

# Malta: Innovation in the heart of the Med

Booming EU economy taps into innovative and advanced high-growth areas



Malta's success story is creating new chapters as investors explore openings across the vibrant economy SHUTTERSTOCK: ZGPHOTOGRAPHY

Punching well above its weight for many years, given the size and success of its booming economy versus its small geographical area, Malta continues to make the most of its limited resources through a multi-pronged strategy focused on innovation and diversification.

Blending a welcoming business climate with excellent infrastructure and social and political stability, the ambitious and agile country boasts an outstanding reputation as a world-class center for international financial services, advanced manufacturing, maritime sector activities and, more recently, as a hub for gaming and blockchain technology.

Averaging foreign direct investment of \$4 billion a year since 2015, many investors continue to focus on opportunities involving cutting-edge technologies, while others see opportunities in more traditional spheres such as tourism, healthcare and education.

As Prime Minister Joseph Muscat states: “The world has changed, but common challenges can be overcome through a form of innovation which never fails—that of making sure we change with the times while listening

and medical tourism are among sectors which will soon be showing a lot of growth and strength.”

Government leaders and captains of industry are well aware of the challenges and competition posed by countries with far larger economies but are confident Malta will continue to thrive and overcome any hurdles.

“Our small size is an advantage as it allows us to offer greater flexibility for delivering new initiatives,” states Minister for Tourism, Konrad Mizzi. “Rather than wait two to three years to implement new ideas, we do it in weeks.”

My government is seeing innovation in the regulation of new industries, placing Malta at the forefront of financial technologies like blockchain.

Joseph Muscat, Prime Minister of Malta


and adapting to people’s realities. My government is seeing innovation in the regulation of new industries, placing Malta at the forefront of financial technologies like blockchain and the production of medical cannabis.”

## State-of-the-art technologies play toward further diversification


This upbeat view is echoed by Edward Scicluna, Minister for Finance: “Our aim is to keep this diversification. Small countries cannot afford to rely on just one sector.

“We are strong in many diverse sectors like manufacturing, which is thriving now, especially in certain high-added-value niches such as currency printing, electronic components and medical devices.

“We also have the financial sector, which was developed in the mid-1990s, joined by the online gaming sector, which is a very strong cluster. Education



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# Financial services in excellent shape

Robust regulations, transparency and a low-tax climate among key benefits

Over the past couple of decades, Malta has welcomed enterprises in selected industries as part of economic diversification, with the financial services sector thriving and providing a strong spine for firms to flourish.

Responsible for around 12 percent of gross domestic product and employing more than 10,000 workers, the financial services industry has grown steadily due to Malta's solid commitment to transparency and strict regulatory controls. Unlike certain other islands that have a reputation as offshore tax havens, Malta complies with all EU anti-money laundering legislation and its banking system meets international best practice approved by global financial watchdogs.

With a deep-rooted commitment to ensuring firms have tangible operations rather than just "brass-plate" activities, Malta is a highly attractive jurisdiction for financial services and a popular hub for mid-size funds, with its main competitors the likes of Ireland and Luxembourg.

"When people talk about tax havens the biggest problem is the lack of transparency," says Minister for Finance, Edward Scicluna. "Malta removed bank secrecy in the early 1990s. When we became members of the EU, our tax regime was evaluated and found to be valid. We are not ashamed to operate a



**Joseph Muscat**  
Prime Minister



**Edward Scicluna**  
Minister for Finance



**Silvio Schembri**  
Parl. Sec. for Financial Services, Digital Economy and Innovation

low tax regime. Some countries have high taxes, like Germany and France, because they have a big public sector.

"We conform with the latest Organisation for Economic Co-operation and Development (OECD) directives in Europe. OECD is worldwide but the EU has taken the lead and is the first to implement directives like anti-tax avoidance, anti-abuse, anti-aggressive tax planning and so on."

This approach has helped create a robust Maltese banking sector that shows profitability above the EU average, with banks that provide security, stability and innovation. A key example of this is BNF Bank, which offers its clients a highly personalised service through a network of retail branches, three corporate and business banking centers, along with a local trading room.

In recent years, BNF Bank has undergone a successful transformation thanks to the strong support of major new investors from Qatar, a corporate rebrand and a focus on new areas

## Creating a world-class financial watchdog for the future

The Malta Financial Services Authority (MFSA) has helped Malta to firmly establish itself as "a jurisdiction of excellence in financial services," says Joseph Cuschieri, the recently appointed CEO of Malta's single regulator for its financial services sector.

He previously transformed the Malta Gaming Authority into a world-class gaming regulatory agency, spearheading major legislative reforms. His challenge now is to make the MFSA one of Europe's top-five watchdogs, he says: "An effective and modern regulator, being innovative and approachable but also tough and agile



**Joseph Cuschieri**  
CEO, Malta Financial Services Authority

on enforcement. I would like it to be a role model for other jurisdictions."

Cuschieri believes that, as new technologies change financial services, "Malta can become a leader in fintech, regtech and blockchain technol-

ogy. These are all areas where Malta is the perfect jurisdiction to establish and operate from. It is already successful in the digital economy and can attract top-tier firms, thanks to its infrastructure, regulatory frameworks, size, and agility in creating and harnessing opportunities."

He is aiming to set a new vision for the MFSA and is developing a rolling three-year strategic plan for the autonomous public body, in close consultation with all stakeholders and practitioners, which takes into account where the jurisdiction needs to be in the long term for the country's financial sector

to maintain its rate of development. Cuschieri intends to "invest more in human resources, technical capacity and IT infrastructure, so that the authority is strengthened to face the challenges of the future."

