

Information Technology

A tiny blockchain island is securing its position as a leader in the crypto world

The Maltese government aims to create a blockchain “hub” and attract big DLT-based corporations to set up shop on the island and motivate foreign based enterprises to incorporate with local companies. The potential of the Maltese economy is growing day by day creating a competition around the little piece of land in the Mediterranean Sea.

A public consultation was underway in March, conducted by the Parliamentary Secretary, Hon. Silvio Schembri. This discussion brought many key stakeholders to actively assist in drafting of the laws alongside the Maltese government. When news about the progressive but structured regulations started to arise, news agencies shortly nicknamed Malta as “The Blockchain Island”.

On the 4th of July, Malta officially passed the three laws regulating virtual currencies, ICOs and cryptocurrency exchanges. The names of these three bills are 1) Malta Digital Innovation Authority Act, 2) Virtual Financial Assets Act and 3) the Innovation Technology Arrangements and Services Act.

The industries had been waiting for these laws to be implemented for a long time. Regarding the Innovative Technology Arrangements and Services Act, 2018 the Minister for the Digital Economy has established the 1st November 2018 as the date on which the provisions of the said Act shall come into force. In exercise of the powers conferred by article 1(2) of the Virtual Financial Assets Act, the Parliamentary Secretary for Financial Services, Digital Economy and Innovation, in consultation with Malta Financial Services Authority, has established the 1st November 2018 as the date on which the Act shall come into force. The MDIA, which falls under the Malta Financial Services Authority (MFSA), has already been in operation.

One of the most important acts is the VFSA, as it regulates the whole Initial Virtual Financial Assets Offering and Virtual Financial Assets ecosystem and increases transparency requirements. The high-level principles and means of prosecution are applied to those who abuse market regulations, for example, by not adhering to the 5th anti-money laundering directive.

According to the Maltese law, a VFA is “any form of digital medium recordation that is used as a digital medium of exchange, unit of account, or store of value,” however it doesn’t fall under “electronic money”, or “a financial investment” or “a virtual token.”

The VFSA covers the following: offering of VFAs, regulation of all services providers operating on the VFA space; licensing of all requirements and obliga-

tions of ICO issuers or those companies providing any kind of services to ICOs; structuring and implementing the financial instrument tests, identifying the minimum disclosure requirements for ICO whitepapers, control on marketing and advertisement of VFAs.

The law attests that every ICO better named by law as “initial virtual financial asset offering” or “initial VFA offering” needs to pass the Financial Instrument Test to be presented to the MFSA. The Financial Instrument Test is led by VFA Agents, which have to undergo a test to obtain a license from the respective authority. The law states that the VFA Agent is to be a source of guidance between the VFA issuer or the VFA service provider applicant, acting as a contact person between the MFSA and the client.

E&S Group director, Dr Christian Ellul, believes that Malta is becoming the first jurisdiction to pass such progressive laws not by chance:

“The government did not draft this law on its own. The government had consulted with a number of key stakeholders, (including himself), most of which coming from the legal sector, to make this law possible. Through a public consultation done in March, companies have put forward their concerns aiding for a better way to regulate such new laws in every possible aspect.”

