

VFA RULEBOOK
GLOSSARY

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GLOSSARY

This Glossary should be read in conjunction with the Virtual Financial Assets Rules as well as any other publications issued by the MFSA in relation to the Virtual Financial Assets framework.

In the event that definitions contained in hereunder conflict with those stipulated in the Virtual Financial Assets Act or the Regulations issued thereunder, the definitions set out in the Act or the Regulations issued thereunder shall prevail.

A

Act	refers to the Virtual Financial Assets Act, Chapter 590 of the Laws of Malta.
Additional Tier 1 Capital	<p>shall have the same meaning as assigned to it within Chapter 3 of Title 1 of Part Two of Regulation (EU) No 575/2013.</p> <p>Provided that solely for the purposes of this Rulebook the terms 'Institution' or 'Investment firm' as defined under Article 4 of Regulation (EU) No 575/2013 shall also refer to a Licence Holder as defined within this Glossary.</p>
Administrator	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Admission to trading on a DLT exchange	<p>means the process by which the DLT exchange on boards a VFA and subsequently permits participants of the said exchange to enter into transactions in that VFA and subject to the rules of the said exchange.</p> <p>Provided that, notwithstanding this definition, an issuer shall not be required to draw up and register whitepaper with the competent authority in terms of Article 3 of the Act in relation to the admission to trading on a DLT exchange of any of the following:</p> <ul style="list-style-type: none"> (a) VFAs whose features are equivalent to those of the VFAs already admitted to trading on the same DLT exchange:

	<p>Provided that the issuer makes public information on the number and nature of the VFAs and the reasons for and details of the offer:</p> <p>Provided further that where the VFAs grant rights akin to equity rights to the holders thereof, this paragraph shall be applicable only insofar as the said VFAs represent, over a period of 12 months, less than 20% of the number of VFAs already admitted to trading on the same DLT exchange;</p> <p>(b) VFAs offered to existing or former administrators or employees by the issuer or by an affiliated undertaking, provided that the features of the said VFAs are equivalent to those of the VFAs already admitted to trading on the same DLT exchange and that the issuer makes public information on the number and nature of the VFAs and the reasons for and details of the offer.</p>
Advertisement	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Alternative Investment Fund or AIF	shall have the same meaning as assigned to it under Article 2 (1) of the Investment Services Act.
Applicant	shall refer to the person seeking authorisation under the Act.
Appointed Person	shall refer to an Administrator, Senior Manager or any other person that requires approval by the MFSA, such as, inter alia, Compliance Officer and MLRO.
Assets	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Atomic Swapping	means the peer-to-peer cross-chain exchange of one DLT asset to another DLT asset without any trusted third party.

Auditor

shall have the meaning as assigned to it in the Accountancy Profession Act, Chapter 281 of the Laws of Malta, or regulations issued in terms thereof.

Authorised Person

shall refer to a person authorised under the Act.

B

Banking Act

refers to the Banking Act, Chapter 371 of the Laws of Malta.

Benchmark

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

Beneficial Owner

shall have the same meaning as assigned to it under Regulation 2 of the PMLFTR.

Board of Administration

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

C

Central Bank of Malta or CBM

refers to the Central Bank of Malta, as established by the Central Bank of Malta Act, Chapter 204 of the Laws of Malta.

Client

shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.

Collective Investment Scheme or CIS	shall have the same meaning as assigned to it under Article 2(1) of the Investment Services Act.
Committee of European Securities Regulators or CESR	refers to the Committee of European Securities Regulators, as established in terms of European Commission's Decision of 6 June 2001 (2001/527/EC) .
Commodity Derivatives	shall have the same meaning as assigned to it under point (44)(C) of Article 4(1) of MiFID.
Common Equity Tier 1 or CET 1 capital	shall have the same meaning as assigned to it within Chapter 2 of Title 1 of Part Two of Regulation (EU) No 575/2013. Provided that solely for the purposes of this Rulebook the terms 'Institution' or 'Investment firm' as defined under Article 4 of Regulation (EU) No 575/2013 shall also refer to a Licence Holder as defined within this Glossary.
Companies Act	refers to the Companies Act, Chapter 386 of the Laws of Malta.
Company	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Competent Authority	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Connected Person	means a person who is connected to an Administrator of the Issuer. Such person shall be considered to be connected to an Administrator if that person is: (a) a member of the Administrator's family, including, without limitation, the Administrator's spouse or a partner, the Administrator's child or step-child, the Administrator's parents and any other dependants of the Administrator; or (b) a legal person in which the Administrator, any of the persons mentioned in paragraph (a) or

