



THE MALTA CHAMBER

## FEEDBACK BY THE MALTA CHAMBER

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# Consultation Feedback by The Malta Chamber on Proposed Establishment of a Framework for Aircraft Financial Leasing Companies

Presented to : Ministry for Finance & MFSA

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## 1. Context

The Malta Chamber notes that the global aircraft finance and leasing industry is a fast-moving, capital-intensive sector characterised by highly mobile, high-value assets and internationally mobile capital. Jurisdictions competing in this space succeed not through regulatory complexity but through **legal certainty, tax neutrality, speed to market and alignment with international best practice**.

**Since 2021, the Malta Chamber's Aviation Section has consistently engaged with Government to highlight Malta's potential in aircraft finance leasing, with this proposal clearly reflected in several Malta Chamber Pre-Budget submissions.** The initiative has been positively received and referenced by the Minister for Finance in Budget speeches, conferences and public interviews.

The proposal has also been supported and validated by leading professional firms in the financial and legal sectors in Malta. Building on this momentum, **a consultation paper is now published to advance the initiative further.**

**The Malta Chamber therefore welcomes the MFSA's proposal to introduce a Notified Aircraft Financial Leasing regime, moving away from full licensing under the Financial Institutions Act (FIA).**

From an industry perspective, licensing requirements have historically been a **material barrier to entry**, particularly when compared with Ireland, Malta's closest and most successful competitor in aviation leasing.

The proposed notification framework is therefore viewed as a **necessary and positive reform** to improve Malta's attractiveness as a domicile for aircraft lessors and structured finance vehicles, while maintaining appropriate safeguards.

## 2. Notification with proportionate Regulation with Market Visibility

As said, The Malta Chamber supports the shift from a full licensing model to a **notification-based regime**, inspired by the asset management and funds sectors. Why is that?

- a. **It reduces regulatory friction**, since a notification process (with an indicative 10-day approval timeline) is materially more competitive than a full licensing procedure.
- b. **The regulatory visibility remains intact**, because notified entities are included on an MFSA register and operate within a regulated perimeter.
- c. **There is also Third-party oversight**, through reliance on a Due Diligence Service Provider (DDSP), typically a licensed Corporate Service Provider (CSP), ensuring ongoing fitness and propriety checks without imposing disproportionate supervisory burdens on MFSA.

We note that this approach strikes the right balance between **facilitation and prudence**, particularly for a sector where speed and certainty are decisive.

## 3. Competitive positioning vis-a-vis Ireland

Ireland remains the global benchmark for aircraft leasing, despite having **no specific regulatory framework** for aviation lessors. The Malta Chamber therefore stresses that:

- a. Malta's framework **must not be unnecessarily more onerous than Ireland's**, especially given that both jurisdictions operate under the same EU legal and regulatory architecture.
- b. The notification regime is essential to **avoid regulatory disadvantage**, not to create additional layers of compliance.
- c. Malta does not need to replicate Ireland's scale. Capturing **5–6% of Ireland's market** would already deliver a significant economic and professional multiplier effect for an island economy.

In this regard, the Malta Chamber strongly supports the principle that *“whatever applies to Ireland should, at a minimum, apply to Malta”*.

#### 4. Entry Thresholds and maintaining our Market Quality

The proposed **€100 million minimum asset threshold** is also supported by the Malta Chamber because...

- a. It ensures Malta targets **serious, institutional-grade players**, rather than small or opportunistic securitisation vehicles.
- b. It aligns with Malta's strategic objective of attracting **high-value, high-quality business**, consistent with Malta Vision 2050.
- c. We understand that the focus would be on attracting **a small number of reputable, branded players initially**, building credibility and momentum before scaling.

We believe that this staggered approach would prioritise **reputation and substance over volume**, which is critical for long-term sustainability.

#### 5. Legal certainty and Creditor protection

Beyond regulation, the Malta Chamber constantly and consistently emphasises that **legal enforceability is a decisive pillar** for all sectors, not least, aviation finance.

Malta's alignment with the **Cape Town Convention** is critical, particularly in ensuring creditor protections and efficient repossession rights. In this context, the notification regime should reinforce the principle that international treaty obligations prevail over domestic insolvency mechanisms, mirroring the effective 'super-priority' environment achieved in Ireland.

In our view, without this legal certainty, regulatory facilitation alone will not deliver competitiveness.

#### 6. Fiscal Neutrality and Tax Framework

From an industry standpoint, **tax treatment often outweighs regulatory form** in jurisdictional decision-making. Based on this understanding, The Malta Chamber therefore stresses that the notification regime must be supported by a **tax-neutral and efficient fiscal framework**, particularly in

relation to depreciation, interest deductibility and SPV structuring. The framework would possibly merit **sustained fiscal incentives** to allow the regime to reach critical mass and demonstrate tangible results.

## 7. AML/CFT compliance and EU alignment

The Malta Chamber acknowledges and supports the proposal to classify notified aircraft leasing entities as **'subject persons'** under the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR), because...

- a. This ensures full compliance with **FIAU requirements**, including MLRO appointment and due diligence obligations.
- b. While this goes beyond what is required in competing jurisdictions such as Ireland, it aligns Malta with **FATF standards** and strengthens credibility for high-value asset financing within the EU.
- c. Importantly, AML/CFT requirements should remain **risk-based and proportionate**, avoiding unnecessary operational friction.

## 8. Ecosystem and supporting Infrastructure

For the regime to succeed, the Malta Chamber notes that regulation alone is insufficient. Therefore, we feel the need to highlight the functional necessity to develop and coordinate the wider ecosystem.

Although Malta already has strong **legal, corporate and tax advisory expertise**, we note that...

- a. **Insurance** capacity will likely remain international (like for instance Lloyd's of London), which is acceptable and market-standard.
- b. **Highly Qualified Persons** should be eligible under existing incentive frameworks.
- c. Ongoing **coordination between MFSA, FIAU, tax authorities and industry stakeholders** is, not just crucial but essential.
- d. Concurrently, **international banks** must be able to use Maltese SPVs without incurring tax leakage or structural inefficiencies.

We underscore that this is a **cross-sector initiative**, not solely a regulatory exercise.

## 9. Conclusion

The Malta Chamber fully supports the introduction of a **notification-based aircraft finance leasing framework** as a pragmatic and business-oriented reform.

As per our business section discussions, we note that licensing was a clear showstopper and to address this, **notification is the correct solution**.

We therefore reaffirm that the key principles for success of this legislation highly hinge on **facilitation without dilution of safeguards**, because reputation remains key. At the same time, **no more onerous**



**treatment than Ireland is required**, being both part of the European Union and we need our jurisdiction to be competitive.

The proposed framework should logically and strategically always **prioritise the attraction of quality**, high-value players, underpinned by legal certainty, tax neutrality and **a fully prepared supporting ecosystem** to ensure long-term credibility and sustainability.

The Malta Chamber affirms that Malta does not need to reinvent the wheel. That is why by adopting this proposed **light but credible regulatory model**, aligned with international benchmarks, Malta can realistically establish itself as a competitive and reputable aviation finance jurisdiction in Europe.



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