



The Malta Gaming Authority's Sandbox Regulatory Framework: Virtual Financial Assets (VFAs)

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Distributed Ledger Technology (DLT) and each of its implementations are new and disruptive phenomena in the digital currency and technology spaces. Under the Sandbox Regulatory Framework, the Malta Gaming Authority (MGA) offers licenced operators the opportunity to make an application for the use of Virtual Financial Assets (VFAs), a popular use-case within DLT. Although VFA use amongst operators and stakeholders remains at the discretion of the MGA, the Authority has indeed set out some initial requirements. The MGA may revise such requirements on an ongoing basis, always ensuring it takes a risk-based approach.



1. Financial Value of the VFA

- address a currently unaddressed market demand;
- be trustless and decentralised;
- available to everyone;
- not controlled by a single entity;
- allow easy participation;
- enable control of VFA owner wealth and freedom to choose how to invest such wealth

2. Technological Value of the VFA

- open source;
- well documented;
- sufficiently tested by entities separate from the core development team;
- available either on a test or main network;
- secure with prompt responses to discoveries of vulnerability and/or performance issues

3. VFA Scalability

- a clear roadmap development and project milestones;
- practical applications either in the present or in the future;
- that it is operating on its separate and/or existing Blockchain for practical purposes

4. VFA Market Conditions

- a competitive market capitalisation versus the general market capitalisation of other DLT assets;
- no usage restriction to one geographic region;
- a trading pair between the VFA and fiat currencies;

5. DLT Asset Economics and Company Requirements

- ensures the VFA(s) reflect a service and is in line with company's growth and performance goals;
- provides a fundamental reason to purchase/hold the VFA based on its future targets;
- does not plan to use the VFA for simple fundraising;
- incentivises VFA users to operate in a fair manner whilst penalising malicious behaviour;
- incorporates strict security protocols limiting scams, hacks and theft of funds;
- provides evidence that the team behind the VFA will ensure a fair distribution of the token;
- ensures the VFA's team are available to respond to feedback and questions;
- provides evidence that the white paper and technology's website has an ethical and professional code of conduct

Operator Requirements – Offering VFA Payments

- Player registration details and VFA wallet address verified within 30 days of first deposit
- Threshold of €150 will trigger CDD obligations
- Withdrawals can only be to the same wallet as used to deposit. To withdraw to a different wallet, full explanation, proof of control over such wallet and the completion of full CDD required, even if the €150 threshold has not been met
- VFAs/virtual tokens are considered high-risk Funding Methods as per Implementing Procedures.
- Unverifiable transactions must be logged with funds reversed back to the originating wallet
- Fiat currencies and each individual VFA are to be treated separately with regards to withdrawals, deposits and exchanging between one and another is forbidden within the operator's ecosystem.
- Transaction fees to be incurred by the player must be clearly identified and the player forewarned.
- The characteristics of wallets storing VFAs for gaming will resemble any other VFA wallet.
- Third party exchanges may be used by the operator itself to deal solely in fiat currency.
- Minimum of €1.00 deposit (equivalent value of the VFA) required to verify the player's VFA wallet.
- Maximum VFA deposits limited to €1,000 (equivalent value of the VFA) per month per operator (combined amount for all brands)
- Player-specified limits must be possible in both fiat currencies and VFAs
- VFA deposits will be valued in Euro equivalents at a rate when the funds reach the operator
- The exchange rate is based on a VFA exchange selected by the operator, declared by the operator and approved by the MGA.
- When reporting player liabilities, fees and tax, the operator shall take the exchange rate of the various VFAs against the Euro as at 24:00hrs (CET) on the last day of the reporting month.
- Failed return VFA transactions showing invalid deposits must be reported to explain funds held without clear ownership.

KPMG Global Gaming and DLT Teams

KPMG Malta recognises and understands the challenges and opportunities faced by gaming entities. We have a strong team of locally-based and experienced Gaming and Blockchain specialists. In addition, KPMG has the unique advantage of Global Gaming and DLT Teams, which bring together localised expertise from various jurisdictions. By combining our industry expertise from various hubs across the world, we are in a position to offer a truly professional service across functional and geographical boundaries.

How Can We Help?

Speak to one of the team below if you wish to incorporate VFA(s) into your payment options.

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