial Services Authority, responsible for the regulation of banking and investment services in Malta.
- The Investment Services Act of 1994 contains a package regulating investment services in the banking and insurance sectors.

Virtually all manufacturing sectors are open to FDI. There are no legal prohibitions against FDI oriented toward sales in Malta's domestic market. The Government of Malta seeks as a top priority companies operating in the following fields:

- **Information & communications** technology, including electronic components and digital gaming;
- **Health technologies**, medical equipment, pharmaceuticals and life sciences;
- **"Back office"** and regional support operations including call centers;
- **Knowledge-based services**, including **aerospace & defense** (aviation maintenance), education and training, and research and development;
- **Logistics-based services**, including **marine technology**, warehousing, and oil/gas services; **Film Industry** (Malta has one of the few sets in the world for water/boating scenes)

Limits on Foreign Control

Private foreign investors are free to make equity arrangements as they wish - from joint ventures to full equity ownership.

Privatization Program

The Maltese government in recent years has privatized a number of state-controlled firms, including its shares in the country's largest bank, the postal service, shipyards, and the wireless telecommunications industry. Air Malta, the national airline, is currently not part of the restructuring process, but the Government of Malta has not ruled this possibility out in the future.

The government welcomes private investors, Maltese and non-Maltese, in privatization projects. It affords foreign investors equal treatment to that given to domestic investors and sets few limitations on their operations. Foreign investors have the right to repatriate or reinvest profits without restriction and can take disputes before the International Center for the Settlement of Investment Disputes (ICSID).

Screening of FDI

Malta is a free trade, open economy country. The government does not approve or restrict any foreign direct investment, as long as it meets EU and national regulations. Malta Enterprise reviews FDI only before granting any incentives requested by the private entity/business. A due diligence process is carried out prior to approving greenfield investments. Company formation can be completed within a 10 day period. The Malta Financial Services Authority (MFSA) undertakes the filings and regulatory screenings on financial investments.

Investment Climate Benchmarks

Measure	Year	Rank or value	Website Address
Transparency International's Corruption Perceptions index	2013	45 of 175	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	58 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report	2013	103 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	24 of 142	http://www.globalinnovationindex.org/content.aspx?page=global-innovation-index-full-report-2013#pdfopener
World Bank GNI per capita	2012	\$19,710	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

As long as investors present the appropriate documents to the Central Bank of Malta, there are no limitations on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property or imported raw materials. There are no significant delays in converting investment returns to foreign currency after presentation of the necessary documents. Maltese regulations and practices affecting remittances of investment capital and earnings have been streamlined, as several foreign exchange controls were relaxed to conform to EU directives. Malta joined the Eurozone in January 2008.

3. Expropriation and Compensation

Private property may, in exceptional instances, be expropriated for public purposes, in a non-discriminatory manner, and in accordance with established principles of international law. Investors and lenders of expropriated property receive prompt, adequate and effective compensation. There have not been any expropriations in the last decade. There are no

particular sectors at risk for expropriation or similar actions, nor are there any laws that force local ownership.

4. Dispute Settlement

There have been no significant investment disputes over the past few years involving U.S. or other foreign investors or contractors in Malta. Courts in Malta are known to be slow in processing cases, although a reform is currently being implemented in order to increase efficiency in the judicial system. Investment/commercial dispute resolution proceedings in Malta generally take a minimum of three years, possibly even more. Generally speaking, summary proceedings which involve debt collection related to liquidation take less time.

Malta has a distinct Commercial Code which regulates commercial activities and related legislation such as the Banking Act, the Central Bank of Malta Act, and bankruptcy. In cases of bankruptcy, the court appoints a curator to liquidate the assets of the bankrupt company, organization, or individual, and distributes the proceeds among the creditors.

The Maltese judiciary is independent and courts are divided into Superior Courts, presided over by judges, and Inferior Courts, presided over by magistrates. The jurisdiction of the Inferior Courts is restricted to minor offenses of a criminal nature and to small civil matters. Traditionally the judiciary functions through the Criminal, Civil, and Constitutional courts. Commercial cases are adjudicated by the First Hall of the Civil Court. There is a Criminal Court of Appeal and a Court of Appeal for all other jurisdictions. The Constitutional Court has jurisdiction to hear and determine questions and appeals on constitutional issues. There are also a number of administrative tribunals, such as the Industrial Tribunal, the Rent Regulation Board, and the Board of Special Commissioners for income tax purposes. In 1987 Malta adopted the European Convention of Human Rights as part of Malta's domestic law.

