

# DLT Application Process and Fee Structure

Date Published: 4 October 2017

Version Number: V1.2

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# 1. Executive Summary

We are committed to delivering a streamlined authorisation process which is consistent, fair and efficient and which supports speed to market for the industry whilst, at the same time, providing confidence that key risks are identified and mitigated in order to protect the public and the reputation of Gibraltar. As with all other regulated sectors, we will take a risk based approach to all aspects of the authorisation process.

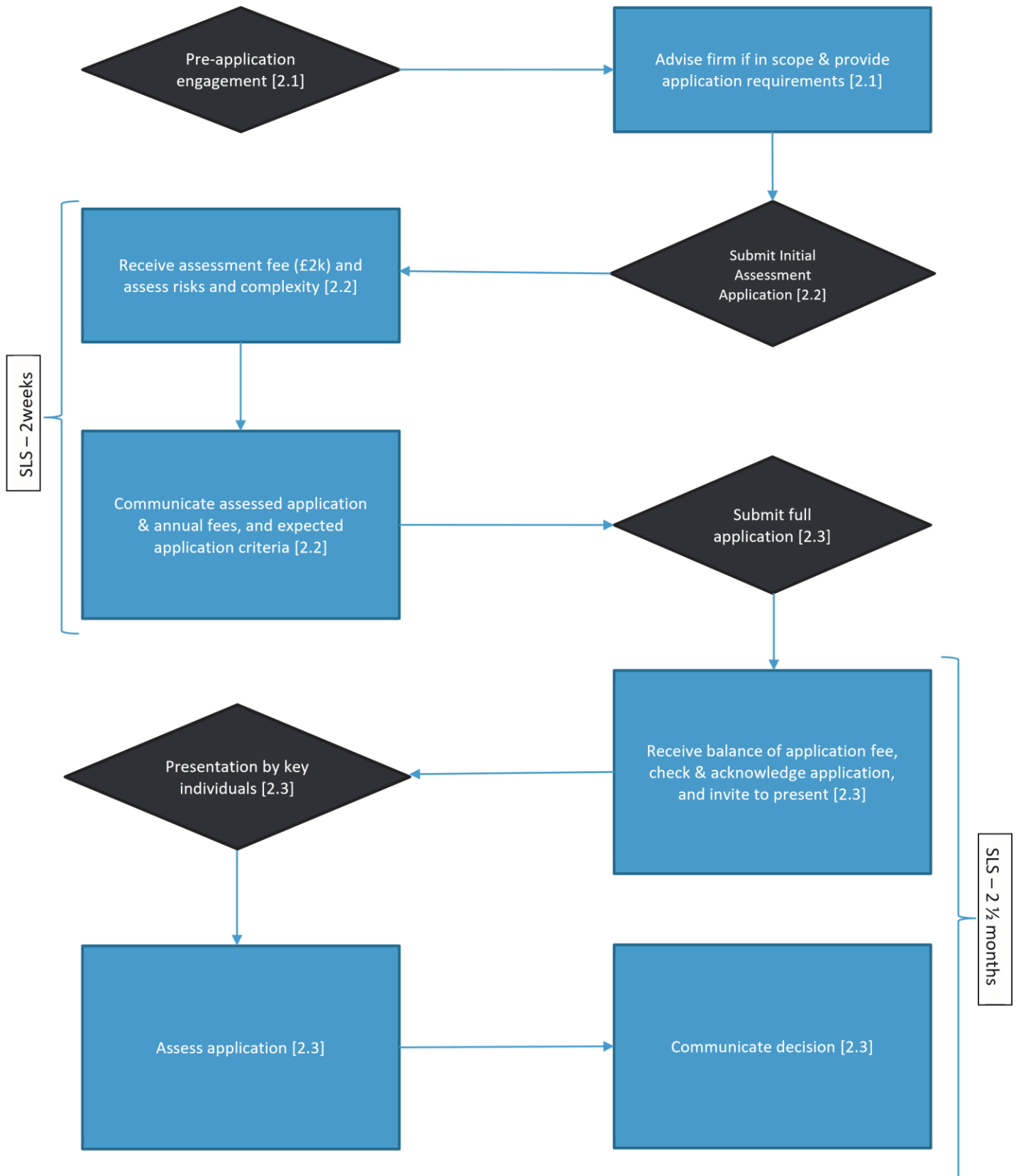
Firms are encouraged to engage with local professional advisors in order to determine if the proposed business model would fall within the scope of the DLT Framework. Once advisors are comfortable with the proposed business we welcome the opportunity to discuss the application proposal, business model and type of activity and/or services the firm wishes to provide in, or from Gibraltar. At this stage, the GFSC will provide potential applicants with appropriate guidance on the application process.

