

24 March 2021

## Circular to the industry in relation to amendments to the VFA Act

In its renewed efforts to streamline the rules surrounding Virtual Financial Assets (VFAs), the Malta Financial Services Authority ('MFSA' or 'Authority') has, by way of a legal notice, enacted a set of amendments to the Virtual Financial Assets Act ('the Act') which were published on 16<sup>th</sup> March 2021, and coming into force with immediate effect.

The amendments to the Act consist of:

1. The term 'VFA Exchange' in sub-article (2) of article 2 of the Act shall be read as "' VFA Exchange' means a DLT exchange for virtual financial assets, operating in or from within Malta, within which multiple third party buying and selling interests for virtual financial assets can interact in a manner that results in a contract, by exchanging one virtual financial asset for another or a virtual financial asset for fiat currency that is legal tender or a fiat currency that is legal tender for a virtual financial asset."

The rationale behind such amendment is to further clarify the interplay between virtual financial assets and fiat currencies and to ensure that the scope of the legislation captures the exchange of one virtual financial asset for another, a virtual financial asset for a fiat currency, or a fiat currency for a virtual financial asset. This also achieves better alignment with international definitions. This amendment does not bring any changes to authorised<sup>1</sup> entities.

2. The addition of 'Transfer of virtual financial assets' as a VFA Service listed in the Second Schedule of the Act, in order to explicitly capture such a service within the scope of the VFA framework.

The Authority will be engaging with authorised entities to assess the applicability or otherwise of the newly introduced service.

Further updates and developments to the VFA framework will be made public on: <https://www.mfsa.mt/fintech/virtual-financial-assets/>. Any queries related to the above should be addressed to [VFA@mfsa.mt](mailto:VFA@mfsa.mt).

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<sup>1</sup> Authorised refers to (i) licence holders and (ii) entities which have been granted an in-principle approval and are availing themselves of the Transitory Period in terms of Art 62 of the VFA Act.