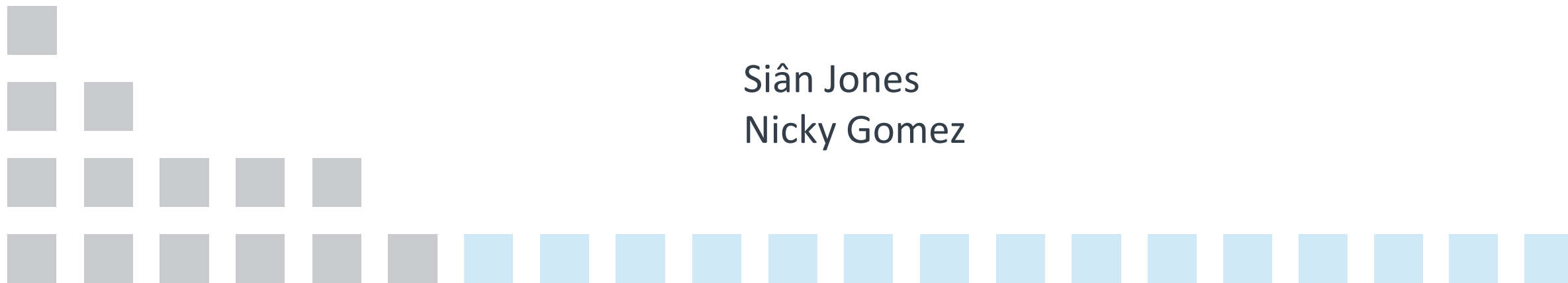


Gibraltar's DLT Regulatory Framework

Turning the Vision into Reality



Introduction

- Quick Introduction to Virtual Currencies and DLT
- DLT Regulations
- Scope
- 9 Regulatory Principles
- Where are we now?
- Authorisation Process and Fees
- Approach to Initial Coin Offerings (ICOs)/tokens sales
- Fintech Ecosystem

Virtual currency

- Medium of exchange
- Unit of account
- Store of value
- Not legal tender status in any jurisdiction
- Not issued nor guaranteed by any jurisdiction
- Fulfils the above functions only by agreement within the community of users of the virtual currency

Not E-money

- Not digital representation of fiat money
- Doesn't electronically transfer value that has legal tender status
- No issuer
- Not redeemable

What's the big deal?

- Cryptocurrency allows two people to exchange value directly with one another, without the need for an intermediary, and to do it wholly digitally
- Both a currency AND a payment system

Distributed ledger technology

- Technology underpinning Bitcoin
- Also called blockchain (nuanced differences)
- Built on series of networks of tamper-resistant databases
- Giving immutable, shared record of truth
- No need for a trusted third party
- Providing trust in a trustless world

DLT Regulations

- A Regulatory Framework
 - Flexible and responsive
 - Specifically designed
- How does it achieve its objective?
 - Outcomes-focused, principles-based
 - Proportionate and on a risk based approach
 - Not *light* or *soft* regulation
- What is the desired outcome?
 - Provides regulatory certainty
 - Enhances consumer confidence
 - Protect Gibraltar's reputation

Who does it apply to?

- Scope
 - *Carrying on by way of business, in or from Gibraltar, the use of distributed ledger technology for storing or transmitting value belonging to others*
- Licence category: DLT Provider
- Doesn't apply to activities otherwise regulated
- Examples
- Exemptions
- Investment advice
- Token sales

