

THE REGISTRY'S DIGEST

Official customer newsletter of the Malta Business Registry

A WORD FROM THE REGISTRAR

I am pleased to present the first issue of the Malta Business Registry's newsletter. The purpose of this newsletter is to give a brief, yet informative insight into the Malta Business Registry's functions; most noticeably in highlighting major updates and changes that directly affect the day-to-day operations of the registry.

This newsletter is intended to act as a bridge between the Registry and the people who make use of our services. As such, this newsletter will contain news updates, informative articles (written by MBR employees), and also a space in which, through a small conversational interview, the reader can get to know the MBR's staff members a little bit better.

We believe in strong client relationships, and we are certain that this newsletter will help us in furthering this goal. I would like to personally thank all of those who make this newsletter possible and to you, the reader, for being a part of this new endeavor. Make sure to visit our website to subscribe in order to receive future issues of the MBR's Newsletter: <https://mbr.mt/>

Mr. Joseph Farrugia,

Registrar



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The Registry's highlights and updates:

NEWS

News

Companies Act (Shipping and Aviation Cell Companies) Regulations

The Minister for Economy, Investment and Small Businesses issued new regulations under the Companies Act entitled the Companies Act (Shipping and Aviation Cell Companies) Regulations. The purpose of these regulations is to create a new structure to be used by companies operating in the shipping and aviation field by means of cell companies. Read more on: <https://bit.ly/2Nl2gkm>

Important Notice to Officers - Beneficial Owner Forms

The Changes to the Companies Act (Register of Beneficial Owners) Regulations, 2017 (hereinafter referred to as the 'Regulations') will become effective following the entry into force of Legal Notice 247 of 2020. This notice is being brought to the attention of all company officers and provides an overview of the regulatory changes being introduced. Read more on: <https://bit.ly/37XvQWW>

The MBR publishes its 2019 Annual Report and Financial Statements

The Malta Business Registry (MBR) has published its Annual Report and Financial Statements for the financial year ending 31 December 2019. The report provides an overview of the activities and work performed throughout the year by the MBR. Furthermore, the report includes a summary of the performance of the Registry during 2019 as well as an outlook into the future. The MBR's Annual Report and Financial Statements can be downloaded from our website on: <https://mbr.mt/annual-report-2019/>

The MBR's Webinar on the Register of Beneficial Owners

The Malta Business Registry will be hosting a Webinar on the Register of Beneficial Owners on the 17th of July 2020, the agenda for this webinar can be found on page 4 of this newsletter.

Reform of the pre-insolvency and insolvency frameworks

BY DR. KEVAN AZZOPARDI, OFFICIAL RECEIVER

The Government of Malta through the Office of the Official Receiver within the Malta Business Registry (MBR) in partnership with the Ministry for Justice Culture and Local Government (MJCL), the Ministry for the Economy Investment and Small Business (MEIB), and the Ministry for Finance (MFIN), submitted a request for EU funding in the region of 500,000 Euros from the Structural Reform Support Program (SRSP). The SRSP has been highly subscribed this year with over 600 applications from the 27 EU Member States. Notwithstanding, Malta's request was one of the limited number of applications which have been preliminarily accepted. A formal decision by the College of Commissioners is due at the end of February 2020, however this is a formal step and no issues are expected at this stage.

The support from SRSP will focus on five components:

(i) The drafting and implementation of key legislative amendments that would bring the domestic legal framework in line with the requirements of Directive EU 2019/1023.

(ii) The introduction of an early intervention tool;

(iii) The development of regulations and code of conduct for insolvency practitioners;

(iv) Professional training for newly appointed insolvency professionals (lawyers, accountants and other professionals), and separate training targeted to the Judiciary, as well as training for identified experts (train the trainer approach - ToT) to be able to provide ongoing in-house training of local company officers and professionals on measures to increase the efficiency of restructuring, insolvency and discharge procedures;

(v) A targeted awareness raising campaign to address the current poor use of insolvency and pre-insolvency mechanisms, through focused workshops and training of company directors and management.

The reform will be carried out over a period of 18 to 24 months and is expected to commence in the second quarter of 2020.

The need for a stronger Insolvency regime is an indirect effect of Malta's economic growth which has been recorded as one of the strongest in Europe. Annual GDP growth averaged 6.8% in 2013–17, supported by rapid expansion of export-oriented services, including tourism and remote gaming (according to a 2019 IMF Financial System Stability Assessment report). However, credit growth has been lagging the rate of economic expansion.

The credit-to-GDP gap has been negative, reflecting the broad-based slowdown in credit growth post-global financial crisis (GFC). Credit grew at 3½ percent per annum in 2015–17, mostly supported by mortgage lending. Despite buoyant economic conditions, bank credit to the private sector declined to a historic low of about 80 percent of GDP by end-2017, with bank credit to nonfinancial corporates (NFC) declining and the NFCs increasing their intercompany borrowing. Such increase made up for the decline in bank credit to the private sector, particularly to NFCs. NFCs' leverage is high compared to other European peers, the highest levels being exhibited in the construction and real estate industries. Banks' tighter lending standards, NFCs' improved cash positions, and low opportunity costs, have contributed to increasing intercompany lending.