The Maltese judiciary has a long tradition of independence. Once appointed to the bench, judges and magistrates have fixed salaries which do not require annual approval. Judges cannot be dismissed except by a two-thirds vote in the House of Representatives for a proven inability to exercise their function properly or proven misbehavior. The Constitution guarantees the separation of powers between the executive and the judiciary. Fair trial is also recognized as an enforceable human right under the Maltese Constitution.

The Maltese Parliament is the highest law-making institution; its members are elected every five years by proportional representation. The number of members of parliament is normally 65, but may be adjusted according to the constitution to provide a governing majority to the party winning the popular vote in a general election. Government functions through a cabinet of ministers, headed by the Prime Minister.

In 2002, Malta signed the Convention on the Settlement of Investment Disputes (ICSID). Malta is also a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards (UNCITRAL). As such, Malta honors the enforcement of foreign court judgments and foreign arbitration awards. Modes of settlement of disputes are also provided in bilateral investment treaties, which Malta has with several countries (see section 14, Bilateral Investment Agreements).

5. Performance Requirements and Investment Incentives

The Government of Malta offers several investment incentives for priority industrial projects to attract FDI. All investment incentives are specified by law and not made available in an ad hoc manner. However, the way in which incentives are designed allows the opportunity to offer relatively tailor-made solutions, even though treatment of domestic and non-Maltese investors is identical. There are no stated requirements that a foreign investor should transfer technology, employ Maltese nationals, or reduce his shareholding interest over time. These factors might, however, influence Malta Enterprise's decision regarding a firm's application for assistance. Malta Enterprise monitors compliance with any conditions set by the government as a condition of government assistance. Investors are not required to disclose proprietary information.

Investment Tax Credits: companies in the target sector are entitled to a tax credit which is calculated either:

- As a percentage of qualifying capital expenditure (currently granting 30% for a large enterprise; 40% for a small to medium enterprise, and 50% for a micro enterprise);
- As a percentage of the wage cost for the first 24 months of a newly created job (currently, 30% for a large enterprise; 40% for a small to medium enterprise, and 50% for a micro enterprise).

Access to Finance:

- **Soft Loans:** Malta Enterprise supports enterprise through loans at low interest rates for partial financing of investments in qualifying expenditure.
- **Loan Guarantees:** Malta Enterprise may guarantee bank loans taken by a company to finance acquisition of additional assets to be employed in the company's business.
- **Loan Interest Subsidies:** Malta Enterprise may subsidize the rate of interest payable on bank loans. Loan interest subsidies are not in addition to loan guarantees and applicable to loans provided by banks or other financial institutions.
- **Micro Guarantee Scheme:** Malta Enterprise aims to accelerate the growth of enterprises by facilitating access to debt finance for smaller business undertakings.

Employment & Training: Administered by the Employment and Training Corporation, enterprises are supported in recruiting new employees and training their staff.

SME Development: Grants targeting the creation and development of innovative start-ups and the development of forward looking small and medium-sized firms.

Enterprise Support: Assistance to businesses to support development of international competitiveness, improving processes, and networking with other businesses.

Research & Development: Incentives to encourage enterprises to engaged in industrial research and experimental development.

Allocation of Factory Space for manufacturing companies: Availability of factory space built to specification offering attractive financing terms.

Competitive rental rates: European Union Structural Funds and Regional Development Funds for FDI in Malta were available for the period 2007-2013. Support in the form of similar assistance and cash grants for approved projects will be available again in 2015 for the period 2014-2020. The Government of Malta offers generous incentives to trading and financial companies registered with the Malta Financial Services Authority. Legislative changes in 1994 removed the distinction between offshore and onshore companies, so that all companies in Malta are subject to a 35% tax rate on profits. However, the fact that the Maltese tax system is the only remaining full imputation system in the EU means that tax paid by company will essentially remain a prepaid tax on behalf of the tax liability of shareholders. Shareholders will then be entitled to claim a tax refund which may be equivalent to 6/7 (in the case of trading income) of the tax paid at the corporate level.

Companies operating within the Malta Freeport, a customs-free zone, benefit from reduced rates of taxation and investment tax credits (see section 17, Foreign Trade Zones).

