

VFA RULEBOOK
GLOSSARY

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REVISIONS LOG

VERSION	DATE ISSUED	DETAILS
1.00	17 OCTOBER 2018	DOCUMENT ISSUED
		NEW DEFINITIONS ADDED:
1.01	21 MAY 2019	<ul style="list-style-type: none">i. COMMON EQUITY TIER 1 CAPITALii. ADDITIONAL TIER 1 CAPITALiii. TIER 2 CAPITALiv. REGULATION (EU) NO 575/2013
		NEW DEFINITIONS ADDED:
1.02	10 DECEMBER 2019	<ul style="list-style-type: none">i. RELEVANT INCOMEii. EXPERIENCED INVESTOR <p>DEFINITION FOR SYSTEMS AUDITOR AMENDED</p>

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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	<p>shall have the same meaning as assigned to it within Chapter 2 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>
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	<p>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:</p> <ul style="list-style-type: none">(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 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
	(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
	(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.
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 in terms of Chapter 2 of the Rulebook

means an investor who declares to the Issuer that:

- (a) he has already participated in other offerings of VFAs;
- (b) he has invested in VFAs in excess of EUR 10,000 or its equivalent; and
- (c) he possesses the necessary experience, knowledge and expertise to make his own investment decisions and properly assess the risks involved.

An investor falling within the definition of an 'Experienced Investor' in terms of Chapter 3 of the Rulebook shall also be treated as an 'Experienced Investor' for the purposes of Chapter 2 of the Rulebook and points (a) to (c) above shall not apply to such investor.

Experienced Investor in terms of Chapter 3 of the Rulebook

means an investor who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.

The following should all be regarded as Experienced Investors in relation to all VFA services:

- (a) Entities which are required to be authorised or regulated to operate in the financial markets.
- (b) Large undertakings meeting two of the following size requirements on a company basis:
 - i. balance sheet total: EUR 20,000,000
 - ii. net turnover: EUR 40,000,000
 - iii. own funds: EUR 2,000,000
- (c) National and regional governments, public bodies that manage public debt, Central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
- (d) Other institutional investors whose main activity is to invest in VFAs, including entities dedicated to

the securitisation of assets or other financing transactions.

Clients not falling under any of the above categories, including public sector bodies, local public authorities, municipalities and private individual investors may also be treated as Experienced Investors upon request subject to the conditions set out in Sub-section 3 of Section 4 of Title 3 of Chapter 3 of the Rulebook.

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	<p>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:</p> <p>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:</p> <p>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</p>
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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.
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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.
Relevant Income	means all gross income received or receivable which is commission, brokerage fees or other earnings arising from the Licence Holder's business activities, whether those activities are licensed under the Act or not, for the last accounting year or on the basis of the business plan agreed with the competent authority in respect of the relevant year or period. Provided that income received or receivable in the form of interest, whether in respect of bank deposits or bonds and dividends does not form part of 'Relevant Income'.
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 Systems Auditor which is duly registered with the Malta Digital Innovation Authority in terms of Article 9 of the Innovative Technology Arrangements and Services Act.

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	<p>shall have the same meaning as assigned to it within Chapter 4 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>
Token Standard	<p>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.</p>
Trading Day	<p>shall have the same meaning as assigned to it under article 10(4) of the Commission Delegated Regulation (EU) 2017/565.</p>
Trusts and Trustees Act	<p>refers to the Trusts and Trustees Act, Chapter 331 of the Laws of Malta.</p>
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Undertakings for Collective Investment in Transferable Securities Directive or UCITS Directive	<p>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.</p>
Unit	<p>shall have the same meaning as assigned to it under Article 2 (2) of the Act.</p>
User	<p>means the person completing the Test.</p>

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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