Construction and real estate exhibit the highest leverage ratios, reflecting capital-intensive nature in these sectors. In conjunction, household debt is above the EU average when compared to disposable income.

While the relatively high profitability of Maltese firms is a mitigating factor for banks, the requirements for high collateralization of bank loans affects negatively start-ups and Small and Medium Sized Enterprises (SMEs) in particular, who seldom have sufficient available collateral (especially immovable collateral) necessary to obtain a bank loan. Banks hesitate to provide further credit using movable collateral. This contributes to a higher rate of corporate insolvencies. This problem would be amplified if current macroeconomic conditions were to worsen.

Thus Malta needs to develop the necessary tools for debt resolution, which could free up the necessary capital to finance productive economic activity, reduce NPLs, improve the level playing field between lenders and borrowers and strengthen bank stability. Despite the existence of a comprehensive legal framework, the insolvency framework is not achieving its intended outcomes. In order to avoid insolvency, early intervention becomes necessary. Reducing insolvencies and redundancies through saving viable businesses is crucial in order to safeguard the economy, safeguarding jobs, and contain or possibly reduce the accumulation of NPLs. Immediate intervention is required in order to retain Malta's competitiveness with EU Member States who are considered to have efficient insolvency regimes. Besides, all parties involved in failed business, debtors, creditors and employees alike, stand at a disadvantage with such other EU Member States boosting more efficient insolvency regimes.

The MBR's Webinar on the Register of Beneficial Owners Agenda

- 09:00** **The Role of the MBR**
Mr. Joseph Farrugia
Registrar, Malta Business Registry
- 09:10** **Risk Assessment**
Dr. Helga Buttigieg Debono
Executive Head, National Coordinating Committee
- 09:40** **Register on Beneficial Owners of commercial partnerships**
Dr. Geraldine Spiteri Lucas
Chief Legal Officer, Malta Business Registry
- 10:15** **Webinar's Keynote Speech**
Hon. Silvio Schembri
Minister for Economy, Investment and Small Businesses
- 10:30** **Coffee Break**
- 10:45** **New forms for disclosure of Beneficial owners of commercial partnerships**
Dr. Deandra Schembri
Senior Manager, Legal and Enforcement Unit, Malta Business Registry
- 11:05** **Register on Beneficial Owners of legal arrangements**
Dr. Petra Camilleri
Senior Manager, Supervision of Trustees & CSPs, Malta Financial Services Authority
- 11:35** **Register on Beneficial Owners of Foundations and Associations**
Dr. Maria Schembri
Senior Professional Officer, Foundations and Associations, Malta Business Registry
- 12:05** **Onsite Supervision**
Mr. Andrew Schembri
Head, Compliance Unit, Malta Business Registry
- 12:25** **Question Time**

GET TO KNOW OUR EMPLOYEES

IN THIS ISSUE WE WILL BE ASKING DR. DAMIAN PAUL CASSAR SOME QUESTIONS

(a) What excites you most about working in your sector?

Things are always changing and developing. Nowadays we live in a place where everything is interconnected, thanks to means of communication available round-the-clock. The legal world needs to keep up with such changes and this proves to be a challenging and exciting facet of the profession in this sector.

(b) How do you start your morning routine?

A cup of tea, a general look at the current news headlines and a clear mind on what needs to be done during that particular day. It sets me going.

(c) What's something you'd still like to learn?

Anything relating to the performing arts, especially playing a musical instrument. Something which I never had the opportunity to do and is always at the back of my mind.

(d) Gourmet dining or homemade cooking?

Homemade cooking is always the best choice, it helps one to unwind, enjoy time with one's closest family members or friends.

(e) If you could have any superpower, what would it be?

Reading other people's minds, that would be interesting.

(f) Which is your favourite spot on the island?

Golden Bay, on a spring afternoon. A perfect place to relax and enjoy some free time.

(g) Book, film, series, or music?

Always torn between a book and a film. It depends on the time mostly. Given that reading is more of an individualistic type of past-time, I would opt for it when in the mood of some time alone.

(h) If you weren't in this career, what would you be doing?

Sincerely, I wouldn't know. If I'd know, I wouldn't be here.



Dr. Damian Paul Cassar currently forms part of the Legal and Enforcement Unit of the Malta Business Registry as a Professional Officer. Graduated with a Doctor of Laws from the University of Malta in 2017 and was admitted to the Bar in 2018. During the last year of studies at the University of Malta, Damian occupied the role of Financial Officer within the Junior Chamber of Advocates. A member of the Chamber of Advocates and the Malta Institute of Taxation.

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