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E&S Group is a boutique multi-disciplinary firm focused on the provision of blockchain, ICOs, tokenomics, corporate, tax and related services in or from Malta. We believe in building long-lasting professional relationships with our clients.

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THE NEW RULES

CHRISTIAN ELLUL AND KARL SCHRANZ, OF E&S GROUP FAME, ARE LEADING LEGAL MINDS IN THE BLOCKCHAIN, TOKENOMICS AND ICO REALM. THEY TALK TO THE BLOCK ON RECENT LEGISLATION, AND ITS IMPLICATIONS.



HOW WILL THE 3 BILLS PASSED IN PARLIAMENT HELP THE CRYPTO AND BLOCKCHAIN INDUSTRY?

CE: The three bills passed in parliament will give a much-needed structure to the industry. The bills have been designed in a way that will not only benefit the industry, but also Malta. The Malta Digital Innovation Authority Bill allows for the establishment of a new authority, to be known as the Malta Digital Innovation Authority – with one of its main objectives revolving around the certification and supervision of voluntary applications.

Essentially the bill aims to cultivate a culture of cooperation between the Malta Digital Innovation Authority and other national authorities in Malta, by providing for a principle of mutual recognition with regards to qualifications of persons involved in the review and to audit the innovative technology arrangements. Although this isn't exclusive to blockchain, it will ensure that there is a positive environment to encourage innovation and the advent of new technology, but in a regulated manner.

HOW IS THE CRYPTO INDUSTRY EVOLVING AND IS IT CHALLENGING FIAT CURRENCIES?

CE: The crypto industry is rapidly evolving, with many businesses choosing to start an ICO to gather funds for their services offered on the platform. In order to start off their project, ICOs have to issue tokens with a value tied to it. This will enable them to attract investors to support and participate in the ICO crowd-funding process. Although these tokens have a value, they can be used in two different ways according to the project in place. An electronic coin is used as a means for online payments while a token is used to buy a service offered by the platform. Not all platforms accept the same tokens, some ICOs only accept their token being issued.

KS: I believe that FIAT currencies will not fade away in the future. Cryptocurrencies will only challenge them and stabilise them within the economic sphere. FIAT currencies will stay sought after by all countries as their national common currency to be used. Cryptocurrency will only remain as an alternative currency which can be used to be traded or exchanged to other cryptocurrencies.



The Innovative Technology Arrangements and Service Bill, provides for the regulatory framework of designated innovative technology and also provides for the implementation of the regulatory functions of the Malta Digital Innovation Authority. The bill, in conjunction with the MDIA bill will create an authority to encourage innovation but also provide for a regulatory regime so that an environment of responsible innovative technology is being fostered.

The Virtual Financial Assets Act is a rather robust and welcomed piece of legislation. This will add a considerable amount of legitimisation to the industry – adding structure, a detailed process with disclosure requirements, and healthy degree of investor protection. This will allow investors who were previously hesitant at investing in the industry to take a second look – and from an issuer's point of view, it will encourage them to look at Malta as their chosen jurisdiction.

DEFINE 'TOKENOMICS' – WHY IS IT SUCH AN IMPORTANT CONCEPT?

KS: Tokenomics is the critical exercise which assists upcoming ICOs in order to determine the feasibility of the project together with outlining the adequate functions and specifics in order to take forward the project successfully.

It consists of analysing the token design to extrapolate maximum raise and token value throughout the lifetime of the tokenised environment. The proposed way forward for the project is analysed and compared with the value of the ecosystem by evaluating the planned Token Distribution and Fund Allocation. This will essentially pave the way for future lockup options to be identified. Additionally, market comparisons are made in order to approve the viability of the whole project.

Tokenomics is a critical function undertaken by financial experts with experience in the field and it will definitely pave the way to a successful and fruitful project.

MANY COUNTRIES ARE FOLLOWING SUITE TO REGULATE BLOCKCHAIN AND CRYPTO. HOW CAN MALTA REMAIN A LEADER?

CE: With the progressive approach shown by the Maltese government, companies using blockchain technology are moving to Malta, helping them to flourish in this new market. These laws are expected to regulate ICOs, cryptocurrencies, Crypto

exchanges and other DLT platforms. The three bills that are to be implemented are the Malta Digital Innovation Authority Act, Virtual Financial Assets Act and the Innovation Technology Arrangements and Services Act. Since other countries have not set clear and progressive regulations on blockchain based platforms, Malta will remain the leading trailblazer setting clear regulations on this platform.

WHAT IS THE SET FRAMEWORK OF THESE BILLS WHICH HELP MORE CRYPTO EXCHANGES TO RELOCATE IN MALTA?

KS: The bills work in conjunction with each other. The main goal is to encourage innovation, streamline the processes for obtaining approval by encouraging intergovernmental agency and mutual recognition, and also provide a level of structure and much needed investor protection.

“ With the progressive approach shown by the Maltese government, companies using blockchain technology are moving to Malta ”

The level of potential liability exchanges face is immense. The Virtual Financial Assets Act provides for exceptions, where these exchanges can avoid liability if they meet certain criteria. The criteria are of course under the purview of investor protection, and are designed toward that end.

These provisions are a very positive welcome for legitimate exchanges – from both a legal point of view and a commercial one. They will be legally

protected, so long as they operate legally under the guidance of the MFSA and the VFSA. They will also be in a commercially advantageous jurisdiction.

WHAT CHANGES ARE YOU EXPECTING/ HOPING TO HAPPEN WITHIN THE INDUSTRY?

CE: With these new laws, which are expected to come into effect late September or early October, Malta will continue to see more companies setting up shop on the island. In newspapers worldwide, Malta is listed as a go to country having the friendliest regulations for all blockchain and fintech companies. I expect that this industry will continue to grow and become a leader in the blockchain sphere. New opportunities are arising in this sector, with more innovative people exploring this platform. As a company we are continuously growing, with a number of clients choosing to set up or register their ICO project in Malta.