6. Right to Private Ownership and Establishment

The Government of Malta recognizes the right to private ownership in theory and in practice. Private entities are free to establish, acquire, and dispose of interests in business enterprises and engage in all forms of remunerative activity. Many U.S. firms sell their products or services in Malta through licensing, franchise, or similar arrangements. The Government of Malta normally allows foreign companies to operate in merchandising areas, especially if they operate a licensing, franchising, or similar agreement through a local representative.

It is the government's stated policy not to allow public enterprises to operate at the expense of private entities. Some sectors, such as the electricity generation, are now also open to private sector participation. The Government provides private enterprises with the same opportunities as public enterprises for access to markets and other business operations.

7. Protection of Property Rights

Property and contractual rights are enforced by means of (a) legal warning; (b) warrants of seizure; (c) warrants of prohibitory injunction; (d) warrants of impediments of departures (if proceedings fall within the jurisdiction of the Criminal Court); and, (e) sale of property by court auction. Procedures for registering and enforcing judgments of foreign courts are laid out in the Code of Organization and Civil Procedures. Rights in and secured interests over immovable property must be publicly registered in order to be enforceable. The Government of Malta has occasionally been a party to international arbitrations and has abided by tribunal decisions.

Intellectual Property Rights

The Maltese legal system adequately protects and facilitates acquisition and disposition of intellectual property rights. In 2000, Malta implemented the pertinent provisions of the World Trade Organization (WTO) Trade-Related Aspects on Intellectual Property Rights (TRIPS). Malta has fully incorporated the EU and WTO rules into national law. Additional information on EU-wide provisions on copyright, patents, trademarks, and designs is obtainable from:

- http://www.europa.eu/comm/internal_market/copyright/news/news_en.htm

- http://www.europa.eu/comm/internal_market/indprop/index_en.htm

Malta is additionally a member of the World Intellectual Property Organization (WIPO); the Paris Convention for the Protection of Industrial Property; the Bern Convention for the Protection of Literary and Artistic Works; the Universal Copyright Convention (UCC); and the World Trade Organization (WTO).

The Association against Copyright Theft claims that Malta's local laws do not include high enough minimum fines to deter vendors from selling pirated material. However, the Ministry for Competitiveness and Communications has assured the Embassy that the Government of Malta is currently taking the necessary steps to remedy the situation. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Maria Cassar Tel: 00356 2561 4120; email: maltabusiness@state.gov

Local lawyers list: http://malta.usembassy.gov/list_of_attorneys.html

The office responsible for intellectual property-related issues is Malta's Commerce Department within the Ministry for the Economy, Investment and Small Business:

Commerce Department

- Tel: +356 2122 6688
- Email: commerce@gov.mt
- Website: <http://commerce.gov.mt/contact.asp>
- Address: Commerce Department, Lascaris Bastion, Valletta, VLT 2000, Malta

8. Transparency of the Regulatory System

Malta has transparent and effective policies and regulations to foster competition. It has revised labor, safety, health, and other laws in general to conform to EU standards.

9. Efficient Capital Markets and Portfolio Investment

The Maltese banking system is considered sound. Local commercial banks have in recent years expanded the scope of their lending portfolios. Capital is available from both public and private sources; both foreign and local companies can avail themselves of local lending facilities. Commercial banks and their subsidiaries can provide loans at commercial interest rates. It is possible for new investors to negotiate soft loans from the government covering up to 75 percent of the projected capital outlay.

Malta's Stock Exchange was established in 1993. In 2002, the Financial Markets Act effectively replaced the Malta Stock Exchange Act of 1990 as the law regulating the operations and setup of the Malta Stock Exchange. This legislation divested the Malta Stock Exchange of its regulatory functions and transferred these functions to the Malta Financial Services Authority

(MFSA). The Financial Markets Act also set up a Listing Authority, which is responsible for granting "Admissibility to Listing" to companies seeking to have their securities listed on the Exchange.

The small numbers of companies publicly listed on the Malta Stock Exchange have not faced the threat of hostile takeovers to date. Malta has no laws or regulations authorizing firms to adopt articles of incorporation/association that would limit foreign investment, participation, or control. Legal, regulatory, and accounting systems are transparent and consistent with international norms; several U.S. auditing firms have local correspondents.

