

## Discussion Paper on Initial Coin Offerings, Virtual Currencies and related Service Providers

DISCUSSION PAPER ON INITIAL COIN OFFERINGS, VIRTUAL CURRENCIES AND RELATED SERVICE PROVIDERS

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CLOSING DATE: 11 JANUARY 2018

MFSA  
MALTA FINANCIAL SERVICES AUTHORITY

The MFSA has issued a Discussion Paper on Initial Coin Offerings, Virtual Currencies (VCs) and related Service Providers. The purpose of the Discussion Paper is to present to the industry a proposed policy to be adopted by the MFSA for the regulation of the ICOs, VCs and service providers involved in ICO and/or other VC activity.

The aim of the MFSA's proposal is to devise a policy framework that supports the innovation and new technologies for financial services in the area of VCs whilst ensuring effective investor protection, financial market integrity and financial stability.

The MFSA is seeking feedback from the industry before proceeding with detailed proposals for a legal framework on ICOs, VCs and related service providers.

The consultation is open from 30 November 2017 until the 11 January 2018. Industry participants and interested parties are invited to send their responses to this Discussion Paper and related feedback on [vcfunds@mfsa.com.mt](mailto:vcfunds@mfsa.com.mt) by not later than 11 January 2018.

## Malta – Best EU domicile for Captive Insurance

Malta has been recognised as the best EU domicile for captive insurance in the European & UK Captive Awards 2017.



The awards are organised by the Captive Review. Captive Review and [captiveview.com](http://captiveview.com) are internationally established publications which focus on insurance, in particular captive insurance management as well as risk management.

In its award statement, Captive Review noted that: "the judges recognised Malta's commitment to the captive sector and the motivation of its local infrastructure to innovate and provide solutions to Europe's risk management community. "With Gibraltar set to leave the EU, Malta will be the only jurisdiction offering a cell company solution with the EU, while the judges were also impressed by the regulator's approach to Solvency II and its willingness to embrace the principle of proportionality for captives," the jury said.

### *What's Inside This Issue:*

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## MFSA hosts MONEYVAL training programme

The Malta Financial Services Authority hosted a two-day training programme organised by MONEYVAL as part of the Country Preparation Programme.



*Dr. Anton Bartolo addressing participants with Minister Edward Scicluna.*

*Photo - Gino Galea*

This seminar was attended by over a hundred top officials from the public and private sectors, amongst which were members of the Judiciary, the Police Force, the Office of the Auditor General, the Revenue Department, Customs, the Ministry for Finance, the Financial Intelligence Analysis Unit, the Malta Financial Services Authority, the Malta Gaming Authority, the Central Bank of Malta and a number of commercial banks.

The programme was addressed by the Minister of Finance Edward Scicluna. In his opening address, the Minister stated that, “Malta has the ability to close any lingering gaps, if any are found, within its coordination

mechanism and the respective institutions to ensure that it remains fully compliant to the principal international standards to counter money laundering.”

MONEYVAL is a permanent monitoring mechanism of the Council of Europe, a pan-European organisation with 47 member states reporting directly to its principal organ, the Committee of Ministers. MONEYVAL is entrusted with the task of assessing compliance with principal international standards to counter money-laundering and the financing of terrorism, the effectiveness of their implementation, as well as the task of making recommendations to national authorities with respect to necessary improvements to their systems.

Malta will be undergoing an evaluation by MONEYVAL during 2018.

Minister Scicluna stated that during this preparatory stage Malta should take up the opportunity to further

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## Creditreform Rating has affirmed the long-term sovereign rating for Malta at “A+”

strengthen the country’s regulatory and supervisory role.

Creditreform Rating has also affirmed Malta’s ratings for foreign and local currency senior unsecured long-term debt of “A+”. The outlook is stable.

In explaining its decision, the credit rating agency noted very strong growth performance supported further improving labour market conditions. Output growth is set to remain among the strongest in Europe in 2017-18. Creditreform noted that budget consolidation advanced in 2016 and is set to continue in the medium term, with budget targets being achieved in advance.