Also, he stresses, as advances in financial services continue to be driven by technology, "The MFSA needs to lead by example by adopting new and innovative technologies. To become a modern and innovative financial supervisor we must make technology mission critical in our endeavors."

**MFSA**  
MALTA FINANCIAL SERVICES AUTHORITY  
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of banking that has allowed it to broaden its product portfolio.

"We have focused on our traditional business but we aspire to be a full-service bank," explains Michael Collis, CEO of BNF Bank. "We will get into asset management and private banking when the time is right. The investors behind BNF Bank are very serious about developing the business over the long term rather than just in a short period.

"BNF has evolved from our proud history and represents the values of credibility and trust that have become synonymous with our bank over the past decade. The bank's recent name change from Banif Bank also symbolises our commitment to 'Building a New Future.'"

The success of the financial services industry has provided impetus for the government to pursue diversification and innovation in other industries. Officials saw a window of opportunity for Malta to become a gaming hub, with its agility resulting in the passing of new laws to create a strong and attractive regulatory environment for the fast-moving gaming sector.

"We are keen to add a new pillar to our economy to further diversify and improve resilience to external shocks," says Silvio Schembri, Parliamentary Secretary for Financial Services, Digital Economy and Innovation.

"The future is digital: blockchain and other distributed ledger technologies (DLTs) present ideal opportunities for us as there is a lack of legal certainty in the industry at a global level. We can now provide that legal certainty. Certain applications of blockchain, such as cryptocurrencies or exchanges, are operating in an unregulated environment. It is much more dangerous to allow these applications to progress in a 'Wild West' environment than within a regulatory framework in which a country can have certain powers to act over it.

"We have enacted new laws like the Malta Digital Innovation Bill, which have made us the first country to have a holistic legislative framework covering the digital sphere. Malta is a 'make it happen' country. If you have an innovative idea you believe in, Malta is where you can make it reality."

At the forefront of this nationwide push towards DLT and high-tech innovations is Abdalla Kablan, an entrepreneur, researcher and academic, who is also an advisor to the Maltese government on technology, particularly DLT and artificial intelligence.

He was among the many industry experts at Malta's Delta Summit event in October 2018, where the country showcased all it has to offer the blockchain sector. Kablan was CEO of the high-profile event, where he outlined Malta's work to become the global pioneer for the exciting cutting-edge technology.

"The application of blockchain will radically and rapidly change the way we live and operate our businesses," he says. Given the latest moves to create a legal and regulatory framework for DLT technology, there is strong momentum to position Malta as a leader within these new sectors."

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## Gozo, the most rewarding extra mile



IMAGE: Ross Magri

Gozo's majestic Cittadella is a RegioStars Awards finalist

The second-largest island in Malta's archipelago "is small, beautiful and unique, full of culture, history and with the Mediterranean's highest-ranked dive site," says Justyne Caruana, Minister for Gozo.

Her ministry's plans for its sustainable development see Gozo becoming an ecotourism haven, with decarbonization programs in place, new green spaces, and investment in marine habitats and walking trails. "The entertainment industry in Gozo is also being rediscovered and there is increasing interest in using Gozo for events," she notes.

Outside tourism, Gozo's economy is opening up into sectors such as information and communication technologies, gaming, finance, creative industries and health, with Barts Medical School helping to develop a new hospital, states Caruana; "To encourage diversifica-



**Justyne Caruana**  
Minister for Gozo

tion, we are amping up our connectivity infrastructure and creating two hubs for innovative businesses. There is a long-term plan to connect Gozo and Malta by tunnel and we are launching a fast ferry."

The Ministry for Gozo has a strong pro-business focus, she says: "We are rolling out attractive incentives for foreign investors that differ from Malta's and creating a one-stop investment shop. Come and see how beautiful our island is and the potential that exists here."

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MINISTRY FOR GOZO

## Malta: One to tick off the bucket list

Blending centuries of tradition, culture and great architecture with an ideal climate, Malta is a tourism hotspot

While firmly focused on the future and the countless opportunities provided by new technologies, Malta has not forgotten its roots and continues to reinforce its enviable reputation as a leading tourism destination.

More than 2.3 million visitors arrived in 2017, spending almost €2 billion, impressive figures that were almost certainly beaten last year as travelers flocked to enjoy the 2018 European Capital of Culture—Valletta.

The award of this prestigious title underlines the incredible appeal of Malta's rich tapestry of natural and cultural treasures, and follows the launch of initiatives and campaigns to highlight its many tourism assets.

"Our goal is to become a lifestyle leisure destination, somewhere people can come for a weekend or a four day break, have a memorable time and return in the future," says Minister for Tourism, Konrad Mizzi.

Operating under the umbrella of his ministry, Malta Tourism Authority (MTA) is tasked with highlighting its assets to business and leisure travelers, with the creation of promotional events part of its remit.

"Malta's economy is vibrant and the tourism industry is doing particularly well," states MTA Chairman, Gavin Gulia. "Our tourism offering is like a large cocktail: culture and history in Valetta, sun and water sports

**We want to connect the Mediterranean, Europe, North Africa and sub-Saharan Africa. This is our dream and it is a dream that will make Malta great.**

Charles Mangion, Chairman, Air Malta

in the north; prehistoric sites and treasured churches on Malta and Gozo. Valletta 2018 will certainly leave a legacy: the infrastructure you create does not just stop, it carries on. It has been a wonderful experience."

Visitors arriving by air are well served by international airlines, including award-winning flag-carrier Air Malta. The operator flies to many parts of Europe and North Africa, and carries 1.6 million passengers per year. Air Malta offers an additional 150 destinations through code share agreements.