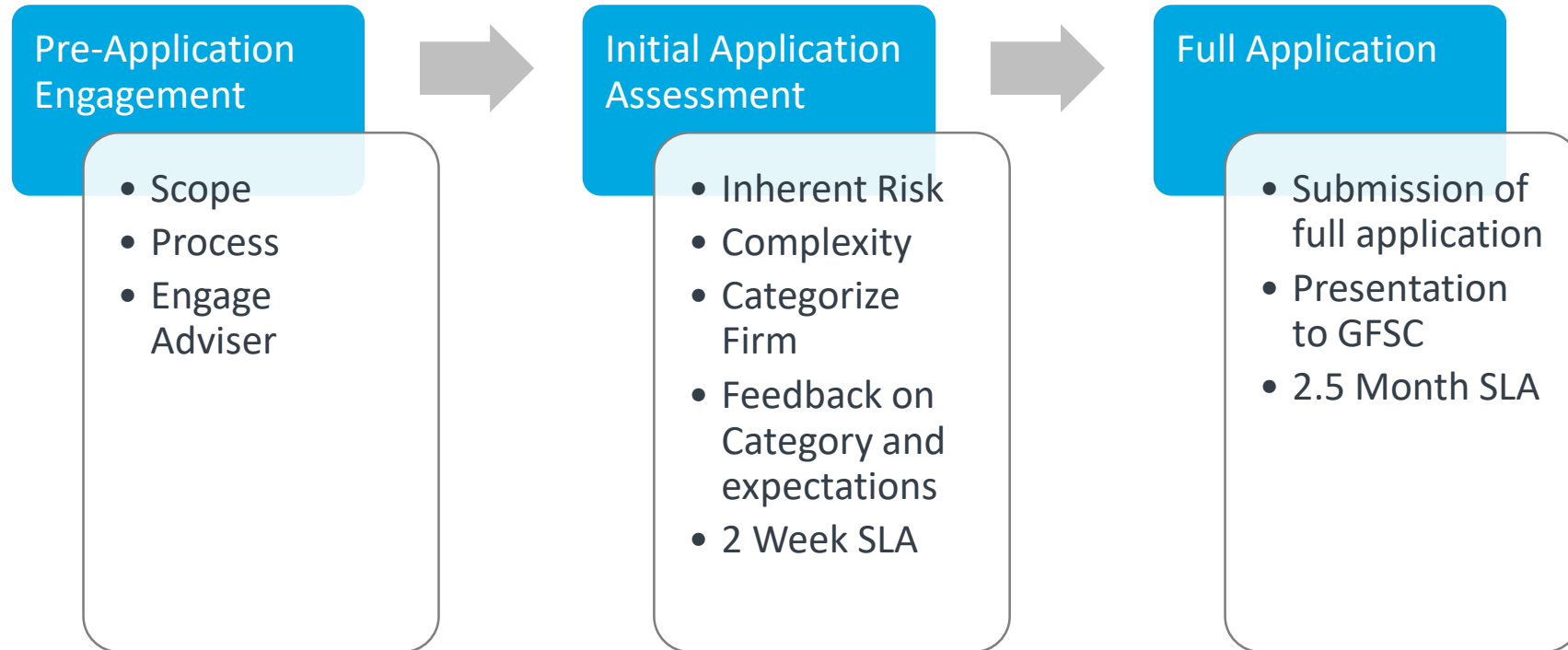
9 Regulatory Principles

1. Honesty and integrity
2. Pay due regard to the interests and needs of its customers
3. Maintain adequate resources
4. Forward looking risk management practices
5. Protection of client assets and money
6. Effective corporate governance
7. Maintain high security access protocols
8. Detect and disclose financial crime risks
9. Be resilient

Where are we now?

- Regulations published 12 October 2017
 - Financial Services (Distributed Ledger Technology Providers) Regulations 2017
- New licence category under *the 1989 Act*:
 - Financial Services (Investment and Fiduciary Services) Act
- Effective 1 January 2018
- Transitional arrangements
- Guidance Notes
- Advisory Panel

Authorisation Process



Complexity and Risk Criteria

- Application of DLT and its maturity
- Use of smart contracts
- Hold or control client assets
- Type of customers
- Number and variety of products and services
- Interaction and interplay with other types of regulatory regimes
- Investment-related products and services
- Outsourcing
- organisational structure
- Exposure and vulnerability to money laundering and terrorist financing
- Tried and tested
- Scale and size

Fees

- Initial Application Assessment - £2,000

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

- Further Fees

Approach to tokens sales / ICOs

- Position now & under DLT framework
 - Token-based securities are still securities
 - Not in scope of DLT framework
- Statement on ICOs published 22 September 2017
 - Explained risks to inexperienced investors
 - Announced intention to regulate
- Initial token offering (ITO) regulations
 - Promotion, sale & distribution
 - Secondary market activities
 - Aligned with DLT framework

Advisors should consider

- accuracy and completeness of information
- risk disclosures to consumers
- governance arrangements
- fitness and propriety of the founders/promoters
- clear strategy following a successful token launch
- financial crime risks
- reputational risks

Building Gibraltar's DLT & fintech ecosystem

- Banking
- Accelerators
- Academic centre of excellence
- Research
- Training
- Attracting talent
- Attracting capital
- Attracting liquidity & secondary markets
- Attracting quality DLT businesses

Questions

Comments