

Information Technology

MALTA'S CRYPTO ACTS What does it mean for you?

Many of you will have heard the news that the Maltese Government is set to introduce three new acts that will seek to regulate the blockchain and cryptocurrency sector. Unless you are someone that works within these industries, or has an interest in investing or trading in cryptocurrencies, this news may not mean much to you. So what does it mean, and what impact will it have on Maltese society, businesses, and its economy?

What is cryptocurrency?

Cryptocurrency is the umbrella term for any digital asset that is designed to work as a medium of exchange. These 'coins' use strong cryptography to secure the transactions, create other units, and verify the transaction of assets. They are decentralised in nature which means that unlike fiat currencies (such as dollars or euros) they are not controlled by a central bank or single authority. Instead, the control of each cryptocurrency is exercised via distributed ledger technology such as a blockchain, which keeps a record of every transaction that is made with each particular coin. Examples of cryptocurrencies include Bitcoin, Ethereum, Litecoin, Dash, or Monero.

What is blockchain?

The blockchain is not the same as cryptocurrency and whilst cryptocurrency needs a blockchain to work, the blockchain does not require cryptocurrency to carry out tasks. It is, essentially the technology that underpins crypto and it is a digital ledger that records any transactions that is made over it. These transactions could be data, records, or value, and once an entry has been entered, it cannot be edited or deleted in any way. Information on the blockchain is shared between every other user of the network and has no central point of failure meaning it is immutable and impenetrable to hackers.

What are the three acts that will enter into force?

The Maltese Government will introduce three acts on October 1st, 2018. These are "The Virtual Financial Assets Act" (VFA), "The Malta Digital Innovation Authority Act" (MDIA), and "The Innovative Technology Arrangements and Services Act" (ITASA).

The VFA

This act will regulate Initial Coin Offerings which are a novel way of raising funds to support start-ups. Companies



that wish to raise money in this way publish a whitepaper that outlines a detailed description of the project and then offers investors the chance to buy tokens that represent a stake in the project, should it be successful. ICOs are incredibly popular but can be prone to scammers and fraud meaning that strict regulation is necessary, as well as being a big step forward for the global industry. Anyone wanting to launch an ICO in or from Malta will have to adhere to strict rules and regulations that will govern every aspect of the business, the offering, and the requisites of investors looking to money placement.

The MDIAA

This act focusses mainly on cryptocurrency and blockchain based businesses and it also creates the Malta Digital Innovation Authority that will oversee and regulate the industry within Malta. The

Authority will be responsible for certifying businesses operating within the distributed ledger technology, smart contracts, and other related services sector. It will also regulate and supervise all activities within the industry as well as providing legitimacy and confidence and creating new policies, after the act has been implemented.

The ITASA

This act pertains specifically to the registration and certification of businesses operating within the cryptocurrency sphere- particularly exchanges and trading platforms that handle cryptocurrency. Several large, international cryptocurrency exchanges have announced their intention to relocate to Malta, and their operations will be governed by this act as well as The Companies Act and legislation relating to money laundering and the financing of terrorism.

So what does this mean?

The creation of these three acts and all subsequent laws, puts Malta in a truly unique position. Now dubbed as the "Blockchain Island", Malta is the first country in the world to create a comprehensive legal framework that will support the development of the DLT technology and cryptocurrencies, whilst providing protection for investors, enterprises, and members of the public. These acts aim to bring regulatory harmony into the sector whilst ensuring that Malta can benefit from the booming business, without putting itself at risk.

Malta will quickly become the most desirable jurisdiction for blockchain and cryptocurrency businesses and this will bring great investment and economic growth, as well as plentiful job opportunities to the island. Whilst iGaming was a great boost for the country, the scope and size of the blockchain industry is expected to far surpass it, meaning that the opportunities for Malta to excel are amplified.



E&S Group

Earlier in 2018, E&S Group became the first firm to tokenise their services. In other words, customers were able to purchase ESTS tokens and use them to redeem services instead of paying with fiat currency. A breakthrough in the sector, it seemed a logical step for a firm that has advised over 80 (and counting) ICOs from concept stage to the final offering. As one of the leading names in the industry E&S Group provide advisory, legal, corporate, tax and even marketing services to crypto and blockchain start-ups, as well as exchanges or related businesses looking to use Malta as a base of their operations.

Dr Christian Ellul, Director of E&S Group said: "Here at E&S Group, we have been involved in the blockchain and crypto world for over a year now. We are happy to learn that the Maltese authorities are supporting this by setting up the Malta Digital Innovation Authority. The intention is to present Malta as a hub to promote this technology which is very feasible, especially with the introduction of the required legislation to smooth the way forward."

All services are undertaken in full compliance with local and EU laws that govern business, fiscal issues, and of course, cryptocurrency and DLT. If you are looking to find out more, E&S Group is the only logical choice.

