

MALTA VFA SERVICE PROVIDER LICENCE

Fintech: Setting up in Malta

GDP GROWTH

6.6% in 2017

TIMEZONE

Central European Time Zone (UTC+01:00)

SECTOR EXPANSION

25% Annual Expansion

REGULATORS

Malta Financial Services Authority
Malta Digital Innovation Authority

FINANCIAL SERVICES FRAMEWORK

EU and OECD Approved

FINANCIAL TECHNOLOGY LAW

First in World





MALTA

Malta has established itself as a prime fintech hub for over a decade by attracting to the island a large number of electronic money institutions and payment service providers, as well as having developed into the world's largest iGaming hub.

This led Malta to invest heavily in its IT infrastructure and has drawn a large proportion of senior IT talent to the island. This experience in a tech based, high-risk industry positioned Malta perfectly to capitalise on the rise of distributed ledger technology (DLT).

Malta's progressive attitude towards DLTs (including blockchain) and cryptocurrencies has already attracted some of the world's largest crypto-exchanges who have either relocated to or commenced additional operations in Malta.

Malta has sought to create a regulated framework for innovative technology that is built upon three pillars: consumer protection, market integrity and financial stability. This comprehensive legal framework is a world first and was eagerly anticipated by fintech experts, operators and investors.

LEGAL BASIS

The legal framework specifically designed by the Government of Malta to regulate virtual financial assets (VFAs) and virtual financial assets related services (VFA Services) comprises a series of three laws:

- the Malta Digital Innovation Authority Act ((MDIA Act) establishing the Malta Digital Innovation Authority (MDIA);
- the Innovative Technology Arrangements and Services Act (ITAS Act) providing for registration of technology service providers and the certification of technology arrangements; and
- the Virtual Financial Assets Act (VFAA) mainly regulating initial coin offerings (ICOs), VFA service providers and VFA agents.

Under the VFAA, no person can provide a VFA service in or from within Malta unless licensed by the Malta Financial Services Authority (MFSA) prior to commencing operations.

The MFSA is the lead regulator for VFAs and VFA service providers. However, certain innovative technology arrangements, including DLTs and smart contracts may be referred to the MDIA for further certification.

If the DLT assets to be traded or dealt with enter the sphere of other regulated activities, such as securities or iGaming, then more regulators will be called into play. The different regulators work well together and share the vision of promoting Malta as a safe, regulated environment in which this industry may thrive.



BENEFITS



Rules and
Documentation in
English



Consumer Protection,
Market Integrity and
Financial Stability



Pragmatic
Regulator



Reputable
Jurisdiction



Attractive
Corporate Tax
Regime



KEY REQUIREMENTS

- If the applicant is a natural person, physical presence in Malta is required. Where the applicant is a legal person, it may be constituted in Malta, or, if constituted abroad in a recognized jurisdiction, it shall establish a branch in Malta.
- No restrictions on the nationality of the ultimate beneficial owners of the applicant.
- Designated persons, directors, senior management, qualifying shareholders and ultimate beneficial owners have to undertake a fit and proper test.
- A licensed VFA Agent must be appointed by the applicant which will file the application with the MFSA and act as liaison between the applicant and the MFSA.
- The applicant must undertake, through the VFA Agent, a Financial Instrument Test (FIT) to ensure that the DLT asset in relation to which the applicant will be providing the VFA Service falls within the meaning of a virtual financial instrument as per the VFAA.
- The board of administrators/directors must effectively be directed by at least two individuals. The applicant needs also to appoint a compliance officer, a money laundering reporting officer and a risk manager.

TYPES OF LICENCES & SERVICES

The VFAA regulates a whole range of service providers and services provided in relation to VFAs covering reception and transmission of orders, execution of orders on behalf of others, dealing on own account, portfolio management, custodian and nominee services, investment advice, VFAs placements and the operation of a VFA exchange.

These services are classified in four classes as shown in the table below.

CLASS OF LICENCE, APPLICATION AND SUPERVISORY FEE

The licence application fees and annual supervisory fees vary by class of licence as per the table hereunder:

Licence Class	Description of permissible activities	Minimum Share Capital	Application Fee	Annual Supervisory Fee
Class 1	May: receive and transmit orders, provide investment advice and/or the placing of virtual financial assets May not: hold or control clients' assets or money, deal on own account and/or act as a VFA exchange.	€50,000 or €25,000 + PI	€6,000	€5,500 for revenue of €50,000, then + €700 for every further tranche of €50,000 up to maximum of €1,000,000
Class 2	May: receive and transmit orders, provide investment advice, placing of virtual financial assets and/or hold or control clients' assets or money. May not: deal on own account or act as a VFA exchange.	€125,000	€10,000	€9,000 for revenue of €250,000 then + €800 for every further tranche of €250,000 up to maximum of €5,000,000
Class 3	May: receive and transmit orders, provide investment advice, placing of virtual financial assets, hold or control clients' assets or money and/or deal on own account May not: act as a VFA exchange.	€730,000	€14,000	€12,000 for revenue of €250,000 then + €800 for every further tranche of €250,000 up to maximum of €50,000,000
Class 4	May: receive and transmit orders, provide investment advice, placing of virtual financial assets, hold or control clients' assets or money, deal on own account and/or act as a VFA exchange.	€730,000	€24,000	€50,000 for revenue of €1m, then + €5,000 for every further tranche of €1m up to maximum of €100,000,000

