

# MALTA INITIAL EXCHANGE OFFERING (IEO)

Launching an IEO in Malta

**GDP GROWTH**  
6.6% IN 2018

**TIMEZONE**  
Central European Time Zone  
(UTC+01:00)

**FINANCIAL SECTOR**  
25% Annual Expansion

**REGULATOR**  
Malta Financial Services Authority

**FINANCIAL SERVICES FRAMEWORK**  
EU and OECD Approved

**FINANCIAL TECHNOLOGY LAW**  
First in the World



# MALTA

Over the past decade, Malta has become a prime fintech hub attracting electronic money institutions and payment service providers, and developed into the world's largest iGaming hub. Consequently, Malta invested heavily in its IT infrastructure and attracted a large proportion of senior IT talent to the island. In its pursuit of developing into a European financial services centre of choice, Malta had already gained experience in tech-based, high-risk industries, which positioned the island perfectly to capitalise on the rise of DLT technology.

In order to benefit from the vast potential of this industry, the Government of Malta designed a legal framework for innovative technology that is built upon three pillars: consumer protection, market integrity and financial stability. Market participants may rely on the reputability of the Malta's legal framework in this sector that guarantees investor protection, whilst at the same time provides businesses and entrepreneurs with a stable yet pro-business environment within which they can raise funds through an ICO/IEO or provide VFA Services in or from within Malta.

# LEGAL BASIS

The legal framework specifically designed by the Government of Malta to regulate Virtual Financial Assets (VFAs) and Virtual Financial Assets related services ('VFA Services') comprises a series of three laws:

- the Malta Digital Innovation Authority Act (MDIA Act) establishing the Malta Digital Innovation Authority (MDIA);
- the Innovative Technology Arrangements and Services Act (ITAS Act) providing for registration of technology service providers and the certification of technology arrangements; and
- the Virtual Financial Assets Act (VFAA) mainly regulating initial VFA offerings, VFA service providers and VFA agents.

Depending on the structure of the DLT asset, a Maltese entity seeking to launch an IEO from Malta will generally be treated as an 'Issuer' in terms of the Virtual Financial Assets Act.



## BENEFITS



Reputable Jurisdiction:  
Clear Regulatory  
Requirements



Rules and  
Documentation  
in English



Consumer Protection,  
Market Integrity and  
Financial Stability



Attractive  
Corporate Tax  
Regime



Reduced costs: KYC  
& administrative  
procedures carried out  
by the Exchange



## INITIAL EXCHANGE OFFERNIGS

IEOs are booming in the crypto industry as a fund-raising alternative to ICOs. Unlike ICO, IEOs are conducted directly on the cryptocurrency exchange platform that sells the VFAs on behalf of the Issuer.

IEOs offer a number of benefits to Issuers in comparison to ICOs due to the fact that a number of functions and obligations are carried out by the exchange. Owing to the active participation of the exchange in the crowdsale, IEOs provide an increased level of trust among cryptocurrency projects, increase investor confidence, and streamline the offering process. Issuers will benefit from the exposure given to the offering which would be available to the user base of the hosting exchange, thus cutting down on marketing costs.

Due diligence and KYC/AML checks would also be carried out by the exchange through its own smart contracts, thus boosting the security of the offering and cutting down costs and complexity for the Issuers. IEOs also allow buyers to purchase tokens in the different fiat and crypto currencies accepted on the exchange. Additionally, secondary trading would also be facilitated, thus leading to increased liquidity for the issued VFAs.

## KEY REQUIREMENTS

### Financial Instrument Test

The VFAA requires that prospective issuers undertake a Financial Instrument Test ("FIT") before offering DLT assets to the public in or from within Malta, in order to determine the nature of the DLT asset to be offered.

