

DLT Provider Guidance Notes

# Honesty and Integrity

## Introduction

The purpose of this guidance note is to provide a DLT Provider, as defined in the Financial Services (Distributed Ledger Technology Providers) Regulations 2017 (the DLT Regulations), with guidance as to the operational, technical and organisational standards expected and in some circumstances required by the GFSC.

This guidance note is specifically in respect of the regulatory principle under paragraph 1 of Schedule 2 of the DLT Regulations (the Regulatory Principle).

The Regulatory Principle states that “**A DLT Provider must conduct its business with honesty and integrity**”.

This document should be read as interpretative guidance for a DLT Provider and the examples contained in this document should be noted as indicative of good practice by a DLT Provider in connection with the Regulatory Principle.

A DLT Provider should note that the GFSC will take this document into account when reviewing a DLT Provider’s practices. The operational standards expected and required by the GFSC of a DLT Provider will vary depending on the size, particular nature, scale or complexity of the DLT Provider’s business.

## Fitness and Propriety Requirements

A DLT Provider, its role-holder(s), controller(s) and shareholder(s) should be able to demonstrate that they are able to conduct the DLT Provider’s business with honesty, integrity and professionalism and that they will not pose a risk to the public or to the reputation of Gibraltar.

A DLT Provider, its role-holder(s), controller(s) and shareholder(s) must meet the fitness and propriety requirements when seeking authorisation or approval **and** on a continuing basis.

A DLT Provider should perform due diligence on individuals it intends to invite to become role-holder(s), controller(s) and/or shareholder(s).

The term “fit and proper” extends to the conduct of the firm’s business, its officers and controllers both in its dealings with the public and in the ordering of its internal affairs.

The GFSC will consider a licensee’s, notifiable role-holder(s), controller(s) and shareholder(s) fitness and propriety by reference to a range of key factors focused around three basic elements:

- honesty, integrity and reputation;
- competence and capability; and
- financial position.

The policy statement on the assessment of fitness and propriety can be found by clicking on this [link](#).

The elements considered in the policy statement are not intended to be exhaustive or definitive. The requirements to be met in order to be judged fit and proper will vary with the nature of the business carried on by the DLT Provider, and the responsibilities of the role-holder(s), controller(s) and shareholder(s).

Similarly, the factors considered for each element are not intended to be exhaustive; not all of them will be relevant in all cases, and there may be others that may be relevant and which will be taken into account as part of the assessment of fitness and propriety at the authorisation stage as well as on an on-going basis. The presence of any one or combination of factors may lead to a conclusion that a DLT Provider, its role-holder(s), controller(s) or shareholder(s) fails to meet the applicable fitness and propriety requirements.

## **Fit and proper policies and procedures**

A DLT Provider is expected to put in place relevant policies and procedures on fit and proper requirements, which should include the following:

- a description of the procedure for assessing the fitness and propriety of the individuals who will become role-holder(s) of the DLT Provider, both when being considered for the specific position and on an on-going basis;
- a description of the situations that give rise to a re-assessment of the fit and proper requirements; and
- a description of the fit and proper procedures for assessing other relevant personnel according to internal standards, both when being considered for the specific position and on an on-going basis.

## **Public statements**

A DLT Provider should ensure that it and its role-holder(s), controller(s) and shareholder(s) have acted and continue to act with honesty, integrity and professionalism with respect to any and all public statements (including in a white paper) made in connection with the DLT Provider's business.

**Published by:**

Gibraltar Financial Services Commission  
PO Box 940  
Suite 3, Ground Floor  
Atlantic Suites  
Europort Avenue  
Gibraltar

[www.gfsc.gi](http://www.gfsc.gi)

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