



BDO MALTA

# CRYPTOCURRENCIES & BLOCKCHAIN ADVISORY



# INTRODUCTION

## INTRODUCTION TO MALTA

Malta has become one of the first jurisdictions to provide for a legal framework regulating token offerings and cryptocurrency exchanges. Through the introduction of the Virtual Financial Assets Act ("the Act"), the legislator has introduced a new regime whereby founders of tokens would be able to benefit from a degree of legal certainty, whilst simultaneously providing for investor protection to all third parties contributing to the project.

Raising capital through initial coin offerings ("ICOs") is giving venture capital investing a run for its money, at least for early stage financing. For a vast number of start-up companies, ICOs represent a win-win situation whereby

the founders receive the required funds to take the project proposed forward and in the majority of such setups, it also allows for a convenient and secure way for the participation of third parties through distributed ledger technology ("DLT"), as well as providing an early exit strategy in the majority of such structures.

Furthermore, the trading of DLT assets has become facilitated through the use of centralised exchanges wanting to provide a platform on which traders would be able to efficiently buy and sell. Ensuring that the traders and their assets are protected is one of the salient features being factored in by the new legislation.



# OUR SERVICES

- ▶ Landscape report covering the legal and tax elements of the proposed structure
- ▶ Setting up of the legal structure (according to the best identified legal form suited for the structure)
- ▶ Assistance with applications for respective licences
- ▶ Drafting or Review of the legal documentation including terms & conditions, privacy policies, private token offering documents and any other legal document which could be applicable
- ▶ Assistance with launching the ICO including pitching opportunities in collaboration with our partners having access to large-sized audiences, both live and online
- ▶ Traditional banking solution with European Banks
- ▶ Post-ICO Token and Legal Management
- ▶ VFA Agent Services
- ▶ Audit Verification Services
- ▶ Advice on Accounting Treatment & Policies

# THE VIRTUAL FINANCIAL ASSETS ACT AND HOW IT CATERS FOR THE BLOCKCHAIN INDUSTRY

## EXCHANGES

Malta has been identified by internationally renowned operators as the ideal jurisdiction to carry out the activity of a cryptocurrency exchange. This is mainly due to the legal certainty being provided by the legislator, in addition to the positive general approach by the Government of Malta in relation to blockchain-related activity. Any legal person wanting to carry out such activity would either obtain a VFA licence which allows the listing of tokens meeting the definition of a Virtual Financial Asset (VFA), or otherwise must obtain a licence under the Investment Services Act or the Financial Markets Act to be able to list DLT assets that fall under the definition of a financial instrument under the MiFID II.

## TOKEN OFFERINGS

Any legal person wanting to issue a DLT asset from Malta is required to conduct a legal assessment on the proposed token by applying the Financial Instrument Test. Depending on the classification of the DLT asset identified through the assessment, one would need to ensure that the correct legal regime is applied.

## OTHER VFA SERVICES

The Act requires entities to apply for licences to carry out an activity related with VFAs. This would include the reception and transmission of orders, execution of orders on behalf of third parties, portfolio management, custodian or nominee services and investment advice amongst other lines of services.

## THIS IS WHERE BDO MALTA CAN PROVIDE ASSISTANCE TO YOUR BUSINESS

Equipped to provide a wide array of advisory services, BDO Malta can provide specialised consultancy to ensure that what is being proposed by the client would be in compliance with the applicable legislation. In particular, advice related to the token classification is crucial in light of the various legal and tax implications which an ICO may bring about. Such assessment is carried out by applying the aforementioned test and following such determination, BDO Malta would be in a position to assist in obtaining the relevant licence or authorisation from the Malta Financial Services Authority.

We are in a position to advise and recommend the ideal structure based in Malta, as well as to provide ancillary services thereto. This will enable our client to benefit from all the incentives that Malta as a blockchain jurisdiction has to offer. Thanks to our connections with other member firms

forming part of BDO's strong global network, we are also able to keep abreast of developments taking place in other jurisdictions to be able to determine how structures in Malta can complement already existing operations, or how Malta can offer alternative options for cost-effectiveness and stability.

