

## Information Technology

# Malta and Blockchain

In October 2008, an anonymous developer under the pseudonym Satoshi Nakamoto released a paper called 'Bitcoin: A Peer-to-Peer Electronic Cash System' and the Bitcoin network was created as Nakamoto mined its first block known as the 'genesis block'.

By 2011, Bitcoin has gained traction as the most popular cryptocurrency to proceed with the transaction and has been widely used on the dark web and the sites such as Silk Road where 9.9 million BTC were transacted in just 12 months. By January the 1st 2014, the value of a single Bitcoin had risen to \$770 and by December 2017, the value of a single coin was \$20,000. Today, the price hovers between \$5000 and \$7000, but is expected to stabilise in the coming months.

Now, you can use Bitcoin and other cryptocurrencies to buy all manner of things, from property to pizza, and even pay tuition fees; but the real success story comes from the technology that underpins it.

### What is blockchain

Blockchain is an open, distributed ledger that has the ability to record transactions between two parties efficiently and in a verifiable and permanent way. Furthermore, it can be used for a whole range of things from recording university degrees, auctioning the process of selling a house, or tracking items through a logistical supply chain. Its use-cases are diverse and wide-reaching and it seems that blockchain has the potential to change the way both people, and businesses work.

Malta has long been a hub for technology and digital industries; from iGaming to FinTech, a reputation of excellence has been established on a global scale so it seemed only logical that blockchain would like home here as well.

### National Blockchain Strategy

In August of 2016, the first draft of the Malta National Blockchain Strategy was created at the request of Dr. Chris Cardona, The Minister for the Economy. The document outlined a plan to implement the technology across multiple sectors, not just that of finance whilst developing and benefiting the Maltese economy as a whole. In October of the same year, a draft strategy was presented to the minister and subsequently deemed as strategically important. It was then turned into a Memorandum and presented to Cabinet.

By April 2017, Malta's Blockchain Strategy had been unanimously approved by the Cabinet of Ministers, with considerable effort made to ensure that every stakeholder understood the true vision of the Blockchain Island. On April 20th, Prime Minister Dr. Joseph Muscat formally announced the strategy, headed up by Parliamentary Secretary Silvio Schembri, to the Economic and Financial Affairs Parliamentary Committee.

Just a few months later in September, the Ministry of Education and Employment announced a new project that would put educational and academic records on the blockchain. In October, the Budget for 2018 allocate funds to promote the usage of the technology as well as to create a Blockchain Laboratory and a Blockchain Startup Hub.

### Announcement of the Consultation Document

Hon. Silvio Schembri called a press conference on the 15th February 2018 to announce the publication of a consultation document entitled "The Establishment of the Malta Digital Innovation Authority; the Framework for the Certification of Distributed Ledger Technology Platforms and Related Service Providers; and a Virtual Currency Act". This document outlines three separate but linked bills: The Malta Digital Innovation Authority Act (MDIA), Innovation Technology Arrangements and Services Act (ITAS), and the Virtual Finan-

cial Assets Act (VFA). These bills outlined the plan to create the supervisory authority, as well as the world's first comprehensive legal framework to govern crypto, blockchain and ICOs. The Blockchain Island environment was created.

Over the next few months, a flurry of blockchain-related activity took place in Malta. Binance, the world's largest cryptocurrency exchange announced its intentions to relocate, thus triggering a mass exodus of other crypto and blockchain businesses to the country. Then on July 4th, 2018, the three crypto bills were passed into law, providing much needed legal and regulatory certainty for all stakeholders operating within the sector.

### Delta Summit 2018

October kicked off with the inauguration of the Delta Summit which was held in St Julian's, attracting thousands of international industry experts and leaders to Malta to present, discuss, and network together. The event was a huge success and is to be followed by similar events over the coming months. Director of E&S Group, Dr Christian Ellul spoke at the first day of the event, discussing Malta's place in the world of blockchain and cryptocurrency technology and its potential to lead the global industry, despite the country's small size.

### 3 Acts Come Into Force

On the 1st of November, the Maltese gov-



ernment successfully enacted the two remaining bills to secure the DLT journey on the island. These laws are the Virtual Financial Assets Act, and the Innovation Technology Arrangements and Services Act respectively. While on the 5th of October during the Delta Summit, the Hon. Silvio Schembri launched the Malta Digital Innovation Authority Act.

These laws caused interest from

many legal firms wanting to know more on how to help their clients pass their regulating test and become licensed to operate in Malta. The MFSA created the Virtual Financial Agent as presented in the VFA law. All licensed agents are required to assist ICOs and crypto exchanges to become licensed by the authority. It seems likely that we are destined to eclipse the success of the iGaming industry; a sector that contributes over 12% to the annual GDP.

### Malta Blockchain Summit

In November, the Malta Blockchain Summit lived up to its expectations with an incredible 8,500 turnout. Attendees had an opportunity to visit the vivid exhibition with more than 400 companies represented, enjoyed the keynotes of the conference, witnessed the hackathon and attended workshops on investment, marketing, business development and many other topics. The presence of media and PR agencies representatives on the exhibition and during public speeches provided the companies and individuals with the decent level of publicity.

The future is bright for blockchain and it looks set to continue infiltrating every aspect of our lives; making things cheaper, quicker, and more efficient and streamlined.

E&S can guide you through these new laws that came to force on the 1st of November.