10. Competition from State-Owned Enterprises

The Malta Investment Management Company Limited (MIMCOL) was established in 1988 to manage, restructure, and selectively divest the Government of Malta from state-owned enterprises (SOEs). MIMCOL also promotes private sector investment using cost-effective business practices across various SOEs. MIMCOL initially created strategies leading to the dissolution of SOEs with limited commercial prospects, as well as the profitable spin-off of non-core operations with commercial potential. MIMCOL's focus then turned to SOEs deemed of strategic national value, but whose inefficient operations were reflective of a lack of competition. Eventually, most SOEs were groomed for privatization and sold off.

Today, the list of Maltese SOEs under MIMCOL scrutiny has shrunk to 11 (excluding companies falling under the responsibility of other ministries and investments held directly by government). This portfolio is not well-defined. Most Government investments are held by either the Board of Trustees within the Ministry of Finance, the Economy, and Investment, or by MGI as agent for the Government of Malta. There are other state entities which hold shares in companies which are typically special purpose vehicles set up in furtherance of that entity's operations.

MIMCOL falls under the responsibility of the Ministry of Finance, the Economy, and Investment, supporting the Ministry's efforts to ensure that SOEs within its authority operate within a sustainable and cost-efficient environment, enhance service delivery, and improve organizational effectiveness. MIMCOL's sister company, Malta Government Investments Limited (MGI), holds a portfolio of equity and debt investments as an agent of the Government of Malta. However, the Government of Malta does not have a Sovereign Wealth Fund.

The following lists have been prepared by MIMCOL from MIMCOL's and MGI's records and from Government's Financial Estimates for 2008. These are not necessarily exhaustive; there could be other entities not captured by these sources.

TABLE 1: Companies with Government of Malta shareholding through MGI or MIMCOL

Entity	Form	Ownership	Responsibility
Casma	Ltd	MGI	MIMCOL/MEISB
Gozo Channel	Ltd	MGI	MIMCOL/MEISB

Gozo Ferries	Ltd	MGI	MIMCOL/MEISB
Gozo Heliport	Ltd	MGI	MIMCOL/MEISB
Grand Harbour Regeneration	plc	MGI	MIMCOL/MITC
Libma International Construction	Ltd	MGI 20%	MIMCOL/MEISB
Malta Air Traffic Services	Ltd	MGI	MIMCOL/MEISB
Malta Govt. Technology Investments	Ltd	MGI	MITC
Malta National Laboratory	Ltd	MGI	Competitiveness Ministry
Malta Marketing	Ltd	MGI	Malta Tourism Authority
Malta Venture Capital	plc	MGI	MIMCOL/MEISB
National Orchestra	Ltd	MGI	MEDC
Wasteserv Malta	Ltd	MGI	Environment Ministry

Corporations falling under Investments Ministry's portfolio

Entity	Form	Ownership	Responsibility
Enemalta	Corp	Government	MIMCOL/MITC
Water Services	Corp	Government	MIMCOL/MITC
Malta Enterprise	Corp	Government	MIMCOL/MIIT

Other Government direct investments

Entity	Form	Ownership	Responsibility
Air Malta	plc	MFEI 97.9%	MIMCOL/MEISB
Libyan Arab Maltese Holding	Ltd	MFEI 51%	MIIT/MEISB
Bank of Valletta	plc	MOF 25.2%	MIIT/MOF

Malta Dairy Products	Ltd	ME 30%	MIIT
Malta Freeport Corporation	Ltd	MFEI	MITC
Malta University Sports Complex	Ltd	MOE 49%	
Medelec Switchgear	Ltd	MFEI 5%	LAMHCO
Mediterranean Power Electric	Ltd	MFEI 5%	LAMHCO
Viset Malta	plc	MOF 28.6%	

Abbreviations:

Ltd	Limited Liability company
Plc	Public limited company
Corp	Corporation set up by Act of Parliament
LAMHCO	Libyan Arab Maltese Holding Company Limited
ME	Malta Enterprise
MITC	Ministry of Information Technology and Communications
MITA	Malta Information Technology Agency
MEDC	Ministry of Education, Culture, Youth and Sport
MEISB	Ministry for the Economy, Investment and Small Business
MSA	Malta Statistics Authority
MSE	Malta Stock Exchange
OPM	Office of the Prime Minister
WSC	Water Services Corporation

11. Corporate Social Responsibility

Corporate social responsibility (CSR) has gained in profile in recent years, as global concerns such as climate change have risen to the fore and as the EU has raised expectations for its Member States regarding CSR. An increasing number of companies in Malta recognize the

importance of their role in society and the real benefits of adopting a proactive approach to CSR.