BDO Fintech Advisory Limited will apply to become a VFA Agent under the new legal framework. This role will entail a responsibility to ensure that the legal person issuing a token or applying for a VFA licence would have satisfied all of the requirements arising from the Act with the regulator, and we would be able to advise and guide the clients on all matters relating to their responsibilities and obligations to ensure compliance with the provisions of the Act and any other applicable rules and regulations.

# MALTA

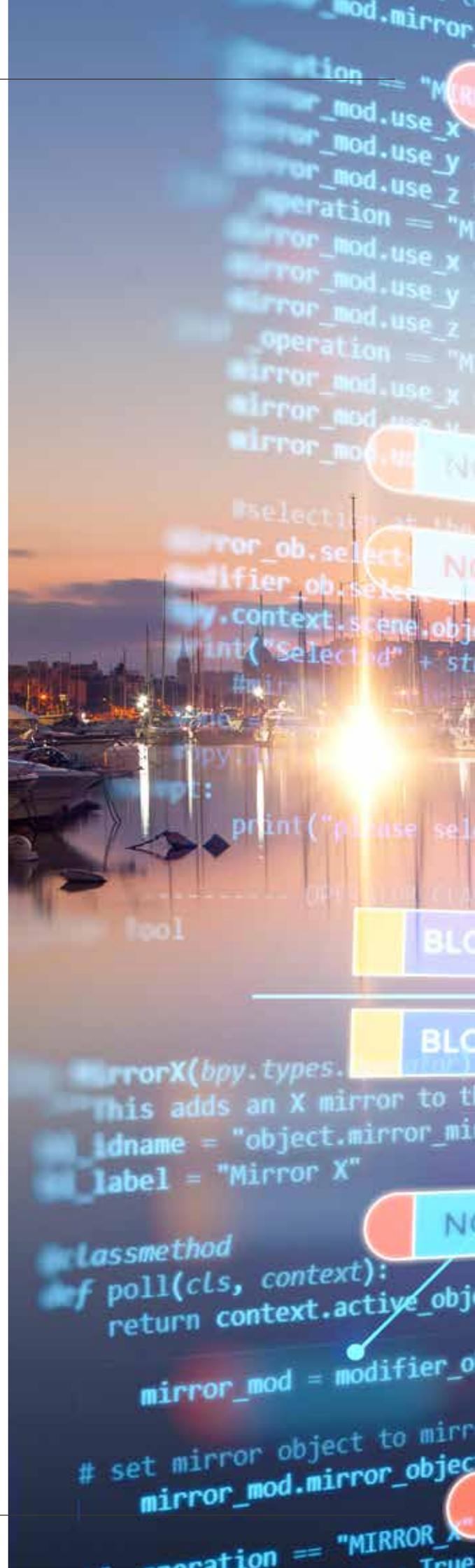
## THE BLOCKCHAIN ISLAND

Malta is being singled out by investors as a blockchain friendly jurisdiction as well as one that incentivises technological innovation.

**Malta is one of the few jurisdictions that produced a framework for classifying DLT assets, attracting the interest of global cryptocurrency exchanges in the process, with some already having announced a future physical presence in Malta.**

The objective is to create a fast-paced environment for the key players in this ever-growing industry, to further enhance their existing projects or to bring new contemporary ones to life. Malta is looking as the ideal location and with it comes an array of advantages for all potential investors; namely:

- ▶ Pro-business Government pioneering DLT legislative frameworks
- ▶ Business-enabling legislation
- ▶ Efficient tax structuring opportunities
- ▶ Highly qualified English-speaking professionals
- ▶ High blockchain-related activity and events
- ▶ Global cryptocurrency exchanges have already announced a relocation to Malta





NODE 06

NODE 05

NODE 03

NODE 02

NODE 04

DOCK 01

DOCK 01

DOCK 01

NODE 01

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