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Amendments to Appendix I to Part B of the Investment Services Rules for Professional Investors Funds and the Glossary to Introduce Reference to a DLT Asset

1. Introduction

Further to the consultation process launched on 23 October 2017 by the MFSA on the Proposed Regulation of Collective Investment Schemes Investing in Virtual Currencies, on 29 January 2018 the Authority issued an update to the Professional Investors Fund ('PIF') Framework which included, *inter alia*, a revised version of Appendix I to Part B of the Investment Services Rules for PIFs containing supplementary licence conditions applicable to PIFs investing in Virtual Currencies.

The Authority's intention at the time of publication was to include a definition of Virtual Currency directly in the Virtual Financial Assets Act ('the VFA Act'). However, following regulatory developments, the MFSA considered that adopting the narrow definition of 'Virtual Currency' as originally proposed in the Consultation Document would generally capture traditional cryptocurrencies such as Bitcoin and Ethereum, but would exclude other types of crypto-assets, including crypto-assets which give (i) access to a good or service (i.e. utility tokens); or (ii) claim to an underlying asset (e.g. financial instruments issued using distributed ledger technology or DLT).

2. Overview of Amendments

Hence, the MFSA has decided to replace the term 'Virtual Currency' found in Appendix I with the term 'DLT asset'; a term which captures a wider range of assets utilising or intrinsically dependent on DLT and to introduce a definition of the term in the PIF Glossary. This reflects the terminology used in the VFA Act and ensures that the supplementary licence conditions become applicable when a PIF invests in any type of DLT asset.

3. Conclusion

The revised Rulebook and Glossary enter into force on the day following the publication of this circular.

Licensed PIFs investing in DLT assets as defined should adjust their practices in line with the applicable requirements of Appendix I.

Should you have any queries on the contents of this circular, please contact the Investment Services Supervision Function on isspolicy@mfsa.mt.