12. Political Violence

There have been no recent incidents involving politically motivated damage to projects and/or installations, and there are no signs that civil disturbances may become more likely. There are no signs that U.S. investor properties might become targets in the future.

13. Corruption

Maltese law provides criminal penalties for official corruption, and the government generally implemented these laws effectively. Police and the Permanent Commission against Corruption are responsible for combating official corruption. The U.S. Embassy is aware of only isolated reports of government corruption.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Public sector corruption, including bribery of public officials, is a minor challenge for U.S. firms operating in Malta. According to a report released by the Council of Europe's Group of States Against Corruption (GRECO) in January 2005, "de facto instances of corruption within the public administration are rare." GRECO also noted that: "Malta promotes international and coordinated actions to prevent and fight corruption, organized crime and money laundering and takes account of the link between these crimes. It has taken several initiatives to adopt the legal provisions concerning the seizure and forfeiture of proceeds of crime as well as the criminal and civil liability of legal persons with a view of implementing the Criminal Law Convention on Corruption. Minor adaptations are still required. It also adapted in 1995 a Code of Ethics for employees in the public sector and subsequently several other code of ethics." For additional details, please see the following site:

[http://www.coe.int/t/dg1/greco/evaluations/round2/GrecoEval2\(2004\)14_Malta_EN.pdf](http://www.coe.int/t/dg1/greco/evaluations/round2/GrecoEval2(2004)14_Malta_EN.pdf)

Since the 2004 GRECO report, Malta has passed legislation to adapt Maltese law to EU requirements, including the Prevention of Money Laundering and Funding of Terrorism Regulations of July 2008 [which conforms to the European Union legislation under Directive 2005/60/EC (the Third Directive) and Directive 2006/70/EC (the Implementation Directive)].

A 2008 report by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) confirms that Maltese Authorities have taken measures to ensure that the AML/CFT (anti-money laundering - combating the financing of terrorism) regime in Malta is consistent with recognized international standards and practices. The MONEVAL report is available at:

[http://www.fiumalta.org/pdfs/MONEYVAL\(2008\)41ProgRep-MLT_en.pdf](http://www.fiumalta.org/pdfs/MONEYVAL(2008)41ProgRep-MLT_en.pdf).

Additionally, the government of Malta has established a Financial Intelligence Analysis Unit to support domestic and international law enforcement investigative efforts.

Every company (apart from SMEs) and government department in Malta has established a whistle-blowing unit which, if it receives information related to a crime, will pass this on to a specially set up external whistle-blowing unit. Small and medium-sized enterprises are not required to set up their own internal unit. Informers may also be admitted to the Witness Protection Program.

The Act to Remove Prescription (the maximum time after an event that legal proceedings based on that event may be initiated – equivalent to a statute of limitations in a common law legal system) on Corruption by Public Officials effectively abrogates the right of ministers, parliamentary secretaries, MPs, mayors and councilors to use prescription when charged with corruption. The State was given the right to file civil action to recoup assets that an elected official would have acquired from monies derived from corruption.

Local Laws: U.S. firms should familiarize themselves with local anti-corruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service (USFCS) can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

- **Corruption:** On June 14, 2013 authorities amended the Criminal Code to remove the statute of limitations on corruption charges for elected officials and to increase penalties for those found guilty. The amendment also includes provisions from the Criminal Law Convention on Corruption of the Council of Europe.
- **Whistleblower Protection:** On July 19, 2013, the government enacted the Protection of the Whistleblower Act. The law provides protection to public and private employees for making internal disclosures of evidence of illegal activity, such as the solicitation of bribes or other corrupt acts, gross waste or fraud, mismanagement, abuse of power, or other betrayals of public trust that employees discover or witness on the job.
- **Financial Disclosure:** Government officials are subject to financial disclosure laws; courts have the authority to compel disclosure, depending on the circumstances.
- **Public Access to Information:** In September 2012, a freedom of information law enacted in 2008 came into full force. The act established the right to request information held by public authorities, but also enumerated several exceptions, such as documents held by the Electoral Commission, the Employment Commission, the Public Service Commission, the Office of the Attorney General, the National Audit Office, the Security Service, the ombudsman, and the Broadcasting Authority when the latter authority was exercising its constitutional function.
- Additionally, the Press Act established procedures to provide members of the press information to help them "fulfill their public tasks." The government has not, however, defined the scope of this mandate. Access to government information in certain specified areas – those dealing with matters of public interest, security, or ongoing court proceedings – was excluded from this requirement. For government activities not subject to disclosure under the Press Act, there is no legal entitlement to

government-held information, although authorities generally provide access in specific instances.