Applicants will then be in a position to submit an Initial Application Assessment where the GFSC will assess the inherent risks and the complexity of the proposed business activity and business model. This will provide us with a better understanding of the activities and services the firm proposes to conduct. The GFSC will conduct this initial assessment within 2 weeks whereby the outcome of the assessment and the category assigned will be communicated to the firm. The firm will then be aware of our expectations with regards to the application of the regulatory principles and highlight any specific control(s) we expect the firm to incorporate. The firm will also be informed of the annual fee that will become payable upon submission of the full application.

Once a full application has been submitted, the GFSC will invite the applicant to deliver a presentation. The presentation will be an integral part of the authorisations process and it will give the applicant an opportunity to demonstrate to the GFSC how they will be meeting the GFSC's regulatory outcomes/principles.

The GFSC will then continue processing the application in line with standard GFSC procedures (i.e. desk based review, onsite, etc.) and would be expected to be completed with 2 ½ months. The whole application process from Initial Application Assessment to licensing will be in line with Service Level Standards of 3 months.

An infographic outlining the process can be found on the next page.



## 2. Authorisation Process

We are committed to the delivery of service level standards of 3 months for the assessment of an application for a DLT Provider.

Due to the varied nature of potential applicants and the wide scope of the framework, firms are strongly encouraged to seek advice from one of the local professional advisers in order to determine if the proposed business model would fall within the scope of the DLT Framework. Early engagement with the GFSC's Risk & Innovations team is also recommended. At least at the initial stages of the framework becoming operational, the Risk and Innovation team will lead on the assessment of applications for authorisation.

Given the nascent and innovative nature of DLT, we have incorporated some changes to the authorisations process, namely, the introduction of an Initial Application Assessment and a comprehensive presentation.

### 2.1. Pre-Application Engagement

As with all other activities and licence types, the GFSC welcomes, as a first step, for applicants to contact the Risk and Innovation team to discuss the application proposal, business model and type of activity and/or services the firm wishes to provide in, or from within Gibraltar. This Pre-Application engagement will provide an opportunity for the GFSC to give applicants any appropriate guidance on the application process, licensing regime, but more importantly, to discuss whether the proposed activity will fall within the scope of the DLT Framework i.e. will the firm be using DLT for the transmission or storage of value belonging to others.

### 2.2. Initial Application Assessment

Once it is established that the proposed activities would fall within the scope of the DLT Framework, firms will be required to follow our Initial Application Assessment process.

As part of the initial application assessment, the GFSC will carry out an initial assessment of the inherent risks and complexity of the applicant's proposed activity and business model. The initial application assessment will help us process applications expeditiously as well as provide us with a better understanding of the activities and services the firm proposes to conduct.

A non-refundable initial application assessment fee of **£2,000** will be payable to the GFSC.

Within 2 weeks of receiving a request for an Initial Application Assessment, the Risk and Innovation team will carry out the initial assessment and categorise the firm according to the inherent risks and complexity of the applicant's business model and activities.

