

# MALTA CRYPTO FUND

Malta Investment Funds

## GDP GROWTH

6.6% in 2017

## MALTA FUNDS

580+ Investment Funds with combined  
NAV of €9.7 billion

## FUND DOMICILE RECOGNITION

Rated No. 1 Europe's Favoured Fund  
Domicile (Hedge Fund Review's 2013 and  
2014 Service Provider Rankings)

## SECTOR EXPANSION

25% Annual Growth

## TIMEZONE

Central European Time Zone  
(UTC+01:00)

## REGULATOR

Malta Financial Services Authority

## TOTAL ASSET VALUE PIFS

€6.6 billion

## FINANCIAL SERVICES FRAMEWORK

EU and OECD approved





## MALTA

Malta has established itself as a prime fintech hub for over a decade by hosting and attracting a variety of financial services businesses and structures including Alternative Investment Funds (AIFs), Professional Investor Funds (PIFs), UCITS schemes, electronic money institutions and payment service providers, as well as having developed into the world's largest iGaming hub.

Malta has sought to create a regulated framework for innovative technology that is built upon three pillars: consumer protection, market integrity and financial stability. In the framework of developing a broad national legislative strategy supporting Distributed Ledger Technology ("DLT") assets and embracing the blockchain innovation, the Government of Malta has also been supporting the relative development in the financial investment services sector relative to the investment funds ("Funds"), in particularly PIFs.

## LEGAL BASIS

Malta PIFs are regulated but yet flexible investment vehicles for those promoters who wish to establish Collective Investment Schemes (CISs) but which fall short from being classified as AIFs under the AIF Directive 2014/65/EU. The current Malta fund regulatory framework permits the setting up of Virtual Currency (VC) funds as PIFs. For this reason, several amendments to MFSA's Investment Services Rules for Qualifying Professional Investor Funds ("Rules") were carried out by the Malta Financial Services Authority (MFSA) in order to extend the possibility for PIFs to invest in VC.

The Investment Services Act ("ISA") establishes the principal regulatory framework governing investment services and funds. As a general rule, any fund operating in or from Malta is required to obtain an appropriate licence from Malta Financial Services Authority (MFSA).

A PIF licence is issued by the MFSA once the PIF fully satisfies the requirements and criteria relating to its nature and purpose. PIFs investing in VC will need to submit additional application documents in line with the Rules.

## LEGAL FORM

Under Maltese law, PIFs investing in VC may be only constituted in the form of:

- an investment company, generally in the form of investment company with variable share capital (SICAV);
- limited partnerships; or
- unit trusts.

The majority of funds established in Malta to date have been licenced in the form of an open-ended public or private limited liability investment companies with variable share capital.

A PIF may be constituted as a stand-alone fund or as an "umbrella" type of structure, whereby the assets and liabilities of each sub fund are treated as a patrimony separate from the assets and liabilities of each other sub-fund of the umbrella scheme, thereby segregating risks. Each sub-fund would not have a legal personality distinct from other sub-funds under the same umbrella structure.

## BENEFITS



Legal Form Variants



Self Managed Fund Option



PIF New Benefit: Virtual Currency Investments in a Regulated Framework



Freedom to use Foreign Administrators



No Investment / Borrowing Restrictions



Rules and Documentation in English



## KEY REQUIREMENTS

### Operational Conditions

A VC PIF would need to:

- target Qualifying Investors - such Investors would need to maintain a minimum investment of €100,000 at all times and satisfy qualifying criteria;
- invest solely in VC;
- have assets under management not exceeding €100m in value; and
- not seek to obtain a European passport to market their units in the EU.

### Fit and Proper test

The promoters, directors and decision makers including service providers shall be subject to a fit and proper test by the MFSA. This test is a key regulatory concept which requires potential and existing licensees, as well as shareholders and senior staff to demonstrate competence, integrity and solvency in all their dealings.

### Competence Requirement

The parties to the PIF and service providers require sufficient knowledge and experience in the field of information technology and their underlying technologies, including but not limited to distributed ledger technologies .

## BOARD OF DIRECTORS & SERVICE PROVIDERS

A PIF shall have at least three directors - one of such directors is to be located in Malta. The local director may also act as the PIF's Compliance Officer or Money Laundering Reporting Officer. Directors of a PIF must be approved by the MFSA after satisfying the fit and proper test requirement.

Service providers that are typically appointed by the PIF are ordinarily a Fund Manager (unless self-managed), a Fund Administrator, an Investment Advisor and/or a Custodian/Prime broker, Compliance Officer, MLRO and an Auditor. All service providers must satisfy the fit and proper test in order to act in such respective capacities in relation to PIFs investing in VC.

In relation to the appointment of Fund Manager, a PIF may either be self – managed or externally managed by a third-party Fund Manager. Where an external Fund Manager is appointed to manage a PIF, such manager may be established in any reputable jurisdiction. In such case an in-house committee made up of at least three members must be appointed by the Fund Manager.

A self-managed PIF, on the other hand, must be constituted with an initial capital of at least Euro 125,000. In a self-managed fund the responsibility for a portfolio and risk management of the fund's assets would be vested in the board of directors. In this case the board needs to appoint an investment committee with at least three committee members.

Such committees shall at all times have at least one individual satisfying competence requirement. The role of such committees amongst other duties is to monitor and review the investment policy of the VC PIF.

## QUALITY ASSESSMENT AND VALUATION OF VC

An external valuer independent from a PIF who fulfils the competence requirement must be appointed to conduct the required verification and valuation of the PIF investments in VC.