14. Bilateral Investment Agreements

In 2010, the U.S. signed a double taxation agreement with Malta. Malta also enjoys double taxation agreements with: Albania, Australia, Austria, Bahrain, Barbados, Belgium, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Guernsey, Hong Kong, Hungary, Iceland, India, Ireland, Isle of Man, Israel, Italy, Jersey, Jordan, Korea (Rep. Of), Kuwait, Latvia, Lebanon, Libya, Liechtenstein, Lithuania, Luxembourg, Malaysia, Mexico, Montenegro, Morocco, Netherlands, Norway, Pakistan, Poland, Portugal, Romania, Russia, San Marino, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Syria, Tunisia, Turkey, Qatar, Ukraine, United Arab Emirates, the United Kingdom, and Uruguay.

The U.S. has maintained a Commerce and Navigation Treaty with Malta since 1815, initially in its capacity as a British colony, and, upon independence in 1964, on its own behalf. The primary aim of this agreement is to ensure non-discriminatory treatment for bilateral trade and investments. Malta has similar investor protection accords with Austria, Belgium/Luxembourg Economic Union, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Egypt, France, Germany, Italy, Kuwait, Libya, Netherlands, Slovak Republic, Slovenia, Sweden, Tunisia, Turkey, and UK.

15. OPIC and Other Investment Insurance Programs

Malta qualifies for OPIC investment guarantee programs. Malta's leading trading partners (U.K., Germany, France and Italy) offer risk insurance programs similar to OPIC's which likewise cover investments in Malta. Malta is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

16. Labor

Malta's labor force currently stands at circa 190,372 (63% male). The country's population is about 421,364 (2013), the smallest in the EU. For 2013, the national minimum monthly wage was 961 USD (697 Euros). The estimated average gross annual salary of employees stood at 21,272 USD (16,022 Euros); this amount refers to the basic salary and excludes extra payments such as overtime, bonuses and allowances. In 2013, on a sectoral basis, the highest recorded average gross annual salary for employees was in financial and insurance activities. Social insurance contributions add 10% to the wage bill. Free or subsidized meals, commuting allowances, and health insurance are the most common fringe benefits. In addition, employees are entitled to 24 days annual leave and public holidays that fall on a week day. National Law establishes a minimum number of sick leave days.

Foreign companies that have invested in Malta have a high regard for the ability, productivity and learning potential of Maltese workers, nearly all of whom speak English. In some industries, labor productivity is comparable to Western Europe. Maltese managers now run most of the foreign firms in Malta. Malta enjoys one of the lowest strike rates in Western Europe, and labor unrest is unlikely in the foreseeable future. The Government strictly adheres to the ILO convention protecting workers' rights.

17. Foreign Trade Zones/Free Ports

Malta's Freeport container port offers modern trans-shipment facilities, storage, assembling and processing operations as well as an oil terminal and bunkering facilities. A private company, Malta Freeport Terminals Ltd. operates the Freeport under a long term concession. The operator ascertains that goods which have been processed in the Freeport are not labelled as having Malta as their country of origin, unless their identity has been substantially transformed. Companies operating within the Freeport must be licensed and benefit from reduced tax rates as well as investment tax credits.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in Malta

	Year	Amount (Millions U.S. Dollars)*	Year	Amount (Millions U.S. Dollars)
Economic Data				
Malta Gross Domestic Product (GDP)	2013	9,541.2	2012	8,969.6
Foreign Direct Investment				
U.S. FDI in Malta (<i>stock positions</i>)	June 2013	12.3	2012	16.9
Malta's FDI in the United States (<i>stock positions</i>)	June 2013	8.1	2012	7.4
Total inbound stock of FDI as % GDP	2013	-22%**	2012	0.04%

Source: National Statistics Office Malta

*Rate of Exchange \$1= €0.7532

**In 2013, direct investment in Malta decreased by an exceptional transaction, wholly driven by a significant drop in equity of a financial intermediary resident in Malta.

