

BDO Malta

MiCA: Harmonised EU Regulation for Crypto-Assets

Introduction

The Markets in Crypto-Assets Regulation (MiCA) is transforming the European crypto landscape by providing a unified regulatory framework for crypto-assets and related service providers. The Regulation, which came into force on the 30th December 2024, introduces a standardised EU-wide approach to managing crypto-assets and their issuers, to ensure market integrity, investor protection, and financial stability. As businesses align with these regulations, understanding the licensing procedure, obligations of licence holders, and key timelines is crucial.

Who does MiCA apply to?

MiCA applies to all **Issuers of Crypto-Assets and Crypto-Asset Service Providers**. An Issuer of Crypto-Assets ('Issuer') is any legal entity that offers crypto-assets (specifically, **asset-referenced tokens (ARTs)**, **e-money tokens (EMTs)**, and some **other crypto-assets**) to the public or seeks admission of those assets to trading on a trading platform.

A **Crypto-Asset Service Provider ('CASP')** is an entity that provides one or more of the following services:

- ▶ Custody and administration of crypto-assets for third parties
- ▶ Operating a trading platform for crypto-assets
- ▶ Exchanging crypto-assets for fiat currencies or other crypto-assets
- ▶ Executing orders for crypto-assets on behalf of clients
- ▶ Offering advice on crypto-assets
- ▶ Providing crypto-asset portfolio management services
- ▶ Issuing asset-referenced tokens (e.g. stablecoins)
- ▶ Transferring crypto-assets between accounts

Exclusions

Certain activities and entities are **excluded** from MiCA's scope, namely:

- ▶ Decentralised Finance (DeFi): MiCA does not currently regulate fully decentralised systems without identifiable intermediaries, though this may change in future updates
- ▶ Central Bank Digital Currencies (CBDCs): These are outside the scope of MiCA and remain under the jurisdiction of central banks
- ▶ Most Non-Fungible Tokens (NFTs)
- ▶ Security tokens which qualify as financial instruments under MiFID II

Territorial Scope

MiCA compliance is mandatory for all CASPs and Issuers (including stablecoin issuers) operating within the EU, including entities established outside the EU that offer crypto-related services to EU residents. Businesses already operating under national regulations had to transition to MiCA requirements during the specified transitional periods.

Penalties for Non-Compliance

Failure to comply with MiCA can result in:

- ▶ Financial penalties of up to €15 million or 15% of annual global turnover in some cases
 - ▶ Suspension or revocation of operating licences
 - ▶ Public notices of non-compliance to warn consumers and stakeholders
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Key Aspects of Regulation under MiCA

Under MiCA, Issuers and CASPS must adhere to comprehensive requirements to ensure transparency, stability, and consumer confidence. Issuers and CASPS are required to obtain **authorisation** from the relevant National Competent Authority before carrying out regulated activities. Issuers must also meet eligibility criteria such as financial, organisational, and governance standards to demonstrate proper risk management and operational integrity. Issuers must draft and publish a **detailed whitepaper** prior to launch that contains project objectives, associated risks, terms and conditions for buyers, and rights and obligations of token holders. This document must be approved by the relevant authority or, in certain cases, submitted as a notification.

Authorisation holders are also obligated to maintain specified sufficient financial resources to cover liabilities, with additional capital buffers required for certain operations. Consumer protection is a central theme that is emphasised through measures to prevent fraud, ensure transparency regarding risks and returns, and mechanisms for dispute resolution.

Overall, MiCA aims to ensure clear and accessible offerings, mitigate risks to financial stability, and protect consumers, while fostering confidence in the crypto-asset market.

Additional requirements for Stablecoins

Stablecoins are digital assets designed to maintain a stable value, pegged to fiat currencies or other assets, and are increasingly used for payments and value storage. These include **Asset-Referenced Tokens (ARTs)** (tokens pegged to a basket of assets, including commodities, currencies, or other values) and **e-Money Tokens** (tokens pegged directly to a single fiat currency (e.g. a euro or dollar)). They are designed to function as electronic substitutes for fiat currencies.

