

YOUR GUIDE TO  
Financial Services in Malta



# Get your MiCA Equivalent CASP Licence in Malta



FinanceMalta



# Malta's tried and tested VFA licensing process

Malta has established itself at the vanguard of crypto-asset and blockchain regulation, being the first EU state to enact a domestic regime designed to regulate issuers of virtual financial assets (VFAs) and VFA service providers (VFASPs).

At the pinnacle of Malta's regulatory environment is the Virtual Financial Assets Act (Chapter 590 of the Laws of Malta) (VFA Act), together with Regulations and Rules issued thereunder. A pioneering legislation that has not only positioned Malta as a hub for digital asset innovation but also as a lighthouse of regulatory clarity in the often-opaque seas of the crypto-asset world.

Malta is one of the few European nations with English as its official language. This means that all the legal, regulatory, and compliance matters can be conducted in a widely recognised and global language within the business and financial community. Malta was able to garner substantial experience regulating and overseeing the affairs of and issuing licences to VFASPs since the enactment of the VFA Act in 2018.

The VFA framework includes a 'financial instrument test' to provide legal certainty and determine whether DLT assets or tokens fall under existing Maltese and/or EU regulation. The 'financial instrument test', which is accompanied by appropriate guidelines, determines whether a DLT asset or token qualifies as a financial instrument, e-money, or virtual token, or alternatively a VFA which would be caught under the VFA Act.

The functionaries of applicants seeking to obtain a licence under the VFA Act must satisfy a fitness and properness test. The assessment is mainly applicable to qualifying shareholders, directors, the risk manager (where applicable), MLRO and compliance officer. The test is constructed on the pillars of integrity, solvency, and competence.

Crypto-asset service providers (CASPs) choosing Malta as their jurisdiction to obtain a licence as a VFASP will be adequately prepared to meet the various requirements under MiCA, given the fact that Malta's VFA framework is deemed to be MiCA-equivalent. An applicant wishing to be licensed as a VFASP must be a legal person established in Malta with key individuals resident on the island.



# The similarities between MiCA and the VFA framework for VFASPs

VFASPs licenced in Malta under the VFA framework are well-positioned to comply with MiCA due to the similarities between both legal frameworks; both the VFA and MiCA frameworks adopted principles based on the MiFID II regime with a primary aim to protect investors and ensure overall market integrity.

The Malta Financial Services Authority (MFSA) is the national competent authority under the VFA framework, with over six years of experience in granting licenses and regulating the sector. Under MiCA, CASPs also require authorisation by a national competent authority within the EU. Moreover, the VFA Act and MiCA both achieve key levels of investor protection by requiring CASPs to have robust governance arrangements, cybersecurity measures, as well as dedicated rules for the provision of crypto-assets services.

The MFSA's gap analysis shows that the VFA framework is the closest EU regulatory framework to MiCA for CASPs. To increase this equivalence even further, the MFSA revised its VFA Rulebook for VFASPs in January 2024 to align regulatory requirements (such as capital requirements) to MiCA levels and introduce MiCA-specific requirements. CASPs operating under Malta's VFA framework have been benefitting from full regulation of all the crypto-asset services covered under MiCA, significantly going beyond the mere regulation of custody and the exchange of crypto-assets as services.

Due to the equivalence of the local regime, Malta is one of only three Member States that can completely benefit from the 'simplified authorisation procedure' under MiCA to transition authorised VFASPs to authorised CASPs. VFASPs in Malta thus have a competitive advantage since they may experience an immediate and seamless transition to MiCA.

To support this process, the readiness of each VFASP - to transition to MiCA - will be assessed in Q3 and Q4 of 2024 in conjunction with the MFSA. This will ensure that existing and/or newly authorised VFASPs can benefit from a prompt transition to full MiCA compliance and passporting rights throughout the various EU/EEA States.





# The possibility of applying, in parallel, for a licence under different regulatory regimes (EMI/PSP/MiFID II)

The MFSA is well equipped to authorise and supervise groups that require multiple licences simultaneously (such as EMIs/PSPs & MiFID firms).

The MFSA consolidates processes and, when possible, assigns single point of contacts at both Authorisation and Supervision levels to ensure a streamlined process and harmonised requirements.

The MFSA has also worked closely with the industry to streamline, refine, and standardise its authorisation processes while still maintaining rigorous regulatory standards. As a result, the MFSA can deliver a clear, open, and transparent authorisation process to any prospective applicant. Notably, the MFSA has been described by the industry as approachable and knowledgeable - especially in the field of crypto-assets and FinTech.