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data	
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)	
<i>Inward Direct Investment</i>	<i>Outward Direct Investment</i>

Total Inward:	16,273	100%	Total Outward:	1,399	100%
Germany	6,667	41%	Netherlands	221	16%
Austria	1,713	11%	United Kingdom	179	13%
Turkey	802	5%	Italy	64	5%
Netherlands	764	5%	Cyprus	31	2%
Italy	524	3%	Turkey	10	1%

Source: International Monetary Fund

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
<i>Total</i>			<i>Equity Securities</i>			<i>Total Debt Securities</i>		
World	27,306	100%	World	1,552	100%	World	25,754	100%
Turkey	14,155	52%	United Kingdom	494	32%	Turkey	14,155	55%
United Kingdom	2,689	10%	Luxembourg	373	24%	United Kingdom	2,194	9%
France	1,544	6%	Ireland	288	19%	France	1,514	6%
Netherlands	1,098	4%	Switzerland	87	6%	Netherlands	1,086	4%
Ireland	1,052	4%	United States	51	3%	United States	844	3%

Source: International Monetary Fund

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of English common law and civil law (based on the Roman and Napoleonic civil codes)

International organization participation:

Australia Group, C, CD, CE, EAPC, EBRD, ECB, EIB, EMU, EU, FAO, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NSG, OAS (observer), OPCW, OSCE, PCA, PFP, Schengen Convention, UN, UNCTAD, UNESCO, UNIDO, Union Latina (observer), UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO


Section 6 - Tax

Exchange control









Recent legislation has granted powers to the CIR to request information, or to be requested for information, for tax purposes.