"Air Malta is strategically helping the economy and contributing to the country," states chairman Charles Mangion. "90 percent of our new routes already break even—such success normally takes at least two years. We want to connect the Mediterranean, Europe, North Africa and sub-Saharan Africa. This is our dream, and it is a dream that will make Malta great."

Corinthia is a collection of beautiful, stylish and upscale hotels founded by the local Pisani family in 1962. The group operates two stunning hotels in Malta, with siblings found in several of Europe's most enchanting cities.

"We are a family inspired business whose timeless family values underpin the spirit of Corinthia," says Corinthia Hotels Group chairman, Alfred Pisani, a famous local business figure; "Guests feel part of the family from the first second they set foot in one of our stunning five-star hotels."

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# The airline that connects Malta to the world

**Charles Mangion**, chairman of Air Malta, describes how the national airline is transforming and its plans for continued growth



## Can you provide some background to Air Malta?

Air Malta is the national airline connecting the country to the rest of the world. It has a vital strategic role in Malta and an obligation toward the Maltese population.

## What are the top three reasons why anybody who has not visited Malta yet should put it on their bucket list?

From a tourism point of view, the islands have a lot to offer. The islands' history is definitely one of the most important reasons to visit, along with the crystal-clear sea, which obviously is a favorite in the summer months. The third reason, which is not directly related to tourism, but which has grown in importance recently, is the opportunity for investment on the islands.

## Under your leadership and that of the Minister for Tourism, Air Malta is undergoing a strategic restructuring process with the aim of becoming a regional leader, "the Airline of the Mediterranean" and one of the world's top destination airlines. What are the priorities for Air Malta during this transformation process?

Originally, Air Malta was intended as a legacy airline. When low-cost airlines arrived in 2008, Air Malta failed to react to the new landscape. In my opinion, that was one of its greatest mistakes as I strongly believe that, in order to survive, we must adjust to change. Air Malta could not continue competing as it was, so the government presented the European Commission with a €130 million plan, which was later approved, as restructuring aid.

**"On our London, Paris, Rome, Catania, Munich, Vienna and Brussels routes we increased flight frequency by 30 percent."**

Charles Mangion, Chairman, Air Malta

This five-year plan (2011-2016) saw the airline reducing staff, routes and aircraft. The restructuring process has been realized as planned—although savings and better efficiencies remain high on my agenda. The company embarked on a plan for growth and renewal in an industry that is very price sensitive and continuously changing.

The first step was to concentrate on the core business: passenger and cargo. This also implied that other services, like ground handling, would be hived off and outsourced. First, we have to consolidate the areas where we are strong. On our London, Paris, Rome, Catania, Munich, Vienna and Brussels routes

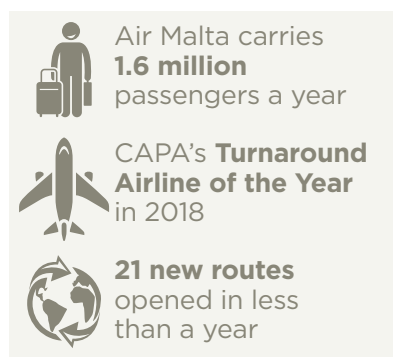
we increased flight frequency by 30 percent. People want flexibility and more flights are needed to cater to this. London Heathrow, for example, is very important for us. The flight leaves Malta early in the morning so that clients can arrive in London early and be back in Malta the same day in the evening. This sort of flexibility and increased frequency has helped.

We also needed to open new routes and reopen routes that had been abandoned. It's challenging to regain a market after you have lost ground to competitors but we are working hard to penetrate these markets again. In less than a year we opened 21 new routes and, with the opening of new routes and increased frequencies, we needed to add aircraft. We had eight aircraft and have added two in 12 months.

## Can you tell us about Air Malta's latest accomplishments in terms of boosting Malta's connectivity?

We have opened up new scheduled routes that we have never operated before to places like Malaga, Kiev, Lourdes, Tel Aviv and London Southend among others. We have reopened routes like Manchester, Tunis, Casablanca, Frankfurt, Cagliari, Berlin and more. More routes increase Malta's connectivity and Air Malta cannot grow if we do not increase connectivity. That is why, apart from building and strengthening our connections with the rest of Europe, we have to strengthen codeshare agreements with other airlines.

We are now focusing on North African destinations, which would cover the entire Mediterranean side of North Africa. We are also looking at the sub-Saharan region as there is huge demand from that area to come to Malta and connect to Europe. Our first flights in the morning depart to Frankfurt, Munich, Paris, Rome and London—these are all hub airports, so travelers can connect to intercontinental flights. Through Qatar Airways, Malta will soon have a direct Malta-Doha flight. We are also trying new connections between Sardinia-Southend (London) and Sicily-Southend. Air Malta needs to grow substantially and become profitable as this is the only way that it can assure its survival in the future.



# The Maltese bank that is building a new future for itself and its customers

**Michael Collis**, CEO of BNF Bank, offers an insight into the changing business model of a key player in Maltese banking



## What key drivers have contributed to the success of the Maltese economy?

Looking back to the events of ten years ago, Malta largely escaped the global financial crisis. It avoided a lot of the problems that affected other countries and the banking sector in Malta remained relatively robust throughout this challenging period. Therefore, the starting point after the crisis for Malta was stronger—perhaps because the country was smaller and self-contained. Since then, the strength of the economy is in its diversity. Tourism, for example, is very strong and has been growing robustly. The financial-services sector has grown steadily, alongside tourism. Gaming is an industry that is also doing very well, as are other sectors such as fisheries and fish exports.

