

Malta's finance industry has continued to grow through extremely turbulent times

MFSA Annual Report 2008

The MFSA Annual Report, published recently, confirms that throughout 2008, the Maltese financial services industry continued to grow and licenses have been issued in all sectors.

The activity rate in the issue of new licenses and of applications to the MFSA has remained buoyant. The financial and economic shocks that have hit the global economy in 2008 were of unprecedented proportions and the world is experiencing the most profoundly difficult economic conditions of the post-globalised world. Thorough checks on Malta's position following a fresh outbreak of financial turmoil in September, the financial services sector was found to be in a sound commercial condition.

The publication further reports that Malta's success as an insurance jurisdiction has brought the country to the notice of the wider insurance industry and that during the year the MFSA continued to authorise new insurance and reinsurance companies, in both the life and non-life business, that have been set up both by EU and non-EU insurance groups. This is a wholly positive development that shows strong indications of further growth in the future.

Between 2004 and 2008 the insurance sector grew from 12 domestic insurance companies servicing the local market to 41 insurance companies providing insurance services across 27 EU countries and beyond. In 2008 the number of newly licensed (re)insurance companies was 11. Protected Cell companies (PCCs) services also took off in 2008, with three PCCs operating ten cells by the end of the year.

Although the figures for 2008 are not yet available, it is reported that between 2004 and 2007, premiums for general insurance business grew from EUR116.8 million to EUR508.8 million (or 335% in 4 years), while the life insurance sector practically doubled to EUR265.1 million. At the end of 2007, the overseas insurance market accounted for 60 per cent of total gross premiums written in the general and life business sectors.

2008 was also a good year for banking inward investment and further growth is anticipated in the sector. Although huge losses suffered by the banking industry world-wide have led to extraordinary state intervention measures aimed at shoring up institutional and consumer confidence and re-establishing liquidity in the market, the effects that this state of affairs had on the local banking sector by the end of the year were relatively limited. The main reason for this is that Maltese banks have a strong capital base. The fact that their local deposit base is also strong has moreover shielded them from liquidity pressures as they do not have to rely on loans sourced on the international market to finance their operations. On the other hand the fall in the value of assets on the financial markets had a negative impact on the investment portfolios of some banks. A further analysis of credit institutions has been included in this year's annual report.

The aggregate net asset value of investment funds (retail and professional investor funds) in 2008 remained stable at around EUR9 billion for most of the year. The NAV figure reported in December, however, showed a fall in value in line with the fall in the value of assets on the financial markets. A net increase of 102 Collective Investment Schemes (including sub-funds) was registered at the end of the year bringing the total number of funds to 398. A

significant number of non-domiciled funds also started being serviced by Malta based fund management and administration companies in 2008.

Meanwhile the MFSA has continued with the implementation of a risk-based supervisory approach, focussing resources on the mitigation of those risks which are more likely to pose a threat to the market or consumers, or that might give rise to financial crime. This has proved particularly timely, given the world-wide financial situation.

During 2008 the Authority carried out an extensive study into the future skills needs of the finance sector. The study was undertaken in order to ensure that the country and the industry could plan for the future and that the training and education structures for a successful jurisdiction are in place. The study serves as a primary source of guidance and information for the MFSA's Education Consultation Council, which is now engaged in developing structures to meet anticipated need.

A study was also undertaken to look at how Malta may contribute to the development of Shariah-compliant financial products, which is one of the fastest growing financial services product groups in the world. The MFSA also set up a working group to study the outcome of consultation exercises covering banking and securities.

The MFSA Annual Report is available for download from the publications section of the MFSA website: www.mfsa.com.mt