



**THE MALTA CHAMBER**

## **Annex E 10**

### **Post-COVID19 Financial Services Think Tank Round Table**

**This exercise was carried out between June and July 2020.**



## Report of Round Table Meetings

- Meetings held:** 21<sup>st</sup> May, 2020 at 1600hrs (Zoom Meeting)  
28<sup>th</sup> May, 2020 at 1600hrs (Zoom Meeting)  
4<sup>th</sup> June, 2020 at 1600hrs (Zoom Meeting)  
9<sup>th</sup> June, 2020 at 1600hrs (Zoom Meeting)  
16<sup>th</sup> June, 2020 at 1600hrs (Zoom Meeting)  
22<sup>nd</sup> June, 2020 at 1600hrs (Zoom Meeting)
- Participants:** Malcolm Booker (MB), Wayne Pisani (WP), David Pace (DP), Joe Camilleri (JC), David Curmi (DC), Catherine Calleja (CC), William Spiteri Bailey (WSB), Gilbert Gullaimier (GG), Marcel Cassar (MC), Andre Zerafa (AZ), Antoine Portelli (AP), Louis De Gabriele (LDG), Julian Mamo (JM), Ian Gauci (IG).
- In Attendance:** Diana Miceli (DM), The Malta Chamber



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## A. Briefing Note

### Financial Services Round Table - 7+ 1+ 4 Vision

The Financial Services Round Table (FSRT) fully supports the application of the following **7 Underlying Principles to its sector**.



Resilience



Sustainability



Agility



Quality



Value



Governance



Competitiveness

The FSRT further believes that the above principles must feed into **1 Strategic Vision** that is driven by **4 Pillars of Focus**:

1. Reputation
2. Human Capital
3. Technology
4. ESG Principles

### A.1 Main Concerns

#### Reputation

It is with much regret that the FSRT notes that despite repeated warnings by operators in the Financial Services Sector, the Malta Government has chosen not to take decisive action in order to tackle the issue regarding Malta's reputation more specifically MoneyVal in international financial markets, and unfortunately simply resorts to paying lip service to it.

***The FSRT wishes to point out that the ideas and recommendations that are found in this paper, are of no significance whatsoever, unless the matter regarding Malta's reputation is tackled swiftly and decisively.***

The events that unfolded ever since the mishandling of the Panama Papers revelations in 2016 and culminating in the outcome of investigations of the Daphne Caruana Galizia murder have all but ruined Malta's brand and reputation on the global scale.

Through its members and interactions with foreign business organisations, the Chamber has clearer visibility than most of the huge unquantifiable damage incurred. There are no easy answers here. It is pertinent to point out that in November 2019, the Chamber went on record to demand a systematic and sustained clean-up of the whole system in the shortest period of time. Ethical businesses of the kind represented by the Chamber, expect to operate in an environment where checks and balances function properly, the rule of law reigns supreme and everyone plays on a level playing field.



## B. Scenarios & Recommendations

### B.1 Scenarios

The FSRT participants agreed that Scenario 2 is the most likely scenario for their category within the Financial Services Sector in the Medium term.

### B.2 Recommendations

The following are the recommendations proposed by the Financial Services Round Table:

#### Reputation

##### **Regulation is not a substitute for reputation.**

The FSRT regrettably views that much of the “action” that is being taken with regards to restoring Malta’s international reputation is taking the form of increased cosmetic regulation and administrative measures rather than addressing the concrete actions required to meet the obligations found in the MoneyVal report and other similar reports.

It is worth noting that Serbia, a non-EU Member State, has a Junior Minister whose sole attention and focus is to ensure the Moneyval assessment is passed successfully. In this context, it is recommended that Malta provides the same level of attention to Moneyval and Malta’s reputation in the Financial Services Sector, which remains a pillar on which the entire national economy rests, albeit very much dependent on robust principles of Good Governance being in place. It is pertinent to note that, while local Banks have been focusing on the pending remediation areas despite being amongst the subject persons best evaluated by the Moneyval assessment, they risk total loss of US dollar correspondent bank connectivity, becoming a major casualty of the Moneyval assessment in the event of a greylisting.

Moreover in its Economic Vision 2020 - 2025, the Chamber recommends:

06. The Chamber is ready to work with the Government on continued, systematic and sustained reforms of the supervisory capacity over the financial services sector, which is a ‘must’ to mitigate Malta’s reputational loss.
07. The Chamber is ready to work with the Government to draw up and actively participate in a European and international communications campaign that explains and positions the facts regarding Malta’s governing institutions and the reforms currently underway to strengthen these institutions.
08. It is imperative that the Government adopts a zero-tolerance policy towards all levels of corruption, whether administrative or financial.
10. Government should undertake an extensive review of its use of information management as a strategic resource to identify bottlenecks and take corrective action. It should also undertake renewed investment in the utilisation of information management as a strategic resource within public service and policymaking in general.