Law Firms, Accountants, and Audit Firms

# Malta's experienced ecosystem of service providers for the crypto industry

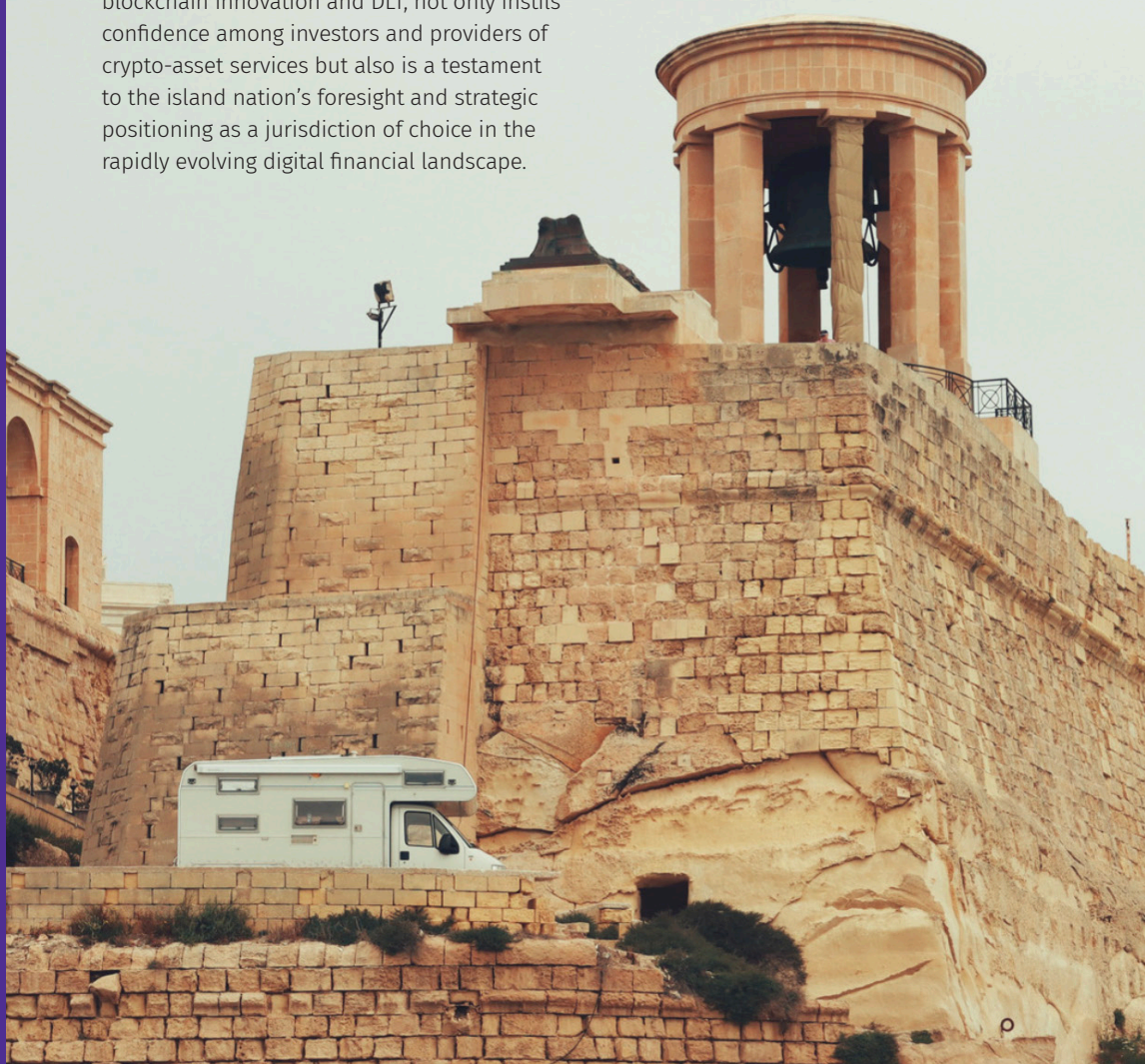
Malta's first-move advantage has secured an experienced ecosystem of service providers which encompass a wide variety of services such as financial institutions, law and audit firms, and other advisory companies with multiple years of experience in the crypto-industry.

As of February 2024, the sector is composed of 13 fully-licensed VFASPs meaning that Malta has the highest number of MiCA-equivalent licensed VFASPs within the EU. The local VFASP market has attracted large international players and is an acute representation of the global VFASP market. This has positioned Malta as a frontrunner in accommodating an experienced ecosystem of service providers in the crypto industry.



# The ideal choice for CASPs

It is clear that the EU has the lead regarding the promulgation of sector-specific legislation covering the crypto space. Jurisdictions such as Malta, with an existing and dedicated crypto framework, emerge as a better option for companies seeking legal clarity and comfort of local knowledge and experience in the sector. Malta's decision to be at the forefront of blockchain innovation and DLT, not only instils confidence among investors and providers of crypto-asset services but also is a testament to the island nation's foresight and strategic positioning as a jurisdiction of choice in the rapidly evolving digital financial landscape.



There are many things to consider when starting or moving your business to Malta, and we are sure you have got questions. We are here to help you. Contact us for a more personalised introduction to opportunities in Malta's financial services centre.

## GET IN TOUCH

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