

Blockchain and Cryptocurrencies in Malta

the Blockchain Island

The Maltese Parliament has passed three bills into law that establish a regulatory framework for Blockchain technology. These are the following:

- The Malta Digital Innovation Authority Act
- The Innovative Technological Arrangement and Services Act, and;
- The Virtual Financial Asset Act

These bills will regulate Distributed Ledger Technology (DLT) platforms like Blockchain and Cryptocurrencies. Companies now have the necessary legal tools to operate in a regulated environment. Hence, Malta now offers a stable system that is ideal for companies interested in furthering their investment in the Blockchain and Cryptocurrency sector.

The Malta Digital Innovation Authority aims to promote the development of Malta as a centre for innovative technology as well as to educate, foster, promote and facilitate the advancement and utilisation of such technology, its design and uses, including the adoption of such innovative technology in public administration by the government.

The Malta Digital Innovation Authority Act discusses regulating the authority's internal governance such as its composition, conduct, financial provisions and ethics. The main policies described are set up in a way that ensures companies will work within a legal and certified DLT platform, unlike what is available now. Certified surveyors within this authority will verify that the transactional information being logged on a platform would be genuine, assuring companies further peace of mind and in-turn trust.

The Technology Arrangements and Services Bill deals with the setting up of a regime for registering Technology Service Providers and the certification of Technology Arrangements through system administrators and system auditors.

The Virtual Financial Assets Bill will then set out the framework for Initial Coin Offerings (ICOs) and the regulatory regime on to the provision of certain services in relation to virtual currencies. An ICO is a fundraising tool that trades future cryptocurrencies in

exchange for cryptocurrencies of immediate, liquid value such as Bitcoin and Ethereum. The intermediaries dependent on this Bill include brokers, exchanges, wallet providers, asset managers, investment advisors and market makers dealing in virtual currencies (to be issued by the MFSA).

Malta has had an overwhelming response by interested companies and international regulators leading to constructive and practical feedback. A multitude of Blockchain and Crypto business have already located to Malta, as the country's officials took regulatory steps to become the "Blockchain Island." Recently, several cryptocurrency exchanges, including OKex, Binance, and BitBay have set up operations in Malta due to the development of a Blockchain and Crypto-friendly space within the country.

At KSi Malta we offer the following services:

- Guidance to companies on Initial Coin Offerings (ICOs)
- Advice on the regulatory status of Cryptocurrencies and companies trading in Virtual Coins
- Assistance in the legal aspect of Blockchain backed operations - Draft legal opinions
- Provision of solutions and advice for KYC related matters