	<p>both (i) holds or hold units of a nominal value equal to at least twenty percent (20%) of the capital of that legal person; or (ii) is or are entitled to control the exercise of more than twenty percent (20%) of the voting rights at any general meeting of that legal person; or</p> <p>(c) acting in a capacity as trustee of any trust, the beneficiaries of which include: (i) the Administrator, the Administrator's dependants, including, without limitation, the Administrator's spouse, children or step-children ; or (ii) a legal person with which one is associated as set out above; or</p> <p>(d) acting in a capacity as a business partner of that Administrator or of any person who, by virtue of paragraph (a), (b) or (c) is connected with the Administrator.</p>
Contract for Difference or CFD	shall have the same meaning as assigned to it under ESMA/2015/319.
Control of Assets	shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.
Court	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
CPE	means Continuous Professional Education.
Credit Institution	shall have the same meaning as assigned to it under the Banking Act.
Currencies	shall have the same meaning as assigned to it under the Central Bank of Malta Act.
Custodian	shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.

Cyber Security Framework

refers to the framework required by Section 5 of Title 2 of Chapter 2 of the VFA Rulebook.

D

Debentures

shall have the same meaning as assigned to it under Article 2 of the Companies Act.

Decision

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

Derivatives

shall have the same meaning as assigned to it under point (44)(C) of Article 4(1) and Annex I, Section C (4) to (10) of MiFID.

Designated Person

shall refer to a person appointed by a VFA Agent responsible for performing the activity or activities of a VFA Agent under the Act.

Directive 2003/87/EC

refers to Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as may be amended from time to time.

Directive 2013/36/EU

refers to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and investment firms, as may be amended from time to time.

Distributed Ledger Technology or DLT

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

DLT Exchange

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

Document or Documentation

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

E

Electronic Money

shall have the same meaning as assigned to it under the Financial Institutions Act.

Electronic Money Institution

shall have the same meaning as assigned to it under the Financial Institutions Act;

Emissions

shall have the same meaning as assigned to it under Article 3 (b) of Directive 2003/87/EC.

European Banking Authority
or EBA

refers to the European Banking Authority, as established by Regulation (EU) No 1093/2010.

European Economic Area or
EEA State

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

European Insurance and
Occupational Pensions
Authority or EIOPA

refers to the European Insurance and Occupational Pensions Authority, as established by Regulation (EU) No 1094/2010.

European Regulatory
Authority

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

European Right

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

European Securities and
Markets Authority or ESMA

refers to the European Securities and Markets Authority, as established by Regulation (EU) No 1095/2010.

European Supervisory Authorities or ESAs	shall have the same meaning as assigned to it under Article 2 (2) of the VFA Act.
European Systemic Risk Board or ESRB	refers to the European Systemic Risk Board, as established by Regulation (EU) 1092/2010.
Experienced Investor	means an investor who declares to the Issuer that: <ul style="list-style-type: none">(a) he is capable of providing evidence that he has already participated in other Initial VFA Offerings and his initial investment exceeded EUR 10,000 or its equivalent;(b) he is aware of the risks involved; and(c) the funds he is contributing to the specific Initial VFA Offerings does not exceed one per cent of his net worth excluding his main residential home.

F	
Financial Institutions Act	refers to the Financial Institutions Act, Chapter 376 of the Laws of Malta.
Financial Instrument	shall have the same meaning as assigned to it under the Second Schedule to the Investment Services Act, whether or not issued in Malta.
Financial Services Tribunal or Tribunal	refers to the Financial Services Tribunal, as established under Article 21 of the Malta Financial Services Authority Act.
Fourth Anti-Money Laundering Directive or 4AMLD	refers to Directive 2015/849/EU of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing,

amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, as may be amended from time to time.