## How would you assess the strength of Malta's regulatory environment?

The country takes financial services regulation very seriously. If a problem were to arise, it's how the authorities handle the issue that gives investors confidence in the jurisdiction. In general, I believe the financial services industry in Malta has enormous potential to expand. The authorities are putting in place the building blocks to allow this to happen. I see no reason why Malta couldn't rival the likes of Luxembourg or Ireland for bond issuances and similar services. Much emphasis is being placed on new technologies such as blockchain where Malta is at the forefront of producing innovative legislation.

## As BNF's new CEO, what targets have you set for yourself?

BNF Bank is primarily a domestic bank so our job is to service the domestic economy at the moment by offering our clients an attractive product mix to support their life journey. The investors behind BNF Bank are very long-term thinkers. You can see that with the other industries in which they are involved. They tend to invest with long-term views and build upon these investments.

**"BNF represents the values of credibility and trust, which have become synonymous with our bank over the past decade."**

Michael Collis, CEO, BNF Bank

With a long-term view we have the time to build something solid for the future. The last 12 months have been focused on the foundation work, which has included rebranding the bank; we have also improved our processes, built a strong balance sheet, and become more active in both retail and corporate. We have also strengthened our board and management structure in line with best corporate governance practices.

The bank's original business model was that of a local bank offering commercial banking services. We continue to focus on our traditional business but aspire to become a full-service bank. We will move into asset management and private banking when the time is right—this is a medium-term objective for us.

## What are the values of BNF Bank?

BNF represents the values of credibility and trust, which have become synonymous with our bank over the past decade. The bank's recent name change from Banif Bank also symbolizes our commitment to "Building a New Future". The emphasis is on the "New" and on supporting our customers with their future plans, whether this is to buy their first house or a new car, start a new job or begin their university studies.

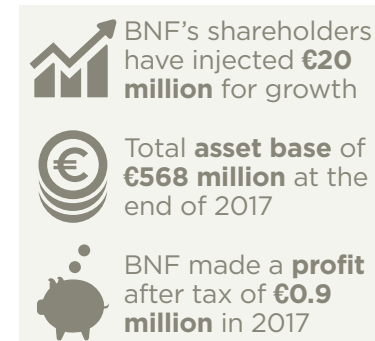
In Malta the branch network will continue to be important, quite possibly for longer than in other countries. BNF will have an omnichannel approach, offering the online experience with physical relationships at the branch for our customers that prefer this.

## What are your views on Malta's openness to embracing Islamic banking and finance?

There is no doubt that Islamic banking and finance products are a useful tool not only for people of Muslim faith but also for non-Muslims as well. We are seeing that Malta is becoming an increasingly multicultural society so there is probably going to be a natural need for these products going forward.

## Why should investors consider Malta?

Malta is an excellent gateway to Europe. English is widely spoken here, communication links are very good, and there is a very established financial services sector to assist businesses in corporate and advisory. The government is pro-business and keen to develop new industries. Malta's geographic position is important as well. I believe it has a lot going for it at the moment and its economy is doing remarkably well. International businesses and investors should consider Malta very seriously as a start point in Europe.



## Luxury hotels showcase the craftsmanship of Maltese hospitality

**Alfred Pisani**, chairman of Corinthia Hotels Group, invites travelers to enter into the spirit of Corinthia



**How did you build up the Corinthia brand of luxury hotels in Malta and abroad?**

We started the business with our landmark Corinthia Palace Hotel and, at the moment, we own five properties on the island. When we had three properties, we decided to go to Turkey and opened five hotels there with local partners. When Eastern Europe opened up, we were the first ones to enter this market. My current project in Malta is a new 6-star hotel.

We own the properties we develop. That is how we started but eventually I decided that since we now had a strong brand—not only a name but also a style—why didn't we take over the management of hotels that didn't belong to us? So we gradually developed our own hotel management company, initially to support our own properties but later to offer this service to third-party hotels.

**Could we say that your inspiring journey full of hard work, vision and innovation mirrors Malta's own journey?**

Precisely. Recently a few government ministers pointed this out to me as well. In the historical context, Malta's geographic location and good harboring is what created interest in the island and the need to conquer it. The Maltese have always provided a service to the occupying power.

**“What is important is to tap into one's internal energy, your soul, your commitment, your passion. If we can align this, nothing will stop us.”**

Alfred Pisani, Chairman, Corinthia Hotels Group

When the Order of St. John came to Malta, it is recorded that the population was just eleven thousand. At the time there was a strong Muslim influence. The Grand Masters of the order attracted many skilled workers to build up the island who then made our population what we are today. The Maltese DNA benefited from the mix of people arriving to the island and it has produced ingenuity.

Since starting my business in 1962 our company has also evolved. What I told our people at our last annual general meeting is that what is important is to tap into one's internal energy, your soul, your commitment, your passion. If we can align this, nothing will stop us.

**Tell us about how the “Spirit of Corinthia” is a winning force in your organization?**

At Corinthia, we have established a platform that is understood by everyone. From the top to the bottom of the organization, we teach our teams how to be respectful, how to share knowledge and give guidance. Our employees are motivated to give their 100 per cent.

If we can align all our energies to work together, this will create a powerful thrust that is not visible to the eye but one can feel it. If you go into a room where people are laughing, you will start laughing too. It is easy to pick up such energy and there are many types of energy that exist but cannot be seen.

In doing this we can pull together much more strongly—and ultimately you will be healthier, happier at home and sleep better. The holistic self improves and this is a real achievement. This is the “Spirit of Corinthia”.




