



MALTA

INITIAL COIN OFFERING (ICO)

Launching an ICO in Malta

GDP GROWTH

6.6% in 2017

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



CHETCUTI CAUCHI
ADVOCATES

ccmalta.com/fintech



MALTA

Malta has established itself as a prime fintech hub for over more than a decade by attracting to the island a large number of electronic money institutions and payment service providers, as well as having developed into the world's largest iGaming hub.

This led Malta to invest heavily in its IT infrastructure and has drawn a large proportion of senior IT talent to the island. This experience in a tech based, high-risk industry positioned Malta perfectly to capitalise on the rise of Distributed Ledger Technology (DLT).

Malta's progressive attitude towards DLTs and cryptocurrencies has already attracted some of the world's largest crypto exchanges who have either relocated to or commenced additional operations in Malta.

Malta has sought to create a regulated framework for innovative technology that is built upon three pillars: consumer protection, market integrity and financial stability. Therefore, token issuers and providers of Virtual Financial Assets Services ('VFA Service') rely on the reputability of the Malta's legal framework in this sector, guaranteeing investor protection, whilst at the same time enjoying the stable environment of raising funds through an ICO or providing 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 coin offerings (ICOs), VFA service providers and VFA agents.

The Malta Financial Services Authority (MFSA) is the lead regulator for VFAs and VFA service providers. However, certain innovative technology arrangements, including DLTs and smart contracts may be referred to the MDIA for further certification.



BENEFITS



Clear Regulatory Requirements



Rules and Documentation in English



Consumer Protection, Market Integrity and Financial Stability



Reputable Jurisdiction



Attractive Corporate Tax Regime



VIRTUAL FINANCIAL ASSET CHARACTERISTICS

The VFAA recognizes four types of DLT assets:

- virtual tokens (utility tokens) – which fall outside the scope of the VFAA;
- financial instruments – regulated by MIFID II and the Malta Investment Services Act;
- electronic money- regulated by the E-Money and other EU directives and the Malta Financial Institutions Act; and
- virtual financial assets – regulated by the VFAA.

The VFAA defines a VFA by exclusion. If the DLT asset is not a utility/virtual token, nor a financial instrument nor electronic money, it is a VFA. Unlike a utility/virtual token, VFAs may be utilised and traded or exchanged across multiple DLT platforms.

KEY REQUIREMENTS

Fit and Proper Test

Persons seeking to launch an ICO from or within Malta will need to undertake a fit and proper test undertaken by the VFA agent prior to engagement.

Malta Entity

In order to launch an ICO from or within Malta, an issuer must be a legal person duly formed under the laws of Malta. Usually such legal structure takes the form of a limited liability company but it is also possible to launch an ICO through a foundation which permits a better segregation of any IP rights pertaining to the DLT platform or asset.

VFA Agent

The prospective issuer must appoint a VFA agent to verify that the DLT asset is in fact a VFA. The issuer has to carry out the FIT as provided by the MFSA, which needs to be validated and endorsed by the VFA Agent.

On an ongoing basis, the VFA Agent will ensure that the issuer is complying with the VFAA and meeting its milestones. The VFA Agent will also liaise with the MFSA on behalf of the issuer and will provide support to the issuer throughout and post the ICO process.

Financial Instrument Test

The VFAA requires that prospective issuers undertake a FIT as provided by the MFSA before offering DLT assets to the public in or from within Malta, to determine the nature of the DLT asset to be offered. The FIT must be carried out prior to the submission of the whitepaper to the MFSA and will also be applicable to entities which issued DLT assets overseas, but which wish to list on DLT exchanges operating in and from Malta.

In order for the issuer to be able to undertake an ICO in and from Malta, the FIT must determine that the DLT asset is not any of the other recognised DLT assets as listed above, and therefore by default, a VFA. On the DLT asset being determined as VFA, the issuer must follow the procedures and obligations as provided for under the VFAA, principally the registration of the whitepaper with the MFSA prior to launching.

White Paper

The VFAA provides that any token issuer seeking to:

- offer virtual financial assets ('VFAs') to the public in or from within Malta; or
- apply for a VFA's admission to trading on a DLT exchange operating from Malta;

is required to draw up a whitepaper in accordance with the specifications outlined in the VFAA and register such whitepaper with the MFSA at least ten working days prior to launching an ICO or placing the relevant VFA on the exchange operating in or from Malta.

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 which 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.