Functionary

means one of the functionaries appointed with an Issuer in accordance with Section 4 of Title 2 of Chapter 2.

Funds

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

G

General Data Protection Regulation or GDPR

refers to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

Generally Accepted Accounting Principles or GAAP

shall have the same meaning as assigned to it under the Accountancy Profession Act, Chapter 281 of the Laws of Malta.

I

Initial Virtual Financial Asset Offering or Initial VFA Offering

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

Innovative Technology Arrangement

shall have the same meaning as assigned to it under Article 2 (2) the Innovative Technology Arrangements and Services Act, Chapter 592 of the Laws of Malta.

Inspector	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Investment Services Act	refers to the Investment Services Act, Chapter 370 of the Laws of Malta.
Issuer	shall have the same meaning as assigned to it under Article 2 (2) of the Act.

L

Licence	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Licence Holder	shall have the same meaning as assigned to it under Article 2 (2) of the Act.

M

Major Currencies	shall have the same meaning as assigned to it under Article 10(3) of Commission Delegated Regulation (EU) 2017/565.
Malta Digital Innovation Authority or MDIA	refers to the Malta Digital Innovation Authority, as established by the Malta Digital Innovation Authority Act, Chapter 591 of the Laws of Malta.
Malta Financial Services Authority or MFSA	refers to the Malta Financial Services Authority, as established by the Malta Financial Services Authority Act, Chapter 330 of the Laws of Malta.

Malta's International Commitments	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Market Abuse	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Market Maker	shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.
Markets in Financial Instrument Directive or MiFID	refers to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended from time to time, and includes any implementing measures that have been or may be issued thereunder.
Member State	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Minister	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Money Laundering Reporting Officer or MLRO	refers to the person appointed by an Issuer, VFA Agent or Licence Holder in terms of Regulation 15 of the PLMFTR.
Money Market Fund	shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.
Money-Market Instruments	shall have the same meaning as assigned to it under Article 4 (1) (17) of MiFID.
Multilateral Trading Facility or MTF	shall have the same meaning as assigned to it under Article 4 (1) (22) of MiFID.

O

Offer of VFAs to the public

means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the virtual financial assets to be offered, so as to enable an investor to decide to purchase or subscribe for those virtual financial assets. This definition also applies to the placing of virtual financial assets through financial intermediaries:

Provided that this definition shall not encompass virtual financial assets unconditionally and irrevocably guaranteed by a jurisdiction or **by one of a jurisdiction's** regional or local authorities:

Provided further that, notwithstanding this definition, an issuer shall not be required to draw up and register a whitepaper with the competent authority in relation to any of the following types of offers of virtual financial assets to the public:

- (a) an offer of virtual financial assets addressed to fewer than 150 natural or legal persons;
- (b) virtual financial assets offered to existing holders free of charge, including inter alia due to hard forks and air drops, provided that the issuer makes public information on the number and nature of the virtual financial assets and the reasons for and details of the offer; or
- (c) virtual financial assets offered to existing or former administrators or employees by the issuer or by an affiliated undertaking provided that the issuer makes public information on the number and nature of the virtual financial assets and the reasons for and details of the offer.

Provided further that, notwithstanding the above, the Authority may at its own discretion exempt an issuer from any or all of the requirements under the act, on the basis of materiality.

Organised Trading Facility or OTF	shall have the same meaning as assigned to it under Article 4 (1) (23) of MiFID.
Other Derivative Contracts	shall have the same meaning as assigned to it under Article 7 (1) of the Commission Delegated Regulation (EU) 2017/565.
Overseas Regulatory Authority	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
P	
Parent Undertaking	shall have the same meaning as assigned to it under Article 2 (2) of the Companies Act.
Payment Institution	shall have the same meaning as assigned to it under the Financial Institutions Act.
Person	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Prescribed	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Prevention of Money Laundering and Funding of Terrorism Regulations or PMLFTR	refers to the Prevention of Money Laundering and Funding of Terrorism Regulations, Subsidiary Legislation 373.01 of the Laws of Malta.
Public Sector Issuer	means States and their regional and local authorities, public international bodies, the European Central Bank and the central banks of States.

