

IFSP

Institute of Financial Services Practitioners

Council Report

covering the Institute's activities from

May 2011 – April 2012

Welcome to the IFSP Annual General Meeting for 2012. The Institute has this year continued its efforts to advance and safeguard the interests of its members.

The IFSP has continued to strive to fulfill its role of actively contributing to the continued development of the financial services industry. I would suggest that we have had some success in this, achieved through our contributions to and feedback on the theory and practice of regulatory and other legislation, through suggestions for improvement and active lobbying for the removal of obstacles to our members' ability to provide an efficient, effective service that is compliant to the highest standards, to Malta's client base.

The continuing strong growth of the financial services sector owes no small debt to the world class legal and regulatory infrastructure laid down by successive governments of Malta. It is, however, the quality of service provided by the practitioners, a factor that continues to be the prime driver of this growth.

The IFSP works for the protection of the painstakingly constructed basis for financial services in Malta through open debate and frank discussion, working towards a strong, common approach that draws upon the skills and knowledge of our members. Members' contributions are invaluable in this, members who believe in the value of our service and give up valuable time and effort to serve on Council and in the various sub-committees and ad-hoc committees, striving to attain results which will benefit all of us.

Before I briefly outline the main activities the IFSP has undertaken over the past year, I would like to take the opportunity to thank all those members who have contributed at all levels for their valuable work. Without their efforts, we would have achieved nothing.

I will now run through the Institute's activities for 2011/2012.

1. Membership

This year, as last, I am pleased to be able to report that the Institute continues to attract new members. Membership remains close to 330.

2. Subcommittees

The IFSP's subcommittees have had a busy year, and through their efforts have created a lot of value for every IFSP member and indeed, for the industry as a whole.

This year has again been characterized by combined efforts by two or more subcommittees. This is especially apparent in the educational efforts of the IFSP.

2.1. Education sub-committee

The Education Sub-Committee has again been kept very busy over the past year. I would like to take this opportunity to thank Dr Diane Vella Bianco, who has taken the reins of this sub-committee for the past four years, for her efforts and energy.

The IFSP has always believed in the importance of furthering our collaboration with other Associations and Institutes. We also have an excellent working relationship with the Education Consultation Council and both believe in the need to have more cooperation between organizations with a focus on education. Dr Vella Bianco and our Secretary General attend and participate at the ECC council meetings and we are proud to say that we have built a good relationship which will ultimately be of benefit.

IFSP Foundation Certificate in Trust Law and Management

This is the tenth year that the Institute is offering this course, which this year is running later than it has in recent years. The first lecture will be held on 31 May, and so far there are nine people formally enrolled for the course with another 20 who have registered interest but have not as yet followed through. Participants come from a wide variety of backgrounds: experienced lawyers, accountants and notaries, and people working in banks or with financial services and advisory firms.

Beside the people following the course offered by the Institute, there are a number of students within the Faculty of Laws at University following the modules of trusts, some of whom will be following the units on corporate structures and international financial services with the IFSP course participants, in preparation for the exam to be held this year in September.

Introducing PMLFT: Obligations and Responsibilities

In November 2011, the second Introducing PMLFT: Obligations and Responsibilities course was held and attracted 72 participants, marginally topping the number for the first run of this programme in 2010 by two. For the 2011 course, an exam and certification was introduced in response to requests for concrete evidence of achievement in the programme; 34 of the participants sat the exam.

There is a clear demand for training in this area and for compliance in general, which we at the IFSP seem to be well placed to satisfy. This programme is planned to continue, with the 2012 course to be held in November/December 2012. For this, we need to thank Ms Juanita Bencini and the members of the PMLFT sub-committee who dedicate their time to giving the lectures, and to Dr Manfred Galdes who also gives one of the lectures in this course.

Understanding Malta's Tax Treaties

In another cross-committee collaboration between the two sub-committees, the series of 90 minute workshops covering some of Malta's recent tax treaties has again started to run in 2012. So far, two seminars have been held in the current series, making it seven held so far. There is one left to run in the current series.

Each seminar has attracted between 25 and 40 participants eager to learn how the treaties can be put to good use. After the DTA with South Africa, due to be dealt with on 22 May, the intention is to continue the workshops in Autumn 2012.

Again, thanks are due to Dr John Ellul Sullivan who has pulled these workshops together, and to all the practitioners who have contributed valuable time and effort to them.

Careers Drive in Schools

The IFSP and its Education sub-committee have again taken on the challenge of introducing the attractions of a financial services career to students in independent schools. Following up on last year's efforts, groups of two practitioners have again visited schools taking a standard presentation aimed at making students aware of the full range of opportunities available in the financial services sector.

Furthermore, the IFSP this year again participated in the Learning Expo alongside the MIA, the IFS and the MITC. This is a careers exhibition organized by the Ministry of Education, intended to provide students in their final years of secondary education with exposure to the sort of professions open to them.

The IFSP plans to continue to promote financial services careers in the future, participating in school career weeks and fairs. This is valuable work, even if it may only bear fruit after a number of years have gone by.