Underpinned by budgetary surpluses and robust growth prospects, Creditreform expects Malta to make further progress on debt reduction, with the government’s debt-to-GDP ratio falling close to 50% in 2018. Volatility in the current account balance and a high stock of external liabilities are balanced against a strong external asset position

The agency notes that Malta's "macroeconomic assessment balances brisk GDP growth, which supports income convergence towards EU-28 levels and employment growth, against some vulnerabilities arising from Malta's growth model.

Looking at the financial services sector in general, the agency regarded fiscal risks arising from Malta's large banking sector as limited. The report describes the resilience of this sector is of paramount importance for the domestic economy. As illustrated by financial soundness indicators, CDB loans were sufficiently covered by deposits (loan-to-deposit ratio 56%). The capitalization of the sector improved in 2016, with the regulatory tier 1 capital rising from 12.2 to 13.4% of risk-weighted assets, while return on assets stood at 0.8%, up from 0.7% one year earlier. Last year's improvement in profitability can be attributed to lower net impairment losses and an increase in non-interest income coupled with a drop in operating expenses. As a result, the overall NPL ratio of CDBs fell from 7.1 to 5.3%.

The report also notes that Maltese corporates also diversified their funding mix, making greater use of capital market financing. The attractiveness of market funding has benefited from high liquidity in the Maltese household sector. To ease financing conditions, Malta is establishing the Malta Development Bank, which is expected to have an authorized capital of EUR 200m and to commence its operations by the end of 2017. What is more, Maltese corporates continue to repair their balance sheets, thus improving the shock-absorbing capacity of the Maltese corporate sector.

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## Webcast for Alternative Investment Managers

MAISN is pleased to announce that the Alternative Investment Management Association (AIMA) will be holding a follow-up webcast open to all local alternative investment managers. The webcast will deliver an update on current industry issues and explain some of the benefits of AIMA membership, including access to their extensive suite of best practice materials, events, research papers and regulatory expertise.

The webcast will take place on Tuesday 5th December from 15:00 to 16:00 CET. MAISN calls for support to this industry initiative and to register for the webcast at the link below:

<http://aima.email/t/2LZ3-161CE-EA6887IJ59/cr.aspx>

MAISN is an informal association of Alternative Investment Managers either licenced in Malta or looking to be licensed in Malta. MAISN represents over 35 independent Alternative Investment managers in Malta and has over 50 individual association members, with over 75% of members at Chief or Director level.

Its main aim is to assist other members with local financial sector industry information and support on setting up in Malta (for example, selection of local service providers, dealing with local/international tax issues, experience of engaging local banks to provide services & helping with local personal/family issues).

To join MAISN on LinkedIn please send a request to <https://www.linkedin.com/groups/4507977> or to [Dean.Bucknell@oceanwood.com](mailto:Dean.Bucknell@oceanwood.com) or [rmorley@thyboimmalta.com](mailto:rmorley@thyboimmalta.com).

## Book Review

*Bikker J.A. & Spierdijk L. (2017) – Handbook of Competition in Banking and Finance – (Edward Elgar, Cheltenham).*



This periodic new feature in the MFSA Newsletter is motivated by a wish that practitioners be familiarized with what we feel are new important texts that can certainly help to give them wider insights into what the research and academic worlds have to say about different facets of our discipline.



And what better to start with than a book that brings together the latest thinking in the minds of policymakers, regulators, and practitioners, about financial sector competition? This book brings together eighteen in-depth research papers, written by 37 leading university academics, about all that goes in the tough world of financial and banking competition.

But don't let that word "academics" put you off....all in the book is solidly based on the real daily grind out there...and the numbers that go with it.

Market power, revenue tests, risk and competition, concentration and critical mass, global development, the European banking markets, China...where forward?, the life insurance industry under pressure, financial stability, measuring agency costs, competition and economic growth, shadow banking and competition, interest rate pass-throughs, SME business lending, price conduct by banking line, competition and contestability in retail markets, loan growth....these and others are the raw material of this excellent volume.