Under MiCA, Issuers of stablecoins are included within the broader definition of "Issuers of crypto-assets," but they are subject to additional and more stringent requirements due to their unique nature and potential systemic impact. The large-scale use of stablecoins could replicate or replace traditional payment systems, making them integral to the economy. Inadequate reserves or loss of confidence could trigger runs on stablecoins, destabilising financial markets.

By enforcing stricter oversight, MiCA ensures that stablecoins operate securely and transparently, maintaining trust in the financial system while fostering innovation in digital payments.

Additional requirements include:

- ▶ Maintaining reserves equivalent to issued tokens, guaranteeing redemption rights for token holders
- ▶ Regularly disclosing reserve composition and risks
- ▶ Issuers are subject to ongoing compliance, periodic reporting, and mandatory audits, particularly for stablecoin reserves
- ▶ They are held liable for the accuracy of the whitepaper, with investors entitled to legal remedies in cases of misleading or incomplete information



The Benefits of Licensing in Malta

Malta provides a stable regulatory and business environment that offers clarity, certainty and experience to businesses in the crypto sector.

A Strategic Choice for MiCA Licensing

With a proactive regulator, a well-established ecosystem, and strategic access to key markets, Malta offers significant advantages for firms seeking MiCA licensing. Key benefits include:

- ▶ **Early Adopter of Crypto Regulation** - Malta introduced dedicated crypto legislation in 2018, positioning itself ahead of many EU Member States in fostering blockchain innovation.
- ▶ **Regulator's Proactive Approach** - The Malta Financial Services Authority (MFSA) actively engages with industry stakeholders, ensuring a transparent, business-friendly licensing process aligned with MiCA.
- ▶ **Established Blockchain Ecosystem** – With a mature regulatory framework and a strong network of service providers, Malta offers businesses an environment designed to support sustainable growth in the digital assets sector.
- ▶ **Efficient Licensing & Operations** – Businesses benefit from streamlined registration and licensing procedures, reducing administrative burdens and expediting market entry.
- ▶ **Strategic Location & Market Access** – As an EU member state in the Mediterranean, Malta provides seamless access to European markets while acting as a hub for expansion into North Africa and the Middle East.





Integration of MiCA in the legislative framework

Malta has integrated MiCA into its legislative framework through key updates to existing laws as well as the enactment of new legislation, specifically the Markets in Crypto-Assets Act and the Markets in Crypto-Assets Act (Fees) Regulations, ensuring a smooth transition to the new EU-wide framework.

Under MiCA and the updated Maltese framework, CASPs and Issuers can obtain a licence from the Malta Financial Services Authority ('MFSA'). The Virtual Financial Assets (Amendment) Regulations have also come into force to amend the original legislative framework. These regulations form part of the exercise being carried out to implement MiCA at a national level.

Passporting rights

The passporting rights afforded by MiCA allow an entity to operate across the EU once licensed in Malta, streamlining cross-border operations whilst benefitting from Malta's corporate tax incentives.

Additionally, the country's extensive network of over seventy (70) double-tax treaties minimises the burden for international enterprises, making it a highly attractive jurisdiction for global crypto operations.

Licensing Procedure under MiCA

1

Application Submission

- ▶ The Issuer or service provider submits an application to the National Competent Authority in the EU member state where they intend to be based or primarily operate
- ▶ The application must include detailed documentation, including a business plan, governance framework, financial resources, cybersecurity measures, and risk management policies

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Eligibility Criteria

- ▶ The Applicant must demonstrate that they meet the financial requirements including minimum capital requirements, sufficient capital to cover liabilities and maintain solvency
- ▶ Governance standards must include a clear organisational structure, robust internal controls, and qualified management personnel
- ▶ Risk management systems should address operational, market, and cybersecurity risks

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Assessment by Competent Authority

- ▶ The National Competent Authority evaluates the application against MiCA's standards, including the applicant's operational integrity, financial health, and compliance framework
- ▶ The review includes an assessment of the applicant's ability to safeguard consumer interests and mitigate systemic risks

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Timeline and Outcomes

- ▶ The licensing process duration may vary depending on the complexity of the application and the responsiveness of the applicant in addressing the National Competent Authority's inquiries



MiCA Application Process & MFSA timeframes

01

Intention Stage

- ▶ Preliminary discussions with MFSA
- ▶ Drafting and Submission of Statement of Intent and initial meeting with the MFSA
- ▶ Receipt of acceptance to proceed to Application submission stage (Stage 2)



Meeting

MFSA requests preliminary meeting within **10 working days** from receipt of a duly completed Statement of Intent.