**Do you have any plans for Corinthia properties in new destinations?**

We are in discussion with some countries in Africa where we think there is tremendous potential and are looking at many other different destinations—China has huge potential, for example. We are also turning our sights to the U.S. market, Japan and Morocco.

**Why is Corinthia's London property so special to you?**

The tender opened in October 2007 and about twenty companies participated including all the leading international hotel companies. I think what made our candidature strong was that we raised our own funds, we had our own management and carried our own project management.

I had tried to set up a hotel in London 25 years prior to this, but it never came to fruition. Ironically, the property was located just opposite where our hotel is now located.

-  There are currently **nine Corinthia hotels** with two in Malta
-  Corinthia Palace Hotel is regularly rated as **Malta's best**
-  Corinthia is working on a **new luxury** development in Malta

## Developing a role model for financial services regulators worldwide

**Joseph Cuschieri**, CEO of the Malta Financial Services Authority, sets a new vision for the regulator



**Your appointment as CEO of the Malta Financial Services Authority (MFSA) is quite recent, having transferred from the Malta Gaming Authority. What are your initial priorities?**

I'm approaching this new role with enthusiasm, passion and energy. The MFSA has been around for almost 25 years and, since then, Malta has established itself as a financial center of repute. I'm looking at a complete transformation of the MFSA aimed at strengthening the supervisory and corporate services structures. I want to set a new vision for the authority. We need to gear ourselves to become a modern and innovative financial supervisor making technology mission critical in our endeavors. To achieve this, we need to invest more in our human resources, capacity building and infrastructure.

The MFSA's remit is very broad and is set to be widened with the regulation of virtual financial assets. The area of fintech in its wider sense has potential for our jurisdiction and Malta can really become a thought leader in that space. My challenge is to turn the MFSA into one of the top financial services regulators in Europe.

**You have put emphasis on strengthening the supervisory mechanisms of the MFSA and have stated it should learn from the Pilatus Bank experience. Can you share what lessons were learned from that case?**

The Pilatus case has unfortunately put us under the spotlight for the wrong reasons. It is pertinent to point out that all financial regulators globally have at some point confronted difficulties and supervisory problems. We need to see if we could have done things better. We have engaged foreign experts to see how

**“We need to gear ourselves to become a modern and innovative financial supervisor making technology mission critical in our endeavors.”**

Joseph Cuschieri, CEO, Malta Financial Services Authority

we can strengthen our supervisory activities so that we become more effective and efficient in our supervision and enforcement. Technology will definitely be one of the enablers to become a more modern and efficient financial supervisor. There should also be more collaboration at an EU level to achieve common goals in the fight against money laundering and criminal activity.

**You have extensive experience in an environment rich in innovation and driven by technology, and are a member of Malta's “Blockchain Task-**

**force”.** How do you view the relationship between fintech companies and conventional financial institutions?

Fintech is a very broad concept that can include electronic payments, e-wallets, and cryptocurrencies, among other things. I look at fintech within a wider perspective. Technological development is evolving at a very fast pace and even banks need to adopt these technologies. If not, in 10 years' time they risk becoming obsolete. Blockchain is perfect for giving customers a full view and experience, and is not only a lot more secure but also more efficient. The financial services industry needs to adapt. Fintech, cryptocurrency exchanges and initial coin offerings, these are all areas where Malta is the perfect jurisdiction to get a license, and operate in and from.

For me to talk on behalf of the MFSA about technology and its many applications means that we also need to adopt new technologies and lead by example. We have to commit and invest in new technology, and be the first to implement new regtech technologies, for example.

**What legacy would you like to leave as CEO of MFSA at such a transformational time?**

I have a five-year contract at the MFSA. During these five years I would like to make the MFSA a top-five regulator in Europe. I also want to see the MFSA put technology as a mission-critical activity. It is crucial for me to make our organization an effective and modern regulator, being both business-friendly but also tough when it comes to enforcement. Finally, I would like the MFSA to be a role model that other jurisdictions can follow.

**Why should international investors consider investing in Malta?**

Malta is a great place to do business. It has the integrity and democratic institutions where the rule of law prevails. The government is committed to future proofing Malta as a jurisdiction by investing in new innovative sectors. Our approach in online gaming, blockchain technology and virtual currencies are examples of this future proofing. Malta is open for business, but good business. We don't want people to set up shop here for the wrong reasons—we are looking for quality rather than quantity.

-  Aiming to be one of Europe's **top five** financial regulators
-  Malta can lead **fintech, regtech** and **blockchain**
-  MFSA is investing **human resources** and **technology**

## Malta's economy predicted to continue to grow rapidly

**Edward Scicluna**, Minister for Finance, provides a background to the reasons behind the islands' economic success



The macroeconomic indicators show another remarkable year for Malta. What key drivers have contributed this success?

First, there is a new government that was elected in 2013 after spending many years in the opposition. It has had enough time to prepare itself, to listen to people, institutions such as the European Commission, the rating agencies and the International Monetary Fund—and evaluate exactly what the country needs. Malta's slow and weak growth in recent years caused supply-side issues. Demand was very slow but the economy grew despite all this because we addressed some of the supply-side issues.

Then you also have the quality of the labor force in terms of education. We have improved the pipeline of fresh university graduates although there is still a need for further improvements. Then you get governance in general, in terms of the efficiency of courts, public procurement and bureaucracy. We came in full blast to address these issues with a lot of energy, taking bold decisions.