KEY REQUIREMENTS



Undertake Fit & Proper Test



Physical Presence



Appoint a VFA Agent



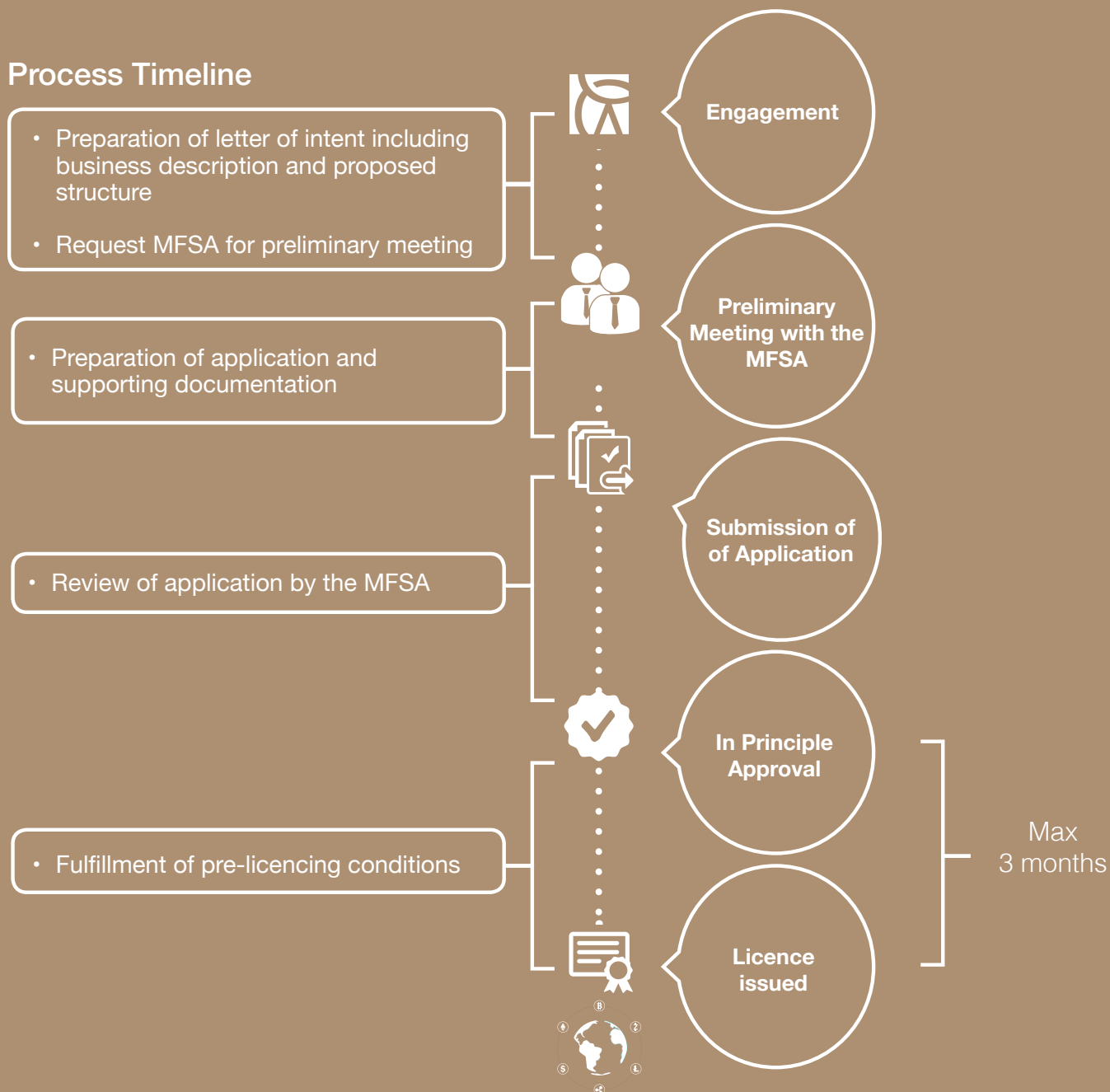
Initial Share Capital, Capital Adequacy and Liquidity Requirements



Undertake Financial Instrument Test

MALTA VFA SERVICE PROVIDER LICENCE

Process Timeline



WHY WORK WITH US?



Problem Solving,
Integrity, Honesty



Ranked in Various
Listing Directories



We're lawyers:
Lawyer - Client
Privilege



15+ years
Experience



Malta-Cyprus
Lawyers, Tax
Advisors,
Fiduciary Staff: 200+



Our Ethos:
Big Firm Expertise;
Small Firm Personal



Malta



Dr Priscilla Mifsud Parker

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