Treaty and non-treaty withholding tax rates

Malta has signed **74 agreements (70 DTC and 4 TIEA agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Albania	DTC	2 May 2000	23 Nov 2000	Unreviewed	No	
Australia	DTC	9 May 1984	20 May 1985	Yes	No	
Austria	DTC	29 May 1978	13 Jul 1979	Yes	No	
Bahamas, The	TIEA	18 Jan 2012	30 Oct 2012	Yes	Yes	
Bahrain	DTC	12 Apr 2010	28 Feb 2012	Yes	Yes	
Barbados	DTC	5 Dec 2001	19 Jun 2002	Yes	No	
Barbados	DTC Protocol	25 Sep 2013	not yet in force	Unreviewed	Yes	
Belgium	DTC	28 Jun 1974	3 Jan 1975	Yes	No	
Belgium	DTC Protocol	19 Jan 2010	not yet in force	Yes	Yes	
Bermuda	TIEA	24 Nov 2011	5 Nov 2012	Yes	Yes	
Bulgaria	DTC	23 Jul 1986	1 Jan 1988	Unreviewed	No	
Canada	DTC	25 Jul 1986	20 May 1987	Yes	No	
China	DTC	23 Oct 2010	25 Aug 2011	Yes	Yes	
Croatia	DTC	21 Oct 1998	22 Aug 1999	Unreviewed	No	
Cyprus	DTC	22 Oct 1993	11 Aug 1994	Yes	No	
Czech Republic	DTC	21 Jun 1996	6 Jun 1997	Yes	No	
Denmark	DTC	13 Jul 1998	30 Dec 1998	Yes	No	
Egypt	DTC	20 Feb 1999	7 Apr 2001	Unreviewed	No	
Estonia	DTC	3 May 2001	22 Jan 2003	Yes	No	
Finland	DTC	30 Oct 2000	30 Dec 2001	Yes	No	
France	DTC	25 Jul 1977	1 Oct 1979	Yes	Yes	
Georgia	DTC	23 Oct 2009	1 Jan 2010	Unreviewed	Yes	
Germany	DTC	8 Mar 2001	27 Dec 2001	Yes	Yes	
Gibraltar	TIEA	24 Jan 2012	1 Apr 2012	Yes	Yes	
Greece	DTC	13 Oct 2006	30 Aug 2008	Yes	No	
Guernsey	DTC	12 Mar 2012	10 Mar 2013	Yes	Yes	
Hong Kong, China	DTC	8 Nov 2011	18 Jul 2012	Yes	Yes	
Hungary	DTC	6 Aug 1991	29 Nov 1992	Yes	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Iceland	DTC	8 Apr 2013	not yet in force	Yes	Yes	
Iceland	DTC	23 Sep 2004	19 Apr 2006	Yes	No	
India	DTC	8 Apr 2013	not yet in force	Yes	Yes	
India	DTC	28 Sep 1994	8 Feb 1995	Yes	No	
Ireland	DTC	14 Nov 2008	15 Jan 2009	Yes	Yes	
Isle of Man	DTC	23 Oct 2009	26 Feb 2010	Yes	Yes	
Israel	DTC	28 Jul 2011	not yet in force	Yes	Yes	
Italy	DTC	16 Jul 1981	8 May 1985	Yes	Yes	
Jersey	DTC	25 Jan 2010	19 Jul 2010	Yes	Yes	
Jordan	DTC	16 Apr 2009	13 Oct 2010	Unreviewed	No	
Korea, Republic of	DTC	25 Mar 1997	21 Mar 1998	Yes	No	
Kuwait	DTC	24 Jul 2002	19 Mar 2004	Unreviewed	No	
Latvia	DTC	22 May 2000	24 Oct 2000	Unreviewed	No	
Lebanon	DTC	23 Feb 1999	1 Jan 2001	No	No	
Libya	DTC	28 Dec 2008	20 May 2010	Unreviewed	No	
Lithuania	DTC	17 May 2001	22 Feb 2004	Yes	No	
Luxembourg	DTC	29 Apr 1994	14 Feb 1996	Yes	Yes	
Macao, China	TIEA	30 May 2013	not yet in force	Unreviewed	Yes	
Malaysia	DTC	3 Oct 1995	1 Sep 2000	No	No	
Mexico	DTC	17 Dec 2012	not yet in force	Yes	Yes	
Montenegro	DTC	4 Nov 2008	23 Sep 2009	Unreviewed	No	
Morocco	DTC	26 Oct 2001	15 Jun 2007	Unreviewed	No	
Netherlands	DTC	18 May 1977	9 Nov 1977	Yes	No	
Norway	DTC	30 Mar 2012	14 Feb 2013	Yes	Yes	
Pakistan	DTC	8 Oct 1975	20 Dec 1975	Unreviewed	No	
Poland	DTC	7 Jan 1994	24 Nov 1994	Yes	Yes	
Portugal	DTC	26 Jan 2001	5 Apr 2002	Yes	No	
Qatar	DTC	26 Aug 2009	9 Dec 2009	Yes	No	
Romania	DTC	30 Nov 1995	16 Aug 1996	Unreviewed	No	
Russian Federation	DTC	24 Apr 2013	not yet in force	Yes	Yes	
Russian Federation	DTC	15 Dec 2000	not yet in force	Yes	No	
San Marino	DTC	3 May 2005	19 Jul 2005	Yes	Yes	
Saudi Arabia	DTC	4 Jan 2012	1 Dec 2012	Yes	Yes	
Serbia	DTC	9 Sep 2009	16 Jun 2010	Unreviewed	No	
Singapore	DTC	21 Mar 2006	29 Feb 2008	Yes	Yes	
Slovakia	DTC	7 Sep 1999	20 Aug 2000	Yes	No	
Slovenia	DTC	8 Oct 2002	12 Jun 2003	Yes	No	
South Africa	DTC	16 May 1997	12 Nov 1997	Yes	No	
South Africa	DTC Protocol	24 Aug 2012	not yet in force	Yes	Yes	
Spain	DTC	8 Nov 2005	12 Sep 2006	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Sweden	DTC	9 Oct 1995	1 Jan 1997	Yes	No	
Switzerland	DTC	25 Feb 2011	6 Jul 2012	Yes	Yes	
Syrian Arab Republic	DTC	22 Feb 1999	16 Oct 2000	Unreviewed	No	
Tunisia	DTC	31 May 2000	31 Dec 2001	Unreviewed	No	
Turkey	DTC	14 Jul 2011	13 Jun 2013	Yes	Yes	
United Arab Emirates	DTC	13 Mar 2006	18 May 2007	Yes	No	
United Kingdom	DTC	12 May 1994	27 Mar 1995	Yes	No	
United States	DTC	8 Aug 2008	23 Nov 2010	Yes	Yes	
Uruguay	DTC	11 Mar 2011	13 Dec 2012	Yes	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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