On 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



Fit & Proper Test
by VFA Agent



Appoint a VFA
Agent



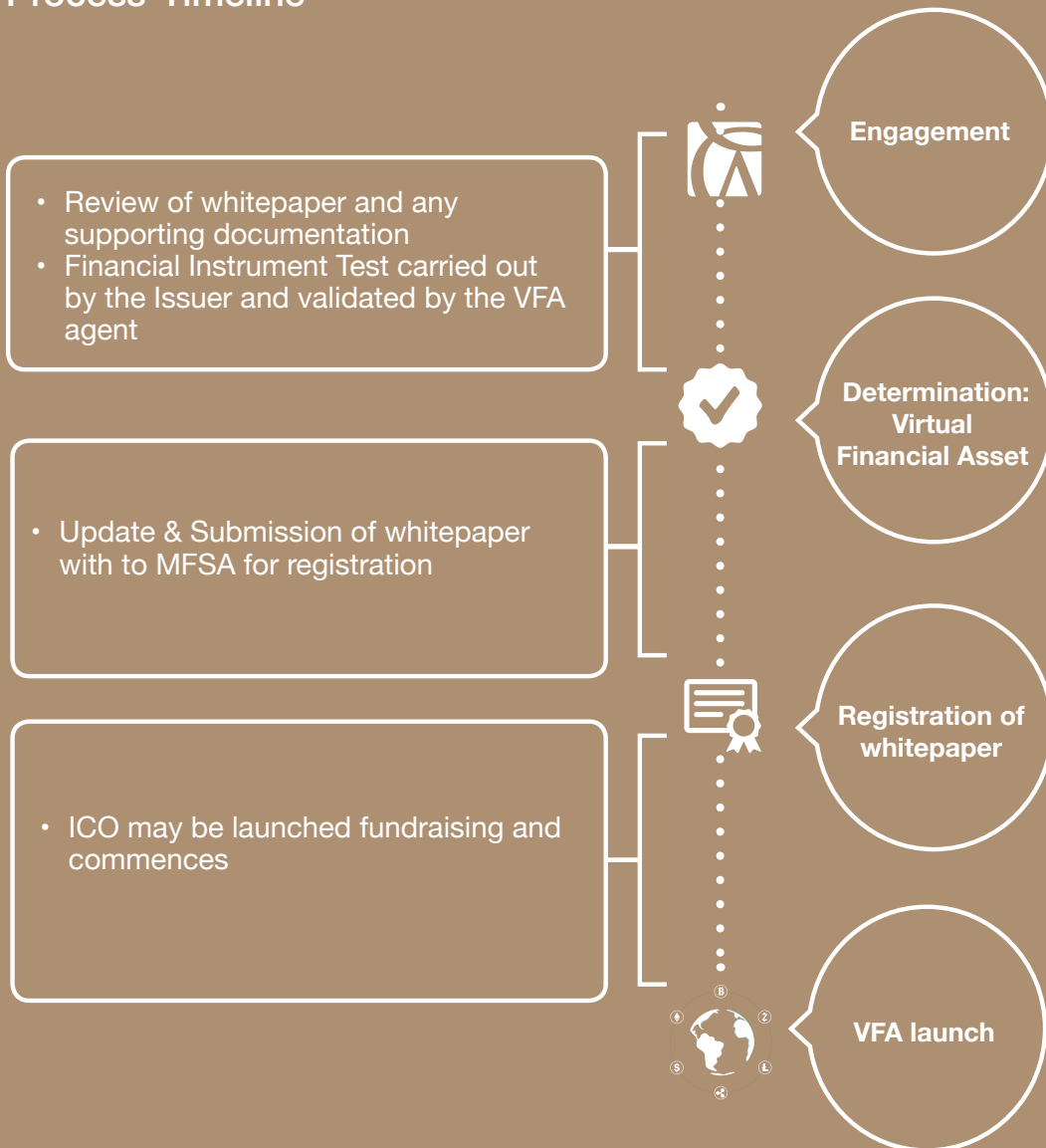
Undertake Financial
Instrument Test



Register Whitepaper
with MFSA

INITIAL COIN OFFERINGS

Process-Timeline



WHY WORK WITH US?



Problem Solving,
Integrity, Honesty



Ranked in Various
Listing Directories



We're lawyers:
Lawyer - Client
Privilege



15+ years
Experience



Malta-Cyprus
Lawyers, Tax
Advisors,
Fiduciary Staff: 200+



Our Ethos:
Big Firm Expertise;
Small Firm Personal



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Malta



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