The VFAA recognizes four types of DLT assets: virtual tokens (utility tokens), financial instruments, electronic money and VFAs. The VFAA defines a VFA by exclusion. If a DLT asset is not a utility/virtual token, nor a financial instrument, nor electronic money, it is a VFA. Issuers of IEOs will generally qualify as Issuers in terms of the VFAA and will have to abide by the procedures and obligations as provided for under the VFAA, principally to register the whitepaper with the MFSA prior to launching the IEO.

### Fit and Proper Test

A fit and proper test will need to be taken by prospective persons wishing to launch an IEO of a VFA. Such test must be undertaken by the VFA agent prior to the latter's engagement by the issuer.

### Malta Entity

An issuer seeking to launch an IEO of a VFA from or within Malta, must be a legal person, which usually takes the form of a limited liability company. However, it is also possible to launch an IEO through a foundation which permits a better segregation of any IP rights pertaining to the DLT platform or asset.

### VFA Agent

A VFA agent must be appointed by a prospective issuer. A principal obligation of the VFA Agent is to verify, validate and endorse the FIT carried out by the issuer. Moreover, the VFA Agent shall be responsible for making sure that the issuer of a VFA is acting in accordance with the VFAA and meeting the milestones set out in the whitepaper. The VFA Agent will also act as an intermediary between the issuer and the MFSA and will provide support to the issuer throughout the VFA offering process.

### White Paper

Any issuer seeking to launch a VFA offering is required to draw up a whitepaper in accordance with the specifications outlined in the VFAA, and to register such whitepaper with the MFSA at least ten working days prior to launching the offering. Such obligations apply in the context of IEOs as well.

A whitepaper needs to be drawn up in English, and any other language at the issuer's discretion. The whitepaper needs to contain specific information as laid down in the VFAA. Such information allows interested investors to make an informed assessment of the prospects of the issuer, the proposed project and of the features of the VFA being offered. Upon registration of the whitepaper with the MFSA, the authority will need to be satisfied that the applicant will comply with and observe the requirements of the VFAA and any other supplementary rules issued thereto.