On the fiscal side, we introduced a VAT exemption for first-time property buyers. That immediately affected the property market and building industry. We also reduced the income tax for higher middle-income households from 35 percent to 25 percent because these the hard-working families were shouldering the whole burden. We had a lot of excise taxes introduced on environmentally harmful goods like plastics, bottles, chewing gum, cement and iron. So, we managed to continue reducing the deficit while the tax bill was being reformed.

**“Malta's future is bright if it continues at this pace. This is particularly because of its close proximity to the Middle East and Africa.”**

Edward Scicluna, Minister for Finance

We looked at beneficiaries of social benefits. We developed a program that ensured that if someone found work they could keep a proportion of their benefits in the first year and get less in the following years. Single parents who were long-term unemployed responded positively by going back to work. Women's work participation also increased by three percentage points in one year at that time.

**Under your leadership, the Ministry for Finance has successfully created a robust and healthy financial sector in Malta. You have achieved a strong performance in public finances, bringing down the debt-to-GDP ratio**

and recording a budget surplus in 2018. What does the future look like for Malta?

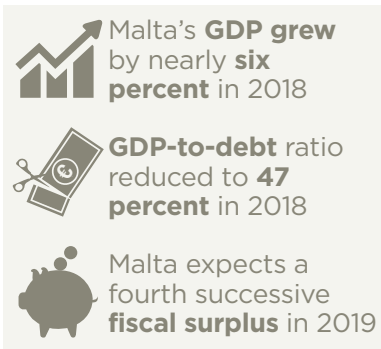
If you look at the deficit, we started from the worst position, because we started from an excessive deficit procedure. Then the deficit started falling—0.5 percent each year until it turned into a surplus for two successive years. The debt ratio was almost 70 percent and now it is under 50 percent, and that is in a five-year period. The economy has been growing so fast that infrastructure now needs to keep up with it. We need infrastructure, we need offices, we need to improve Malta's capacity to cater for more tourists and we need to improve the service sector.

We have our established financial sector that has been joined by the online-gaming sector, which is now a very strong cluster. Education and medical tourism are some of the sectors that will soon be showing a lot of growth and strength. We also have a thriving maritime sector and are now making huge progress in the blockchain and cryptocurrency space. So altogether, we have a very diversified economy.

Malta's future is bright if it continues at this pace. This is particularly because of its close proximity to the Middle East and Africa (MENA). I often meet cabinet ministers from these regions, and some of them are young and eager to transform their countries. They see Malta as a successful country that is close to them. So, I see us becoming a successful European state, with our hands outstretched to help, but also doing business with the MENA region.

**Thanks to strategic vision and efficient legislation, Malta moved very quickly to successfully launch the legal and fiscal framework for a thriving iGaming sector. Recently, Malta has consolidated its position as the undisputed global hub for this sector. How is this experience paving the way for Malta to become a global hub for blockchain services?**

Anything in life is risky. Our approach was to get the best legal brains and gurus of blockchain and engage with them. I was in New York recently and I engaged with the top legal minds in technology. They examined our legislation and their recommendation is that it is wonderful.



## A focus on sustaining progress for the stunning island of Gozo

**Justyne Caruana**, Minister for Gozo, describes the attractions and diverse economy of Malta's second-biggest island



Why should travelers put Gozo at the top of their bucket list?

Coming to Gozo is a truly authentic experience. Once you set foot on the island, you can feel its uniqueness; its air is fresh, its land is beautiful and the living is calm. It's a small, beautiful island that is full of culture and history—we have the oldest freestanding prehistoric structure in the world, the gantija temples, for example. All in all, Gozo is full of character, authentic and brimming with beauty.

What projects are you currently focusing on for Gozo?

The Regional Development Strategy 2019-2030 for Gozo focuses on sustainable development. The diversification of our economy is one of the cornerstones—tourism and culture are traditionally the most important sectors of our economy but we are now opening up to ICT and gaming. We are also rolling out incentives to attract more foreign direct investment. We are following, and Gozo offers investors and entrepreneurs a more advantageous financial package than Malta. For instance, for each new job that is created here the government will pay the employer up to €6,000.

In addition to tech-related industries like gaming and blockchain, we are keen to develop areas that could be more compatible with the Gozitan environment, such as research, creativity and innovation. The health industry in Gozo is also gaining importance, with a new hospital that is being developed in part by Barts Medical School. This is well aligned with Gozo's aging population, which creates an opportunity for investment in elderly care and health-care. Religious tourism is also a niche that we are promoting. Gozo has many churches and each one is a museum in itself—Gozo actually ranks second in the world after Rome for the most cultural heritage per square meter.

**“Investors should come and see with their own eyes how beautiful our island is and the potential that exists here.”**

Justyne Caruana, Minister for Gozo

How will you convince young people to stay in or return to Gozo?

First and foremost we must create opportunities. Our regional strategy addresses this issue, and aims to open the economy to new industries and create jobs that might be more interesting for young people. A good example is the health sector. Many of the best doctors in Malta are in fact Gozitan so with the new hospital being developed we are seeing doctors return. The financial services industry in Gozo is expanding as well, and we are also seeing professionals

from this industry coming back. We have realized that in order to keep our young people and attract those who left, we also need to pay attention to entertainment, so the entertainment industry in Gozo is now being rediscovered.

What are your plans to boost connectivity with the island of Malta?

There is a long-term plan that will connect Gozo and Malta by tunnel, the timeline for which is about seven to 10 years. There are also plans for a new fast ferry that will connect Mgaar in Gozo directly with Valetta and will take 35-40 minutes. In terms of ICT infrastructure, we are amping up connectivity with a new fiber-optic cable, and the mobile operators are working on implementing 4G and 5G.

What is your vision for Gozo's tourism industry?