Most indications are that there's probably no going back to situations of 'no-competition' in possibly all FS markets all over the world. Beyond that issues of measurement and concentration of competition, with certain specificities for European financial markets, and contrasting these with e.g. China, these are all issues that provide most interesting and absorbing reading.

Bank competition and financial stability are inherent elements of economic growth. This book makes an invaluable contribution to an in depth understanding of this reality. Do we have enough competition in the banking and financial sectors in Malta? Too much, or too little, of it? Certainly many of the answers lie in a good reading of this excellent volume.

John Consiglio

*Dr John Consiglio is a member of the MFSA Board of Governors*

## MFSA Circulars

- 07/11/2017 - [Circular to Payment Institutions and Electronic Money Institutions on the ongoing own funds requirements](#)
- 20/11/2017 - [Requirements relating to a Legal Entity Identifier under MIFID II and MIFIR as applicable to Persons Authorised under the Trusts and Trustees Act](#)
- 20/11/2017 - [Circular: ESMA MiFID II / MiFIR Investor Protection Q&As](#)
- 29/11/2017 - [Circular on Markets in Financial Instruments Directive \('MIFID II'\) and Markets in Financial Instruments Regulations \('MIFIR'\) - Transaction Reporting](#)
- 29/11/2017 - [Circular to licensed Service Providers who are required to submit the annual and quarterly financial returns as stipulated under Part B of the Pension Rules for Service Providers issued in terms of the Retirement Pensions Act, 2011](#)
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## Warnings

Foreign warnings received by MFSA can be viewed on [MFSA Website / Announcements / Warnings](#)

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## MFSA Media Releases

- 27/11/2017 - [MFSA Statement in relation to the Open Letter from Mr David Casa MEP to the MFSA](#)
- 30/11/2017 - [Discussion Paper on Initial Coin Offerings, Virtual Currencies and related Service Providers](#)
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## MFSA Consultation Papers and Documents

- 13/11/2017 - [Note regarding an Extension of Consultation Period - Proposed Regulation of Collective Investment Schemes investing in Virtual Currencies](#)
- 22/11/2017 - [Consultation on Proposed Amendments to the Credit Institutions and Financial Institutions \(Payment Accounts\) Regulations \(S.L. 371.18\)](#)
- 30/11/2017 - [Discussion Paper on Initial Coin Offerings, Virtual Currencies and related Service Providers](#)
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## European Supervisory Authorities' Announcements

- 07/11/2017 - [EIOPA consults on a second set of Advice for the Review of the Solvency Capital Requirements](#)
- 13/11/2017 - [ESMA highlights ICO risks for investors and firms](#)
- 20/11/2017 - [EBA publishes methodology for the 2018 EU-wide stress test](#)
- 24/11/2017 - [The European Banking Authority \(EBA\) - Report on risks and vulnerabilities in the EU banking sector](#)
- 27/11/2017 - [EBA sees a more resilient EU banking sector but challenges in NPLs, IT security and long-term profitability remain](#)
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## MFSa Licences – November 2017

### NEW LICENCES

#### Banking

##### *Financial Institutions*

- Financial Institution licence issued to **AYN Limited**.
- Financial Institution licence issued to **Integra Private Wealth Limited**
- Financial Institution licence issued to **UnionGoldenPay Limited**.

#### Collective Investment Schemes

##### *Professional Investor Funds targeting Qualifying Investors*

- Collective Investment Scheme licence issued to **Spectrum Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Audentia Capital SICAV II plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Lemuria Partners SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Strategica Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Himalaya SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Cannonball SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **AlgoEngineering SICAV plc** in respect of one sub-fund.

##### *Alternative Investment Funds targeting Qualifying Investors*

- Collective Investment Scheme licence issued to **Greenshark Investment SICAV plc** in respect of one sub-fund.