Q

Qualifying Holding

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

R

Recognised Jurisdiction

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

Regulated Information

means all information which is required to be disclosed under the Act or the Regulations or Rules issued thereunder in relation to an application for the admission of a VFA to trading.

Regulated Market

shall have the same meaning as assigned to it under Article 4 (1) (21) of MiFID.

Regulation (EU) No 575/2013

refers to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Related Parties

means parties which are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions.

Resident in Malta

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

Restricted Person

means the persons listed in points (i) and (ii) of R2-3.3.2.1 of the Chapter 2 of the Rules

Revenue shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.

Rules shall have the same meaning as assigned to it under Article 2 (2) of the Act.

S

Senior Manager means the person occupying the most senior role following that of Administrator. In the event of various management grades, it is the most senior manager who **will require the MFSA's authorisation.**

Smart Contract shall have the same meaning as assigned to it under Article 2 (2) of the Act.

Subject Person shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.

Subsidiary shall have the same meaning as assigned to it under Article 2 of the Companies Act.

Substantial Unitholder means anyone entitled to exercise or control the exercise of ten percent (10%) or more of the votes able to be cast at general meetings of an Issuer or is in a position to control the composition of a majority of the Board of Administrators of an Issuer and the term **'Substantial Unitholding' shall be construed accordingly.**

Systems Auditor means a person who, upon a written engagement accepts to review and, or audit innovative technology arrangements and smart contracts or parts thereof who may not necessarily be an accountant or auditor with a practicing certificate under the Accountancy Profession Act:

Provided that such person, in aggregate, meets all of the requirements set out in Section 3 and 6 of [Chapter 01, Part A – Systems Auditor Guidelines](#), issued by the MDIA.

T

Test	refers to the Financial Instrument Test.
Third country	shall have the same meaning as assigned to it under Regulation 2 (1) of the Regulations.
Tier 2 Capital	shall have the same meaning as assigned to it within Chapter 4 of Title 1 of Part Two of Regulation (EU) No 575/2013. Provided that solely for the purposes of this Rulebook the terms 'Institution' or 'Investment firm' as defined under Article 4 of Regulation (EU) No 575/2013 shall also refer to a Licence Holder as defined within this Glossary.
Token Standard	means a technical specification that defines a common list of rules applying to every DLT asset on a particular DLT network and by which every DLT asset interacts with others on the said network.
Trading Day	shall have the same meaning as assigned to it under article 10(4) of the Commission Delegated Regulation (EU) 2017/565.
Trusts and Trustees Act	refers to the Trusts and Trustees Act, Chapter 331 of the Laws of Malta.

U

Undertakings for Collective Investment in Transferable Securities Directive or UCITS Directive

refers to Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of the laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as may be amended from time to time.

Unit

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

User

means the person completing the Test.

V

VFA Agent

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

VFA Agreement

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

VFA Exchange

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

VFA Exchange Operator

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

VFA service

shall have the same meaning as assigned to it under Article 2 (2) of the Act.

VFA Services Licence

shall have the same meaning as the term 'Licence', as defined in this Glossary.

Virtual Financial Asset or VFA	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Virtual Financial Assets Regulations or the Regulations	refers to the Virtual Financial Assets Regulations, Subsidiary Legislation 590.XX (provisional) of the Laws of Malta.
Virtual Financial Assets Rulebook or the Rules	refers to the Virtual Financial Assets Rulebook, issued under the Act, and as may be amended from time to time.
Virtual Token or VT	shall have the same meaning as assigned to it under Article 2 (2) of the Act.

W

Whitepaper	shall have the same meaning as assigned to it under Article 2 (2) of the Act.
Written consent	shall have the same meaning as assigned to it under Article 2 (1) of the Regulations.

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MALTA FINANCIAL SERVICES AUTHORITY

NOTABILE ROAD, ATTARD, BKR 3000, MALTA.

COMMUNICATIONS@MFSA.COM.MT

+356 2144 1155

WWW.MFSA.COM.MT