Gozo has vast natural beauty and it is our duty to preserve it as much as possible. A decarbonization project is part of our eco-Gozo strategy, and we also want to open up the main squares and create green spaces.

We can also mention agri-tourism as part of the eco-Gozo strategy and the blue economy. We are surrounded by the sea but haven't yet fully tapped the potential of the blue economy and coastal tourism, although Gozo is well known for diving as we have the highest-ranked dive site in the Mediterranean.

Describe the stunning Cittadella and its recent restoration?

It is a medieval city that sits atop a big rock and we restored it to its old glory. It was a grand project and is already the winner of several awards. It includes a new visitors' center that merges technology with a medieval set up, and delivers an informative and interactive audiovisual show to those fortunate to visit it.

We are here to work, we work with passion and we are open to exploring the different opportunities that exist in Gozo today. Investors should come and see with their own eyes how beautiful our island is and the potential that exists here.



## New tourism investments make Malta a lifestyle leisure destination



**Konrad Mizzi**, Minister for Tourism, explains some of the reasons behind the continued growth of tourism in Malta

How would you describe the essence of Malta and what makes it so unique?

In essence, Malta is a fun country. When people visit, they don't expect there to be so many things to do. On the one hand, Malta's cultural heritage is very rich; it has beautiful historic remains, as well as prehistoric sites that are amazing.

On the other hand, we have fantastic restaurants, great theatre and events, and beautiful natural scenery. Malta has a unique offering. The fact that we are also a small country makes it easy to get around. It is worth highlighting as well that our country is a safe destination and welcoming in many ways.

Malta's tourism industry has been on a remarkable growth path, setting new records yearly for arrivals, nights and receipts. Today, it accounts directly and indirectly for over a quarter of GDP and 28 percent of employment. What is your vision for the industry's future?

Our vision is for the islands to attract tourists who are looking for the best. We are passionate and know we can achieve this. We are keen to have the best hotels, whether it's in the 3-star range or the 4, 5 or 6-star range. In terms of our product diversification, we want to make sure we have the right entertainment venues and we want to offer amazing events. We want people to have things to do all year round.

**"Malta's cultural heritage is very rich; it has beautiful historic remains, as well as prehistoric sites that are amazing. On the other hand, we have fantastic restaurants, great theatre and events, and beautiful natural scenery."**

Konrad Mizzi, Minister for Tourism

We also need to be well connected, to Europe and beyond, and have recently announced a new daily route to Doha that will connect us with Asia. Through these initiatives, I believe we can become a destination where affluent people can come, enjoy their time, have world-class service and return the following year. Our goal is to become a lifestyle leisure destination, where people come for a weekend or a four-day break.

Malta's tourism product is incredibly rich and diverse, having evolved from a simpler sun-and-sea destination with interesting his-

torical assets, to one with a huge cultural offering, as well as being in a strong position in business, medical and sports tourism to name a few areas. Can you explain how this has happened?

We can approach this question in two ways. First, there is the product improvement that is being carried out by the private sector and then there is that being contributed by each city and by the state.

The private sector is doing its part. For example, our flagship hotel chain, Corinthia, will be developing a remarkable 6-star hotel in St. Julian's and Hard Rock Café is building a hotel in Sliema, projected to open in 2020. So yes, the private sector is doing its part, and investing both in marketing and in improving and expanding the product.

The government is also doing its part and we are amping up our initiatives. Last year we set up the Foundation for Tourism Zones, which will be focusing on upgrading and maintaining the product. Our intent is to regenerate the island, which will be done in phases. Each year we will pick one area considered a tourism zone, and we will invest in its infrastructure, open spaces, cleaning and waste management, and beaches.

You have a track record of leading various winning public-private partnership (PPP) projects in your time as minister for the energy and health sectors. Are there any key projects in the pipeline for tourism?

Absolutely. One of the key priorities for me is a PPP model that we are looking at with the hotels and restaurants association for the regeneration of the islands. That's going to be structured as a PPP through the Foundation for Tourism Zones.

Air Malta is another key priority for me. We have embarked on a new growth strategy to develop it as "the airline of the Mediterranean". The core functions are based on ensuring good connectivity to the island, so our strategy is to expand the routes where other airlines do not reach.

Also in terms of PPPs, we have recently announced an upgrade of Malta International Airport and have approved the master plan for the new development.



## Islands of culture, history, entertainment and excellent weather

**Gavin Gulia**, chairman of Malta Tourism Authority reveals why the country is more than you could ever imagine



What brings so many tourists to Malta?

Sun and sea has been, and continues to be, one of the most important elements of our tourism product. In addition, I would say Malta's diversity, its culture and its history. We have also put a lot of focus on entertainment and have tourists who visit Malta for specific events including ones organized by Malta Tourism Authority (MTA), such as AMP Lost and Found festival, Abode on the Rock and the Isle of MTV just to name a few.

Despite Malta being a small country, it is different if you compare the north with the south, or the interior and coast, or if you compare the islands of Gozo and Malta. You can actually feel you are in a different environment. There is more culture and history in Valetta; more religious tourism, history and parochialism in the interior villages; but there is more sun and sea entertainment in the north, close to Golden Bay. So, Malta is a big cocktail.

Overall, having nice weather is an advantage for us but we are also selling our culture, our history, our diversity and the fact that Malta is a safe destination, which is very important.

MTA, along with the other industry stakeholders, has succeeded in reducing seasonality in Malta. What has contributed most to this?

We have to attract a profile of tourist that is different from the one that visits during the summer. Another key issue is connectivity. Low-cost carriers have contributed greatly to reducing seasonality. Air Malta is also in expansion mode, so there is a bigger network now as they are flying to new destinations.