2.2. Prevention of Money Laundering and Funding of Terrorism sub-committee

Following the publication of the FIAU's guidance document, this subcommittee, under the able guidance of Juanita Bencini, has revisited the IFSP Guidance Notes on the Prevention of Money Laundering and Funding of Terrorism, revising it to fit into the structure now established. The situation is currently very different to what it was when the first Guidance Notes were issued: in 2010, the IFSP's provided the only guidance available.

This sub-committee did not, however, stop at publishing information on the responsibilities and obligations on practitioners under anti-money laundering regulations. Working closely with the Educational sub-committee, it continues to organise a well attended training programme on PMLFT for practitioners.

Many thanks are due to Juanita Bencini for all of this.

2.3. Investment Business sub-committee

Led by Andre Zerafa, this very large subcommittee has met in smaller groups to deal with issues as required. It has continued to look at a range of issues affecting investment business, starting with a submission on changes to listing rules, a submission which unfortunately was not taken on board by the Listing Authority.

The sub-committee's working groups have looked at a range of issues, contributing valuable input to consultation on the regulation of UCITS, Exchange Traded Funds and MIFID. The sub-committee continues to track developments in the implementation of the AIFM Directive, changing its role now to providing information to members rather than submissions and feedback to authorities.

Again, many thanks go to Andre Zerafa and everyone who has contributed to this valuable work.

2.4. Tax & Unregulated Business sub-committee

Led by Juanita Brockdorff, the Tax sub-committee has kept busy, with a healthy list of activities. Members of this committee have continued to provide the ITU with its commentary on any new or renegotiated double taxation agreements being negotiated, of which there were three this year: a

protocol to the DTA with Germany, and new DTAs with Mexico and Moldova. The sub-committee has this year sent the ITU a letter requesting feedback on the commentaries the IFSP has submitted.

The sub-committee has also maintained close contact with the ITU on other issues. These included a commentary on a legal notice on securitization, another on the exchange of tax information and yet another on refunds. The sub-committee also suggested amendments to the regulations on the highly qualified persons incentives, seeking to eliminate conflicts with the Income Tax Act.

The subcommittee also made suggestions to the ITU on shareholder registration forms, and to the new Permanent Residents Schemes. The results of these efforts have been communicated to members through a series of circulars.

This sub-committee has, along with the Investment Business sub-committee, also established clear lines of communication with two of Malta's MEPs. This contact should prove invaluable when seeking to get our voice heard on EU-wide issues.

The Tax sub-committee has again worked closely with the Education sub-committee on a series of workshops on Malta's tax treaties. With two held so far in 2012, this series has provided a substantial number of practitioners with valuable insight into the network of tax treaties Malta has signed.

Once again, many thanks to Juanita Brockdorff and all those who have contributed their time and effort to this valuable work.

2.5. International Fiscal Association

The Malta Branch of the IFA continues to attract new members. It now has 38 members, two more than last year.

Together with the MFSA and FinanceMalta, the IFSP sponsored a third of the cost for a practitioner to write an article that was published in the 2011 edition of the IFA's publication *Cahiers de Droit Fiscal International*. The Council of the IFSP is of the opinion that this initiative, a first for Malta, will elevate the standing of our jurisdiction and therefore will be repeated in the future.

2.6. Council initiatives

The Council continues to develop and maintain cordial relations with the administration and political decision makers on both the Government and Opposition sides. This is a vital part of the IFSP's efforts to ensure that the interests of the financial services industry – and its contribution to the welfare of the nation as a whole – are understood, appreciated and taken into account in policy decisions.

To this end, meetings have also been held with the head of the MFSA's Authorization Unit to discuss bottlenecks affecting new applications, and the means through which these can be minimized. Furthermore, the IFSP's annual dinner was this year revived. The Council hosted the main decision makers and regulators who influence the business of financial service provision, cementing the cordial relationships that exist, and that enable us to work effectively.

The Council has also given its input to the MIA in drafting guidance on the way the confidentiality of the UBO in a nominee relationship is treated under IFRS, and for trustees the IFSP's suggestions were accepted.

3. FinanceMalta

I continue to sit on the Board of Governors of FinanceMalta as a representative of the IFSP, which is a founder member of this organization. The IFSP assists FinanceMalta through the secondment of two, out of our three, of our staff at no cost to them.

I would like to take this opportunity to thank our Secretary General, Simon Gatt as well as Lindsey Piccinino and Lizianne Gauci for all their efforts during the year.

4. Conclusion

During the period under review Council has met 11 times. Council members committed themselves to promote our Industry and issue guidance. Other organizations have a high consideration for our Council and this is shown by the interaction that exists between our Institute and local authorities.

I take this opportunity to thank all the members who have served on Council and on the various sub-committees as well as members who have helped us promote education by sharing their knowledge with other practitioners. I wish to stress that Council believes that everyone should contribute towards achieving common aims. Their commitment is greatly appreciated.

Thank you

Andrew Manduca

President

April 2012