## Technology

It is recommended that the Government and business leaders place innovation and technology at the heart of sustainable economic growth.

1. *Digitalisation as an enabler:* The FSRT believes that digitalisation should be viewed as a core enabler of a strategy that would see Malta progress towards a circular economy. Moreover in its Economic Vision 2020 - 2025, the Chamber recommends:
  27. Government and business should join forces to develop and implement digitalisation, innovation, and technology-driven transformation pathways that are tailored to different sectors. The implementation of the transformation pathways should be supported by means of fiscal incentives.
2. *Support Innovation:* The FSRT firmly believes that a core element in the Government's Post Covid 19 strategy should include the creation of an eco-system that encourages, supports and incentivizes innovation, not just within the Financial Services sector, but more broadly across Malta's economy.

It is the Chamber's judgement that the fast moving global, regional, and local challenges coupled with the rapid changing landscape of disruptive technologies and innovation place constraints on the time required for important decisions – that lay foundations or build on existing policies that will determine Malta's further economic growth and social wellbeing.

3. *Increase Competitiveness:* In its Economic Vision 2020 - 2025, the Chamber recommends:
  28. It is unacceptable for Malta to rank in 84th place with regards to the ease of doing business in World Bank rankings. The Government should take all the necessary steps to ensure that Malta ranks amongst the top five EU member states by the end of the term of this Vision.
  29. In the immediate term, the Chamber will work with Government and regulatory authorities to fully conform with the requirements of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations. Within this context, the issue of the time taken by a firm or foreign person to open a bank account in Malta will be tackled as this has become a serious obstacle to doing business locally or relocating to Malta.
  31. Malta should initiate steps to modernise the current corporate tax framework. While having served the country well over the past 25 years or so, the framework in its current form is not the right instrument to take Malta forward into the future. The Chamber emphasises that reforms to Malta's corporate tax system should be such that the capacity of companies to engage in aggressive tax planning is limited. However, this would be without constraining Malta to apply corporate tax as an instrument of competitive policy.
4. *A Sharing Economy:* The FSRT is of the view that Malta should put the topic of Sustainability at the centre of its economic strategies and vision. Providing the right legislative and cultural focus on the development of a Sharing Economy will be a step in the right direction.



5. *Robotics & AI:* The rapid technological advancement in the area of Robotics and AI particularly Fintech, is changing the type and nature of jobs for current and future workers. A variety of manual and cognitive tasks are increasingly being augmented by AI and, in some cases, completely taken over by robotics. It is estimated that 65% of children entering primary education today will ultimately work in new types of jobs and functions that currently do not exist<sup>1</sup>. Within the context of such change, Malta must redouble its efforts to ensure that the outcomes of the education system – from primary to tertiary levels – develop human capital that is not only in line with the market needs of today but also equipped for the jobs of the future.
6. *Importance of E-Gov:* The Chamber recommends that the Government undertakes an extensive review of the use of e-/m-government services within the Financial Services Sector to identify bottlenecks that have prohibited their use or uptake. Subsequently, the Chamber recommends the Government further undertake the requisite actions to actually deliver the expected economies of scale that were to be delivered. The application of G2B was never architected as it was with G2C. The result is that there is no single portal that brings together the portfolio of e-services that relate to business. Other than services that relate to core business administration functions, such as customs, income tax, VAT, and employment, the use of e-/m-government business services is a ‘hit-and-miss’ approach. The Chamber recommends that the Government task the Malta Information Technology Agency with building a Business e-Portal that is underpinned by virtual processes and functional alignment to create efficient, effective, and economically triggered processes, and directed to reduce the cost of administration to business.

## Human Capital

1. *Need to Address Skills Gap:* Malta’s future economic growth demands within financial services, require that tomorrow’s workforce has a high level of ‘fit for purpose’ competencies and skills relevant to the dynamic businesses of the future. Moreover, in its Economic Vision 2020 - 2025, the Chamber recommends:
  33. One particularly essential requirement in preparing future workers is for the curriculum to equip all students with basic ICT skills, as well as solid literacy, numeracy, and problem-solving skills to enable students to use ICT effectively.
  34. The Chamber reiterates its position presented in the 2014–2020 Economic Vision that the stipend system across further and higher education should be positively biased towards those disciplines that are central to the continued economic well-being of Malta. These include STEM streams and teachers of STEM subjects.
2. *Revise and update Academic Curriculum:* The Round Table recommends that both the academic and non-academic curricula are revamped and overhauled across all age groups, so to include an improved teaching methodology that will enable students to be stimulated to think, question and understand. In addition,

