

# E&S GROUP:

MORE THAN A STANDARD CORPORATE SERVICE PROVIDER

**MONEY** interviews Dr Christian Ellul and Karl Schranz, founders of E&S Group which is comprised of an experienced and dynamic team of professionals with a special focus on blockchain and crypto.

**Who is E&S Group and what services do you offer?**

E&S Group was founded in 2010. We offer a wide range of legal and corporate services to both local and foreign companies. We are continuously growing as a group, having 50+ employees working on a full-time basis. Other than the standard corporate services, we offer bespoke advisory and legal services to our clients, with a focus on the blockchain and crypto industry.

**With the new legislation in place, what advantages do you see in this industry?**

The new legislation is a key step in the right direction, not just for Malta, but for the industry as a whole. It is no secret that in the last few years the cryptocurrency industry, players and stakeholders have been subject to controversy (often associated with money laundering) and looked upon with suspicion – often compared to the dotcom bubble in the late 90s. This history lesson has forced many would-be investors to rethink their decision about investing in cryptocurrencies.

Undoubtedly, from a potential investor's point of view, the legislation will make investing in cryptocurrencies more attractive, in particular institutional investors, who are accustomed to invest in eligible projects and instruments. Knowing that there is some structure



in place to protect investors, as well as accountability, this is surely something that many investors look for. Article 10 of the Virtual Financial Assets Act (VFSA) states that the "issuer shall be liable for damages sustained by a person as a direct consequence of such person having bought virtual financial assets, either as part of an initial VFA offering by such issuer or on a DLT exchange, on the basis of information contained in the whitepaper, website or advertisement by reason of any untrue statement included therein". Although there are exemptions from liability, issuers must exercise due caution, specifically by acting in line with the principles of "business honesty and integrity" and "due skill, care, and diligence".

From a client's perspective, the VFSA adds a level of legitimacy to the ICOs. Since they are being required to comply with the substance of the VFSA and having to go through a regulated advisor, the VFA agent duly authorised by the MFSA, will add much-needed clarity to their offering. Our firm will seek to be authorised with the aim of representing and advising our clients in structuring their public offerings. Being fully compliant will allow issuers of ICOs to have a leg-up on offerings in other jurisdictions which may not be regulated. The new legislation also provides them with standards as to what they require to be compliant and what they can expect from their advisor.

**How are you coping with the new regulation?**

The new legislation has been welcomed by many. From a practitioner's point of view, it provides a much-needed legal and regulatory structure to the industry. The advent of the new legislation is opening up new business opportunities and challenging times to practitioners, legal advisors, accountants, auditors and technical advisors. Although the new legislation is but the initial step towards a solid regulatory framework, the ever-changing nature and growth of the industry would require parallel legal growth and development.

The Act should, together with additional effort and input from the practitioners and industry, have a very positive effect on Malta's goal of becoming a leader in blockchain and cryptocurrency. Clients who view themselves as legitimate and able to comply with the Act and its principles will be attracted to a jurisdiction that has shown that it is committed to the industry in a way that creates a beneficial environment for all stakeholders. Investors will be attracted to a jurisdiction that offers some level of protection.

The question now is, will the Act succeed in its goals. Only time will tell – but it does seem like a step in the right direction. A step that has caught the eyes of the European Union and other jurisdictions – the results and success of which we may see in the near future.

**ICOs cannot go ahead until there are advisers. Are you applying to be approved?**

Yes, absolutely. Although the registration process has not yet begun, we have been quite proactive in anticipating the requirements of a VFA agent. We are lucky in the sense that because our current practice is highly regulated, we as an organisation are already steps ahead. 