Although not an exhaustive list, the following factors will be taken into account when determining the inherent risk and complexity of an applicant's business model and activities:

- how the firm will be applying the distributed ledger technology and its maturity;
- any added complexity due to the use of smart contracts;
- whether the firm will hold or control client assets;

- the type of customers the firm will be engaging with, such as retail, experienced or professional investors, or institutional;
- number and variety of products and services offered to customers;
- level of interaction and interplay with other types of regulatory regimes, and or the provision of other regulated or unregulated activities;
- whether the firm will be offering its customers investment-related products and services and the risks and complexity associated with such products and services;
- any functions outsourced to third parties and the materiality of such functions;
- the complexity of the firm's organisational structure;
- exposure and vulnerability to money laundering and terrorist financing;
- whether the business model, products and or services have been successfully tried and tested; and
- the scale and size of the proposed operation.

The GFSC will exercise judgment when carrying out its assessment and in deciding the assessed category. The assessed full application fee and expected annual fee will be communicated to the firm. At this point, the GFSC will also communicate our expectation with regards to the application of the principles and highlight any specific controls we expect the firm to incorporate.

The full application fee and annual fee will depend on the assessed complexity category.

Any material interim changes to a DLT Provider's business model will need prior approval from the GFSC at which point consideration will be given to whether the complexity categorisation of the firm needs to be amended.

## 2.3. Full Application and Presentation

The application process at this stage, will largely mirror the application process applied to all other activities authorised and supervised by the GFSC.

One exception is that once the firm has submitted a complete application and paid the balance of the assessed application fee, applicants will be invited to deliver a presentation to the GFSC. Any specific requirements based on the nature and complexity of the proposed business will be communicated at the time of the initial application assessment.

Generally, the presentation is expected to cover the following areas:

- background on the key individuals driving the business including relevant skills and experience;
- business plan, including structure of the company/group, products and services, target market, strategy, etc.;
- financial projections; and
- evidence how the firm will meet the 9 regulatory outcomes/principles.

It is expected that GFSC staff present will include members from the Risk and Innovation team, any individuals required from the Panel of Experts, and any key GFSC decision makers.

The presentation will be an integral part of the authorisations process and will give the applicant an opportunity to demonstrate how they will meet the GFSC's regulatory outcomes/principles. We believe that this approach will help reduce the time taken to understand the business, assess the firm's compliance with the principles and deliver an overall more effective authorisations process.

Once a licence has been granted, an onsite visit will be completed. This will give the firm the opportunity to evidence to the GFSC that the processes and controls implemented and communicated during the presentation are effective and work in practice.

## 3. Fee Structure

### 3.1. Application Fees

Unlike other sectors authorised by the GFSC, the wide scope of this regime means that the business models of DLT Providers may vary substantially in terms of complexity, size and risk.

#### Initial Application Assessment Fee

As part of the initial application assessment, the GFSC will carry out an initial assessment of the inherent risks and complexity of the applicant's proposed activity and business model. An initial application assessment fee of **£2,000** will be payable to the GFSC on the submission of the relevant information specified by the GFSC.

The full application fee that will become payable and the subsequent annual fee will be dependent on the complexity and category assigned to the DLT Provider. The criteria that will be used to assess the complexity of DLT Providers has been set out above.

#### Application Fee

The application fee that will become payable on submission of a full application will be as follows and in accordance with the complexity categorisation:

<b>DLT Provider Category</b>	<b>Application Fee</b>	<b>Balance payable on submitting full application</b>
Complexity Cat 1	£10,000	£8,000
Complexity Cat 2	£20,000	£18,000
Complexity Cat 3	£30,000	£28,000

#### Supplementary Fees

The GFSC has the ability under the fees regulations to charge supplementary fees which may be used to cover the direct costs of the use of the Panel of Experts at authorisation stage. This would be disclosed and agreed with the applicant at the Initial Application Assessment stage.

Application fees will be non-refundable.

## 3.2. Annual Fees

The annual fees also take account of the complexity of the DLT Provider:

<b>DLT Provider Category</b>	<b>Annual Fee</b>
Complexity Cat 1	£10,000
Complexity Cat 2	£20,000
Complexity Cat 3	£30,000