

Family Offices Keeping it in the Family

Malta's reputation as a paragon of financial stability has prompted renowned family offices to relocate to the island and has also led legal and corporate services firms to offer family office type services. Family offices are on the rise around the globe as they can offer high-net-worth clients a more convenient way of protecting and growing their fortunes. As the financial crisis has brought down the level of trust and confidence in large banks, a gap in the market has appeared which Malta's financial services sector intends to take full advantage of. Offering the entire spectrum of services, the country's firms have built up a reputation of personalised assistance and tailored solutions over the years that now allows them to cater for every aspect of a client's wealth management needs.

Years of Practice

Malta's growth as an International Finance Centre (IFC) has also made it a strong contender in the market for high-end financial services. The island is increasingly being seen as an alternative to the traditional family office locations of the US, UK and Switzerland. Although the Maltese family office sector is still very much in its infancy, the composite services have been on offer in the country for much longer. In fact, Malta was an early mover in this segment with many lawyers and accountants acting as trustees or advisers on a wide range of issues and providing services to single and multi-family offices worldwide. As more and more clients are now beginning to appreciate the island's relationship-driven business culture and service-oriented workforce, Malta's family office sector is maturing rapidly. Wealth management firms seek to serve their clients more holistically by moving up the value chain and are launching complete family office services. At the same time, increased demand for Malta's financial products required better coordination and the amalgamation of services, attracting money-managers from the world's banking centres to establish fully-fledged offices on the island.

Key Advantages

Wealth creators and their families, heirs who benefit from old fortunes, as well as newly rich tech billionaires and professional athletes, are today looking at Malta as a location to manage their assets. They will find service providers who manage everything for them: tax structuring, investment management, estate planning as well as inheritance and wealth transfer services. In addition, larger law and accounting firms are providing an array of family office services. One of the key attractions for family office providers is the country's regulatory framework that surrounds the wealth management industry and the smooth licensing process for trustees, foundation administrators and investment advisors. In addition, setting up a family office is expensive; it often costs more than US\$1 million a year to run a fully integrated family office due to the lack of economies of scale. By locating both the administration and asset management functions in Malta, affluent families and their advisors can benefit from the island's low administrative costs, simple licensing arrangements and an effective regulator in the form of the Malta Financial Services Authority (MFSA).

INSIGHT

Precious Pieces

Filigree jewellery is made from thin strands of silver and gold that are twisted into different forms, shapes and designs. Malta's filigree legacy dates back to the Phoenicians who spread this technique throughout the Mediterranean and beyond.

Investment Choices

Globally, the combined wealth of ultra-high-net-worth individuals stands at US\$14.7 trillion, with North America having the largest percentage, followed by Asia and Europe. Thus far, most family offices in Malta originate from continental Europe, however, several companies are looking to reach new and profitable markets such as the US, Australia and New Zealand. In seeking to attract affluent families and their 'chief financial officers' to Malta, they highlight the availability of a full suite of investment vehicles and corporate structures. The island has world-class regulatory frameworks for holding companies, investment funds and fund platforms, as well as trusts and foundations, and is constantly developing new solutions that can be used in a family office setting. The trust law is in the process of being updated, and the new version will include the concept of a family trust. For a family trust a company can be set up which exclusively acts as trustee to this particular family trust, thereby allowing for greater control and confidentiality. These family trusts are also exempt from authorisation, provided the family and its chosen directors fulfil certain conditions dictated by the MFSA.

Unfazed by Legislation

Although the financial sector is today more complex than ever, family offices based in Malta say they can successfully navigate the new regulatory landscape due to the fact that all of Malta's financial services fall under the regulation of the MFSA. New and foreign companies are able to benefit from streamlined licensing procedures, lower regulatory fees and reduced bureaucracy when compared to other International Finance Centres. Political and financial stability is also critical in attracting business to the island and Malta's strengths have been proven in recent years, particularly in how well the country weathered the global recession. Staff recruitment, however, has become a key challenge for firms as the competition for talent in Malta's rapidly expanding financial services industry has intensified. More and more companies are now sourcing foreign employees with the required level of expertise in order to deal with the demand. Though the sector is restricted by these problems, the intention of most companies is to remain boutique. By doing so, they can continue to provide their clients with the kind of intimate service for which they were chosen while, year-on year, ensuring that the human resources are available to sustain the growth.

■ Thanks to its streamlined and efficient business environment, Malta has emerged as a new alternative to the traditional European wealth management centres.

Sector Growth

It is estimated that there are around 6,000 family offices worldwide and the number of high-net-worth individuals is set to grow in the coming years. However, in order to remain cost-efficient, a family office also needs to control the cost of its operations, which includes not only staffing costs but also overhead administrative costs and the costs of running an IT system. Many family offices are currently analysing their cost structure to restructure their operations, and Malta, with its cheaper fee and salary structure, expects to welcome more family offices in the near future.

The island's role as a reliable outsourcing partner will also remain important as a strong support infrastructure is establishing itself, with account managers to carry out everyday transactions for clients and portfolio managers to make investment decisions. The country's law firms are on hand to provide legal advice, and senior client relationship managers generally deal with the backbone of the family office itself. Most multi-family offices are open to clients with at least US\$20 million, and a few hundred million is usually considered as the minimum needed to operate a reasonably sophisticated single family office. However, Malta is also attractive to clients who are not considered part of the super rich: sharing high-end wealth management services, or sourcing a few services from Malta's experienced service providers, is also a reasonable proposition for the average wealthy family.

Location, Legislation & Longevity

As the global financial crisis caused wealthy clients to seek new, more secure alternatives to traditional investment banking, Malta's strategic position in the Mediterranean, sound legal framework and appealing tax benefits have led several providers to relocate to the island. With ultra-high-net-worth individuals increasing on an annual basis, coupled with an improving global financial outlook, family office type services are expected to expand in Malta. Setting up a family office on the island can create direct access to different types of investments, while the costs of running it can be controlled. Despite challenges and competition from some of the more established locations, the island is gaining prominence as a professional and attentive wealth management centre with sustainable growth well within its means. ■

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