## KEY REQUIREMENTS



Appoint a VFA Agent



Fit & Proper Test by VFA Agent



Undertake the Financial Instrument Test



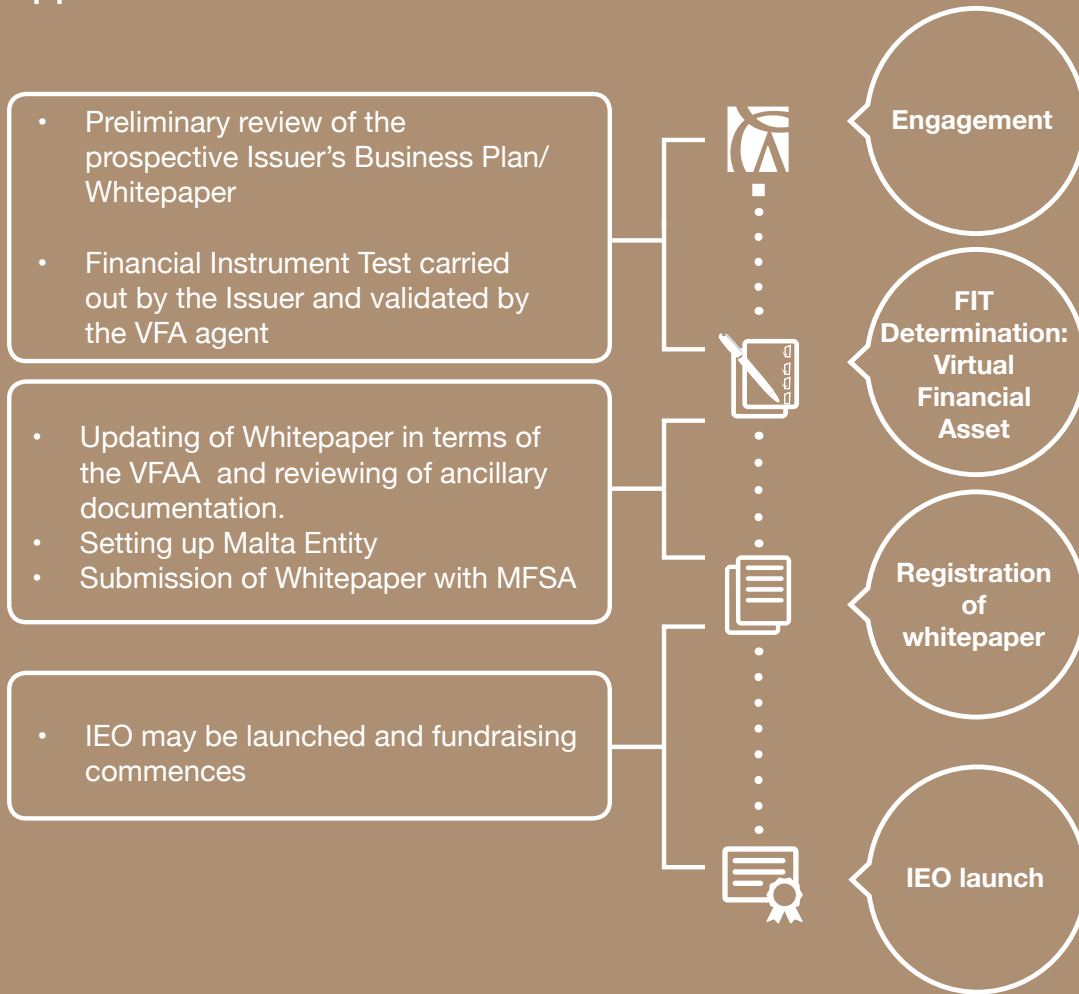
Local Malta Entity



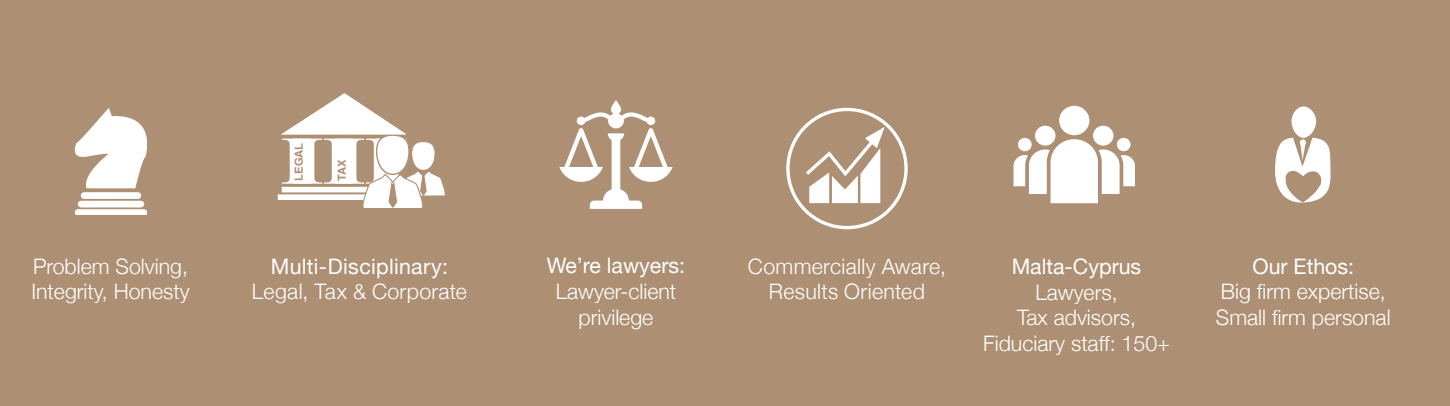
Register Whitepaper with MFSA

# INITIAL EXCHANGE OFFERINGS

## Application Timeline



## WHY WORK WITH US?



**CHETCUTI CAUCHI**  
ADVOCATES

Malta  
Cyprus  
London  
Zürich  
Hong Kong



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