##### *Alternative Investment Funds targeting Professional Investors*

- Collective Investment Scheme licence issued to **AUGE SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **CTH SICAV plc** in respect of one sub-fund.

##### *Alternative Investment Funds targeting Professional & Qualifying Investors*

- Collective Investment Scheme licences issued to **Centurion Global Fund SICAV plc** in respect of two sub-funds.

#### UCITS

- Collective Investment Scheme licence issued to **APS Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Calamatta Cuschieri Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Eiger SICAV plc** in respect of one sub-fund.

**Investment Services**

- Category 2 licence issued to **Beside Asset Management Limited**.
- Category 2 licence issued to **Vitesse Capital Limited**.

**Trustees and Fiduciaries**

- Authorisation issued to **WH Management Ltd** to receive property under trusts and to act as a trustee or co-trustee and to provide other fiduciary services including acting as administrator of private foundations in terms of Article 43 of the Trusts and Trustees Act

**Company Service Providers**

- Registration certificate issued to **Scordis, Papapetrou & Co Consultants Limited**.
- Registration certificate issued to **Dominion Marine (Malta) Limited**.
- Registration certificate issued to **RMB Management Ltd**.

**Securitisation Vehicles***Notified Securitisation Vehicles*

- Acknowledgement issued to **Barendina Limited**.
- Acknowledgement issued to **Premier SCC Limited**.

*Cells*

- Acknowledgement issued to **SIMA Investments Cell**.
- Acknowledgement issued to **Kiros Cell**.
- Acknowledgement issued to **Zero Coupon AC Securities SCC Limited Cell 2 Euro Note**

**SURRENDERED LICENCES****Collective Investment Schemes***Professional Investor Funds targeting Qualifying Investors*

- Surrender of licence issued to **Capital Investments (SICAV) plc.** .

*Professional Investor Funds targeting Experienced Investors*

- Surrender of licence issued to **Somerset Capital Fund SICAV plc**.

*UCITS*

- Surrender of licence issued to **Hospitaller Funds SICAV plc**.
- Surrender of licence issued to **Finex Navigator UCITS SICAV plc**.

## EXTENDED AND REVISED LICENCES

### Banking

#### *Financial Institutions*

- Extension of licence issued to **Papaya Limited** to provide payment services.

### Collective Investment Schemes

- Licence issued to **Titan Opportunities IC SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.
- Licence issued to **CTH SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.

### Investment Services

- Revision of Category 2 Investment Services Licence issued to **Oceanwood Capital Management Limited** to include the provision of Management of Investments for Professional Clients.
- Extension of license issued to **Aramis Capital (Europe) Ltd** to provide investment advice to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties in relation to all the instruments listed in the Second Schedule to the Investment Services Act.

### Company Service Providers

- Revision of registration certificate issued to **Erremme Corporate Services Limited** to provide the services of formation of companies or other legal entities and the provision of a registered office, a business correspondence or administrative address and other related services for a company, a partnership or any other legal entity.

## Registry of Companies - New Registrations – November 2017

Companies	Partnerships
421	8



## Forthcoming Events

[5th December 2017 - Alternative Investment Management Association \(AIMA\) - Webcast](#)



Training by members of the ECC:

- [Malta International Training Centre](#)
- [Malta Institute of Accountants](#)
- [Institute of Financial Services](#)
- [Institute of Legal Studies](#)
- [Institute of Financial Services Practitioners](#)
- [Malta Institute of Management](#)
- [Castille Institute](#)
- [PricewaterhouseCoopers](#)
- [Malta College of Arts, Science and Technology \(MCAST\), Institute of Business & Commerce](#)
- [The Department of Banking & Finance, Faculty of Economics, Management & Accountancy, The University of Malta](#)

*Communications to be addressed to:*

*The Secretary, Educational Consultative Council, MFSA, Notabile Road, Attard.*



*A portal of financial information from the regulator about financial products and services.*



You can keep up-to-date on our news and regulatory developments by regularly visiting our [website](#) or by subscribing to our [RSS feeds](#).



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