**"Having nice weather is an advantage for us but we are also selling our culture, our history, our diversity and the fact that Malta is a safe destination."**

Gavin Gulia, Chairman, Malta Tourism Authority

Today, we have about 30 airlines coming to Malta. We are well connected to some very important hubs as well, such as Istanbul and Dubai, and are currently seeing increases in arrivals from Australia, for example.

It is pointless to invest in advertising Malta in a source market unless you have the connectivity. On the flip side, connectivity on its

own is not enough because you need to invest in marketing in order to make Malta visible in that destination.

We carry out thorough research here at MTA and have very good relationships with Malta International Airport and other key stakeholders. The strength of our tourism industry is that success does not boil down to one stakeholder or one entity, but to the contribution of all the different entities involved. MTA, Malta International Airport, Malta Hotels and Restaurants Association, who are a very influential lobby, the Federated Association of Travel and Tourism Agents, and the operators from the private sector. We do everything together.

The growth of Malta's tourism industry is remarkable and has set new records in 2017, reaching about 2.3 million arrivals, up 16 percent from the previous year. How far away is the saturation point for Malta, and what are your views on quality versus quantity?

If you compare the strongest month of the year, August, which accounts for about 300,000 arrivals, with the poorest month of the year, February, which accounts for about 70,000-100,000 arrivals, it is clear that there is still more room

for growth. That growth can come from quality, although I believe a mix between volume and quality is also necessary.

We already have tourists with high purchasing power who visit Malta but we must aspire to continue to attract more. The moment you become complacent is also the moment you will begin to lose your position. There are different levels of quality in tourism. We are not at the very top but we are also not at the bottom—we are somewhere in the middle, and have to work harder in order to achieve and increase our goals in quality.

When you analyze all the numbers, you can see that tourists are not paying low rates and yet their numbers continue to grow. This means that we are attracting more quality tourists than we used to several years ago.



# Innovative approach to legislation turns Malta into 'Blockchain Island'

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



## What is your view on Malta's formidable economic performance?

At the moment we are outperforming other European countries in terms of economic growth and unemployment. We also have important infrastructural changes taking place and a clear vision for the future. We transformed our economy from manufacturing to services. Malta is a very small country where space is limited, so we had to be wise enough to look at industries more focused on human and intellectual capital. Furthermore, our capacity to create innovative legislative frameworks and other competitive advantages like an attractive taxation regime also played a role in our economy's transformation.

Thanks to these factors, the financial services industry developed quite rapidly and soon placed a new challenge on the government to further diversify the economy. This is when we turned our sights to the gaming sector. Today, we can say that Malta is the leading jurisdiction for gaming and a very reputable jurisdiction in terms of finance. Companies that invest in the services sector base their investments on legislation and other fiscal incentives. To keep our competitive edge, we have developed a more holistic approach in order to offer a whole ecosystem to companies wishing to set up in Malta.

## Describe your vision to turn the nation into a "Blockchain Island"?

We believe that the future is digital. Blockchain and distributed ledger technology (DLT) presented a strategic opportunity for Malta because, up until now, there was lack of legal certainty in the industry. Malta now provides legal certainty in the DLT space. Our vision has been very well received by operators around the world. The new laws are not something imposed on the operators, rather something built together with them and the regulator. Serious operators want to function in a regulated environment.

**"If you have an innovative idea and you really believe in it, this country is where you can make it happen."**

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

Malta has enacted three new laws covering the DLT space and one of them is the Malta Digital Innovation Act. We are the first country in the world to have this holistic legislative framework covering the digital sphere. When we speak of DLT, this also embraces disruptive technologies including artificial intelligence (AI), the Internet of Things, wearable technology and big data. The new Malta Digital Innovation Authority will process the registration of platforms and of system authors directly related to blockchain, and the second

remit is to look at these other disruptive technologies. Within the Malta Digital Innovation Authority, we have set up an ethics committee that will deal with issues related to AI, which will be one of the first of its kind.

## What strategies are you spearheading to ensure the gaming sector continues to grow sustainably?




The 12 percent contribution of the gaming sector to the Maltese economy is very significant. We have attracted the biggest companies to set up in Malta and today we have a fully-fledged gaming industry. Some might think the sector has been successful because the country offers lax legislation but it is quite the opposite. Our legislative framework is very strict, so much so that companies with a Maltese license are known to be the most serious and trusted.

We recently passed new gaming legislation that is more efficient, future proof and a lot less bureaucratic for operators. Like the DLT legislation, it is a principle-based approach supporting high-level principles of European Union law. We took into consideration things like the fourth money laundering directive and will also be including the fifth directive once it becomes transposed.

## What are some of the pillars of Digital Malta?

The modus operandi of the government is to embrace technology, embrace disruption and lead with it. Digital Malta has set the roadmap but you can't plan for the long term in detail for the digital economy because it evolves so rapidly. The National Digital Strategy 2014-2020 has set out the direction in which we are heading and every two years we issue a new, detailed plan. During my first year in office we have given direction and worked on the legislation for the DLT space. As a small country our government acts with agility and, if you have the political will and a can-do approach, you can implement changes very quickly. I have also recently signed a memorandum of understanding for the formation of the Malta Islamic Financial Association, which is an innovative idea to further develop Malta's financial services industry.

Malta is a "make-it-happen" country. If you have an innovative idea and you really believe in it, this country is where you can make it happen.

-  The world's first **blockchain** legislative framework
-  Gaming represents **12 percent** of Malta's GDP
-  Malta's **economy** is outperforming other EU countries