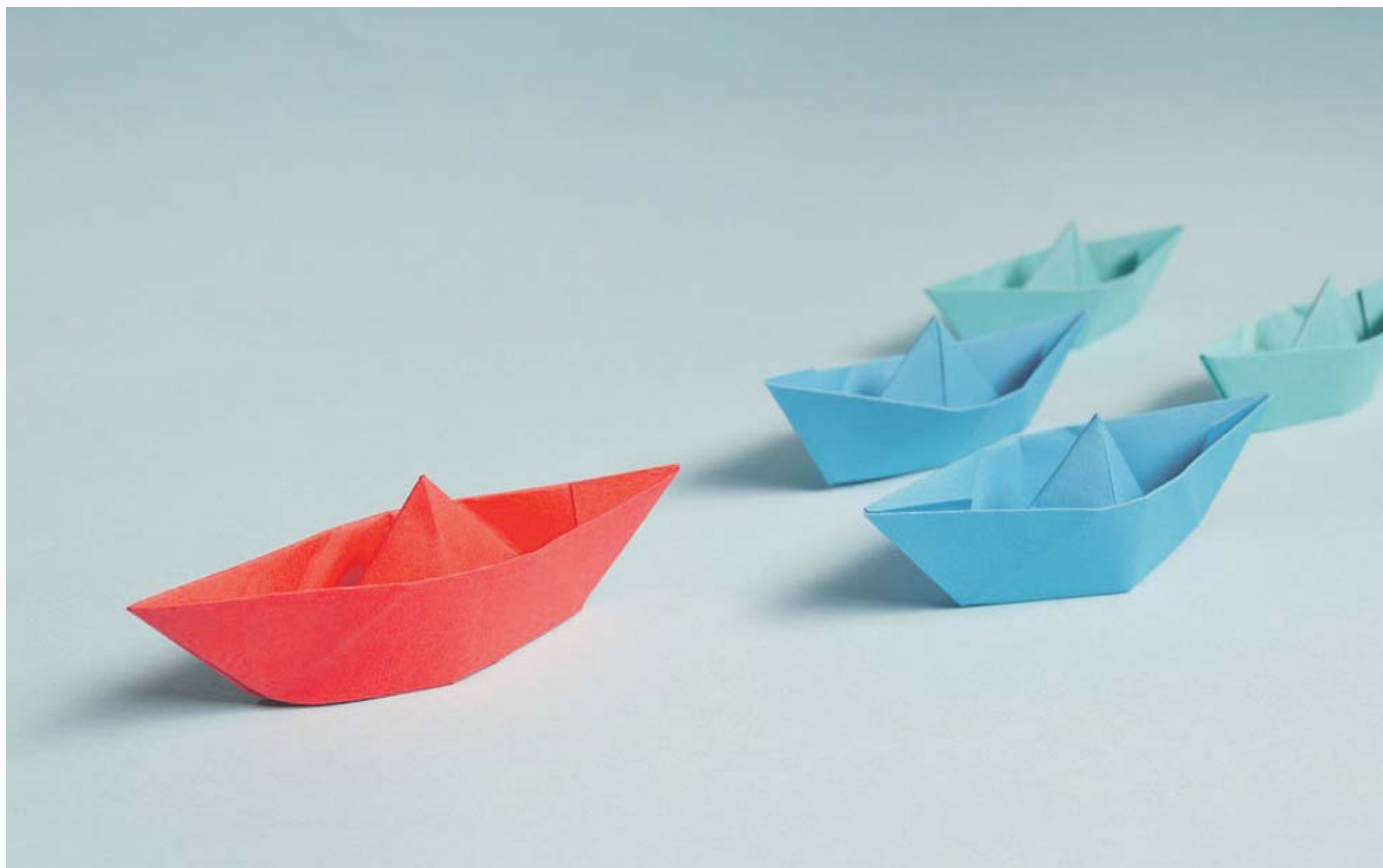
Dr Ellul continued by saying that “These laws come to no surprise. The Maltese government has been at the forefront with the introduction of these laws. We are seeing many businesses, most of which are foreign companies moving towards the blockchain era of doing things.”

It is worth to point out that Malta is not only successfully building the ecosystem for the DLT industry on its island but also consults other nations on their way of creating the transparent legal framework. The government of Vanuatu was enlist-

ing the support of the Maltese government to introduce its DLT regulatory framework. Vanuatu’s Minister of Foreign Affairs, Ralph Regenvanu has asked the Maltese government to share its insight on blockchain legislation.

Vanuatu’s Council of Ministers had earlier instructed its finance ministry to set up a task force dedicated to creating policies for blockchain-related activities within its shores. Therefore, Regenvanu took advantage of DELTA Summit in Malta to meet up with the nation’s top officials. The minister met with Malta’s Prime Minister, Dr. Joseph Muscat and the Parliamentary Secretary of Financial Services, Silvio Schembri. Malta’s Financial Services Authority has agreed to extend its consulting services to Vanuatu’s financial supervision of its blockchain sector.

Malta is securing its position as a leader in the crypto world regulation and provision of services. All services are undertaken in full compliance with local and EU laws that govern business, fiscal issues, cryptocurrency and DLT. If you are looking to find out more, E&S Group is ready to assist.



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