

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Circular to the Industry on the Supplementary Conditions applicable to Collective Investment Schemes Investing in Virtual Currencies

Following the [Consultation on the Proposed Regulation of Collective Investment Schemes Investing in Virtual Currencies](#), issued on 23 October 2017 and the respective [Feedback Statement on the Consultation on the Proposed Regulation of Collective Investment Schemes Investing in Virtual Currencies](#), the Malta Financial Service Authority ('the MFSA') is pleased to announce the publication of the *Supplementary Conditions applicable to Professional Investor Funds ('PIFs') investing in Virtual Currencies ('VCs')*.

These rules aim at providing a robust regulatory framework that seeks to ensure investor protection, market integrity and financial soundness with regard to collective investment schemes that invest in VCs.

In order to achieve these objectives, the Supplementary Conditions introduce specific requirements both during authorisation stage as well as on an ongoing basis thereafter, necessitating a PIF investing in VCs *inter alia* to:

- i. **Competence** – ensure that several parties involved have sufficient knowledge and experience in the field of information technology, VCs and their underlying technologies, including but not limited to the distributed ledger technology.
- ii. **Risk Warnings** – include in its offering documentation risk warnings in relation to proposed direct and/or indirect investment in VCs.
- iii. **Quality Assessment** – ensure that the appointed investment manager carries out appropriate research in order to assess the “quality” of the VCs being invested into.
- iv. **Risk Management** – ensure that prior to investing in any VC on behalf of the PIF, the investment manager assesses whether the risk profile of the said VC falls within the scope of that PIF’s risk management policy.
- v. **Valuation** – ensure that the appointed service providers have the business organisation, systems, experience and expertise necessary to conduct the required verification and valuation of the PIF’s investments in VCs.

Further to the above, the Supplementary Conditions have been inserted as additional provisions under the revised *Part A - The Application Process* and as a new section under Appendix I to *Part B - Standard Licence Conditions*. The links to the aforementioned documents are as follows:

1. [*Part A - The Application Process*](#)
2. [*Appendix I to Part B - Standard Licence Conditions*](#)

It should further be noted that both Part A and [Appendix III](#) to Part B have been revised to reflect the amendments proposed in the [*Consultation on the Proposed Revised Rulebooks applicable to Collective Investment Schemes*](#) issued by the Authority on 27 December 2016.

The publication of the Supplementary Conditions is just the first step taken by the MFSA towards achieving a comprehensive regulatory framework in which industry participants wishing to provide services in relation to VC may operate.

Any queries in relation to this circular can be addressed to fintech@mfsa.com.mt.

Communications Unit
Malta Financial Services Authority
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