

# ENTERING MALTA

NIAL BROOKS AND ROGER BUCKLEY, OF CASTLEGATE FUNDS SERVICES, TALK TO *HFMWEEK* ON ITS RECENT ENTRANCE TO THE MALTA FUND INDUSTRY AND OTHER CURRENT INDUSTRY TOPICS



**Niall R. Brooks**

is a director and co-founder of Castlegate Fund Services Ltd., Malta and managing director and founder of Castlegate Investment Services Limited, BVI. Brooks has more than 19 years' experience in the structuring, administration, compliance and provision of directorship services for investment vehicles.



**Roger G. Buckley**

is the general manager of Castlegate Fund Services Ltd., Malta and manages the day to day operations. Buckley was formerly the manager of Castlegate Investment Services Limited in the BVI and also previously worked with Citco Fund Services in Ireland.



**W**ith an ideal geographical location and advantageous regulations, Malta has become an attractive alternative to Ireland and Luxembourg in the European fund industry. Accordingly, more and more companies are entering the Maltese market and establishing a physical presence on the island. Castlegate is one of the relative newcomers, and Niall Brooks and Roger Buckley discuss with *HFMWeek* how its choice came as evidence of this and how beneficial this decision has been so far.

**HFMWeek (HFM): Can you provide some background on Castlegate?**

**Niall Brooks (NB):** After obtaining Malta Financial Services Authority (MFSA) approval and recognition, Castlegate established a physical presence in Malta in July 2011 with the aim of delivering a professional, quality driven and customer focused administration service. The founders and principles of Castlegate, having previously worked in the Cayman Islands, British Virgin Islands (BVI) and Ireland, hope to utilise their wealth of experience and knowledge, not only in the administration and delivery of corporate services to Maltese fund structures but also to those in the aforementioned jurisdictions. Castlegate first became aware of the advantages and benefits of Malta as a potential jurisdiction in 2010, when I

was lecturing a course I co-authored, the Diploma in Fund Administration, in Malta. I witnessed first-hand the high calibre of knowledgeable students and prospective employees eager to enter and advance in the fund industry. Castlegate also had the opportunity of launching its Maltese operation in conjunction with an existing client who was looking to take advantage of the Ucits legislation and establish their own management company on the island.

**HFM: Why did Castlegate choose Malta as a jurisdiction to establish a physical office?**

**Roger Buckley (RB):** Although the advantages of Malta as a fund jurisdiction are well documented, it was a meeting with the MFSA and witnessing first-hand the regulator's responsiveness and willingness to attract new business to the island that ultimately influenced Castlegate's decision. The management of Castlegate saw many similarities to the BVI: especially in its attractiveness for smaller start-up funds while still being able to attract the large fund groups, the relatively low cost of both establishing and maintaining fund structures and flexible, yet robust investment fund legislation. These together with a sound infrastructure and the availability of reputable service providers such as the big four accounting firms, well regarded banks and law firms, made the decision to establish a physical office in Malta a straightforward proposition.

**HFM: How did the Alternative Investment Fund Managers Directive (AIFMD) and the potential redomiciliation of funds effect your decision?**

**NB:** The geographical location and target market for funds domiciled in Malta also played an important role. With an affiliate office already established in the BVI, servicing what can be described as typical offshore fund structures and with the ever looming AIFMD coming into effect in 2013, Castlegate was keen to solidify a European operation for existing clients, as well as new clients wishing to enter the European market. As a result of the implementation of the AIFMD, investment funds domiciled in Malta should benefit from the pan-European passport offered to professional investor funds. Castlegate believes that Malta's cost-competitiveness and flexibility should appeal to managers looking for a viable and attractive alternative to say Ireland and Luxembourg. In this regard, Malta has all the necessary attributes to be a successful jurisdiction.

With Malta also seeking to benefit from funds looking to redomicile from jurisdictions such as Cayman or the BVI, the management of Castlegate believe they are in a unique position to provide assistance to such funds by, leveraging off their past experience in both jurisdictions. The benefits of choosing the redomiciliation route for a fund include the maintenance of a fund's track record, no need to redeem existing investors and the maintenance of the fund's existing portfolio and stock exchange listings. However, redomiciliation is often only really feasible for the larger funds as the entry and exit costs (particularly in relation to legal cost) can be prohibitive. Accordingly, some of Castlegate's clients have chosen instead to establish completely new and separate funds in Malta rather than go down the redomiciliation route and Castlegate anticipates this will be the preferred route of most managers.

**HFM: What other factors do you believe influence fund managers looking to establish Maltese funds?**

**RB:** Many managers are setting up European based funds following demand from both institutional and retail investors. Retail investors in particular have become more prudent and are more cautious about the safekeeping of their assets within regulated markets. Institutional investors are also seeking robust regulation and transparency for investors. Moreover, many investment managers feel that increased reporting obligations, regulation and compliance burdens, in particular from the FSA in the UK, towards offshore retail funds are overshadowing the benefits of such vehicles and as such are seeking a viable alternative. Malta is in a good position to offer a 'near-shore' alternative and with easy access to the main European cities, which allows managers to regularly conduct business and board meetings in Malta. Furthermore, another recent phenomenon is that many investment managers are choosing to keep parallel onshore and offshore structures in place to meet the requirements of their different investors.

**NB:** Also with the ever increasing demand from regulators, managers and investors alike for members of the

board to have a degree of independence, the Maltese requirement for at least one of the fund's directors to be independent of the manager, may be seen by some as offering an additional layer of investor protection and comfort. This, married with the flexible requirements on the choice and location of service providers that a fund can appoint, certainly adds to Malta's attractiveness. The principles of Castlegate have considerable experience in the provision of personal directorship services to Malta (including UciTs), Cayman and BVI investment vehicles and hope to leverage off this expertise.

**HFM: How do you see Malta's current standing and growth potential?**

**RB:** From my previous experience of working in the fund's industry in both Ireland and the BVI, I can see that Malta has many of the same advantages that led to the rapid growth of Ireland's fund industry. As a small island, Malta fosters an outward looking mentality and one

of its greatest assets is its English-speaking, well educated workforce, which harbours a work ethic similar to that of the UK and northern Europe. It is located in an ideal time zone that overlaps the opening of markets in both the US and Asia.

Malta as a fund jurisdiction is still emerging when compared with some of its European and Caribbean competitors and as such the local industry and regulator must make a concerted effort to ensure that Malta continues to offer distinctive competitive and strategic advantages. Ultimately, it must look to make the transition from being a cost effective alternative of the larger jurisdictions to becoming an equal competitor. It should continue to develop and strengthen existing niche links with the Middle East and Africa as well as continuing to attract leading industry custodians. Castlegate has experienced continued interest in Malta among its existing clients and contacts both in the Americas and Europe, and, given Malta's

unique advantages, Castlegate sees no reason why this trend should not continue in the foreseeable future. ■

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