## OFFERING DOCUMENT

The MFSA requires that a PIF puts forward its investment objectives, policies and restrictions as well as any risk factors in the form of an offering document. The purpose of the offering document is to provide sufficient information to enable potential Qualifying Investors to make an informed investment decision in the VC PIF. Such documents are then reviewed and approved by the MFSA.

## CAPITAL REQUIREMENTS

PIF shall be operating in or from Malta as agreed with MFSA. It shall have sufficient financial resources at its disposal to enable it to conduct its business effectively, to meet its liabilities and to be prepared to cope with the risks to which it is exposed.

## RISK AND LIQUIDITY MANAGEMENT

The Fund Manager must assess whether the risk profile of the VC in question falls within the scope of that PIF's risk management policy. This must be done prior to investing in any VC on behalf of the PIF. An adequate liquidity management system must be set in place, with procedures to monitor the liquidity risk of the PIF and to ensure that the liquidity profile of the investments of the PIF complies with its underlying obligations.

## KEY REQUIREMENTS



In- house  
Investment  
Committee



External  
Valuer



Fit & Proper  
Test



Approved Service  
Providers



Appropriate  
Legal  
Vehicle



Min. Investment:  
€100,000



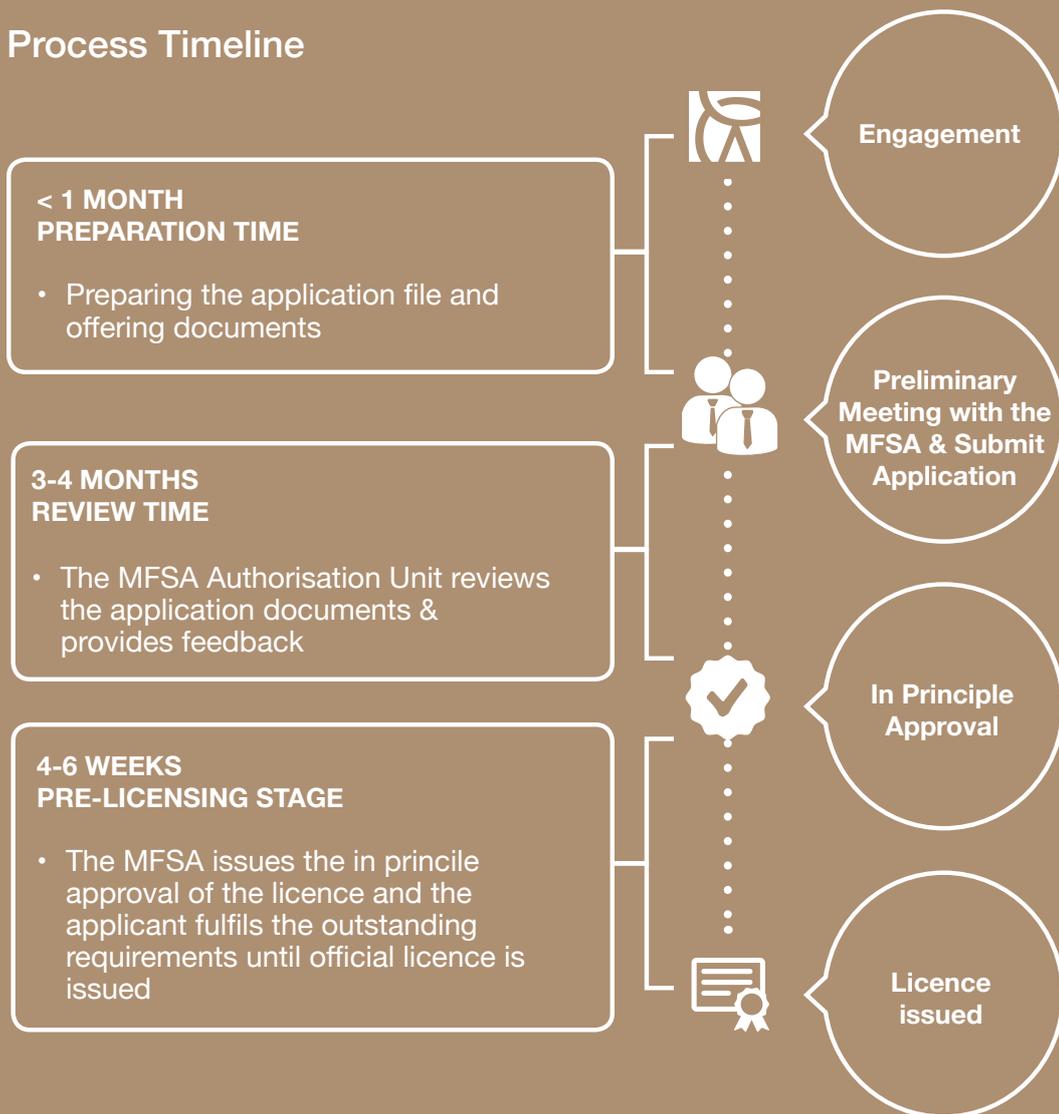
MFSA Approved  
Offering  
Documents



Local Director,  
Compliance &  
MLRO

# MALTA PIF LICENSING

## 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  
Cyprus  
London  
Zürich  
Hong Kong



**Dr Priscilla Mifsud Parker**  
Senior Partner, Corporate & Fintech  
pmp@cclex.com  
ccmalta.com/fintech