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<sup>1</sup> 16 Schembri, F., Chairman, ‘MCAST Workplace of the Future?’, Presentation, 2019.



tomorrow's youth must be well trained in critical thinking and capable of presenting arguments in a clear and thought out manner. Improved language skills in spoken, and not just written, English will only come through using English as a medium of communication for the teaching of certain subjects, throughout the school system. The current practice of the use of spoken English only in private and church schools results in significant advantages for these students. Moreover, in its Economic Vision 2020 - 2025, the Chamber recommends:

32. The Government, teacher-representing institutions, and other stakeholders – including the Chamber, which is ready to take an active role – must re-evaluate past reforms; understand why Malta is falling behind international benchmarks; identify the teacher-student, soft infrastructure required; and, agree on the next steps.
3. *Importance of International Outlook:* For Malta to be successful in the field of financial services, it is imperative that the people working in this sector possess an international outlook. This may either be obtained as a student with an overseas placement or by having experienced overseas employment. The Chamber encourages both the University of Malta and MCAST to set up partnership agreements with companies and institutions in order to provide students with overseas internships.
4. *Understanding disruption in the financial services sector:* The international financial services sector is undergoing rapid disruption and change in all areas. Malta's strategic plan must take account of these disruptions and design a strategy accordingly.
5. *Need to incentivise foreign expertise:* To the extent that Malta's domestic workforce is not adequately trained and/or specialised in certain areas of the financial services sectors, the Government must ensure that it incentivises foreign talent to come and fill these positions.

## Environmental, Social and Governance (ESG) Principles

1. *Adoption, recognition of ESG principles should be woven in our country's fabric:* The FSRT firmly believes that Malta should whole heartedly adopt, support, and promote ESG principles in all sectors of the business and non-business communities.  
In terms of sustainable development, the Chamber strongly believes in the concept of resilient communities which considers the pivotal role that businesses could play in complementing ongoing and new local efforts towards establishing a more equitable, inclusive, and sustainable society. However, to do so, a transformative change is needed, one which sees companies integrating environmental, social and good governance approaches into their business models, in tandem with strengthened partnerships between business, local government and civil society. The FSRT believes that this recommendation would apply to all sectors depending on their capacity.
2. *Linking Paris Agreement / UN Sustainable Development Goals/ EU Green Deal:* The Round Table welcomes the Environmental, Social and Governance (ESG) Framework within the Green Recovery Plan which is being prepared for the Annual Budget 2021 by the Maltese Government to implement the Low





Carbon Development Strategy in line with the Paris Agreement. This includes, amongst other concepts, urban greening and the implementation process for electric vehicles. The FSRT believes that this recommendation would apply to all sectors depending on their capacity.

The FSRT believes that the Maltese Government should encourage the application of Directive 2014/95/EU, regarding the disclosure of non-financial information to other national enterprises that currently do not fall strictly within the EU mandatory definition. This would serve as a sign of support by the government to the adoption of ESG principles.

3. *Adoption of ESG principles could greatly assist in addressing Reputational matters:* The FSRT firmly believes that the effective adoption, support and promotion by the Government of Malta of ESG principles would also serve as means to assist in improving Malta's serious reputational challenges.
4. *Acting as a platform for funneling funds into ESG investments:* The FSRT believes that the Government should consider supporting and providing the necessary legal and regulatory infrastructure so as to enable Malta to be considered as a suitable platform by international operators for the launching of and funneling of ESG funds and financing structures.
5. *Further support and promote non-financial disclosure:* The FSRT firmly supports the notion that business enterprises should be strongly encouraged and incentivised to include relevant non-financial information in their financial statements.

## Financial Technology

The FSRT is of the opinion that the promotion of Malta as a location for the development and launching of enterprises that operate in or are connected with the area of FinTech remains an important area of possible growth. The FSRT however feels that the Government must be very careful in the manner in which Malta is marketed and in the manner in which the Government promotes the jurisdiction through responsible marketing and communications messages that do not undermine the wider needs of the country.

Furthermore, it is essential that Malta's FinTech Strategy is aligned with that of the national banking strategy, and that at no time does the Government embark on a path that may have serious repercussions on the correspondent banking relations of Malta's credit institutions.

The access to banking and operational funding remains a great challenge for FinTech startups and operators.

## Recommendation for the Chamber

*ESG Framework:* It is recommended that the Chamber, in the name of the Business Community is to champion this area to raise more awareness through an educational campaign on ESGs. This may start off as a soft campaign among members and beyond, which would then lead to a Chamber Strategy that would be accessible for members to access and adopt, and which results are filed together with financial statements at the end of



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the financial year, on a voluntary basis depending on the capacity of the company. If the business community commits to do its part, the FSRT believes that Malta would be a more pleasant and sustainable island.