'No Objection'

Once satisfied, MFSA issues a **'No Objection'** notice for the Applicant to proceed with the Authorisation process.



Submission

Application to be submitted within **40 working days** from receipt of MFSA's 'No Objection' notice.

02

Pre-Authorisation Stage

- ▶ Compilation of the DD documents and PQs
- ▶ Completion of the submission pack along with necessary forms, policies & procedures
- ▶ Submission review and quality review by MFSA
- ▶ Feedback rounds from the MFSA to finalise outstanding matters
- ▶ Receipt of MFSA determination that no additional matters need to be addressed



Submission Review

MFSA conducts a Submission Review within **5 working days** from receipt of Submission Pack



Quality Review

MFSA conducts a Quality Review. The Applicant will have **15 working days** to address matters raised by the MFSA. MFSA responds within **20 working days**

Initial feedback from Quality Review will take around 6 weeks



Deemed 'Complete'

When the MFSA receives sufficient information, the MFSA will deem the Application complete

03

Authorisation Stage

- ▶ Final evaluation by MFSA
- ▶ Issuance of Pre-Authorisation Letter from MFSA
- ▶ Issuance of Authorisation by MFSA
- ▶ Ongoing supervision by MFSA

Evaluation

MFSA conducts a **Final Evaluation** prior to issuing a 'Pre-Authorisation Letter'

Pre-Authorisation Letter

The Pre-Authorisation Letter indicates conditional acceptance subject to fulfilment of **Pre-Authorisation** and **Pre-Commencement Conditions**

Authorisation Issued

Once conditions are fulfilled, Authorisation is issued. May include **Post-Authorisation Conditions**



Post-Authorisation: Interactions generally lasting **6-12 months** post authorisation, and ongoing supervision from thereon

Administrative Fees for CASPs

Licence Class	Minimum Capital Requirement	Application Fee (one time)	Annual Supervisory Fees (per year)
Class 1	€50,000	€10,000	€10,000
Class 2	€125,000	€20,000	€25,000
Class 3	€150,000	€25,000	€50,000

The Different Classes of CASPs

Class 1

Crypto-asset service provider authorised for the following crypto-asset services:

- ▶ Execution of orders on behalf of clients
- ▶ Placing of crypto-assets
- ▶ Providing transfer service for crypto-assets on behalf of clients
- ▶ Reception and transmission of orders for crypto-assets on behalf of clients
- ▶ Providing advice on crypto-assets
- ▶ Providing portfolio management on crypto-assets

Class 2

Crypto-asset service provider authorised for any crypto-asset services under Class 1 and:

- ▶ Providing custody and administration of crypto-assets on behalf of clients
- ▶ Exchange of crypto-assets for funds, and/or
- ▶ Exchange of crypto-assets for other crypto-assets

Class 3

Crypto-asset service provider authorised for any crypto-asset services under Class 2 and:

- ▶ Operation of a trading platform for crypto-assets





How BDO Can Help You Meet Regulatory Requirements

MiCA's licensing process and compliance obligations requires a deep understanding of both EU-level regulations and local frameworks.

BDO Malta offers end-to-end support tailored to the needs of crypto businesses:



Strategic Guidance: We provide detailed assessments of how MiCA impacts a client's business model and operational strategy.



Licensing Support: We guide clients through every step of the MiCA licensing process, from application preparation to liaising with the MFSA.



Compliance Audits: Our experts conduct detailed audits to identify gaps and ensure alignment with MiCA's operational and governance standards, including DORA.



Whitepaper Review: We assist in reviewing whitepapers that meet MiCA's rigorous transparency requirements.



Audit & Assurance Services: Ensure transparency, compliance, and risk mitigation under MiCA, providing reliable financial insights and regulatory confidence.



Managed Corporate & Finance Services: Whether you need a new corporate setup or re-domiciliation into Malta, we provide a fully managed service for the entire regulatory process.

FOR MORE INFORMATION:

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