

The logo for Hassans, featuring the name in a white, sans-serif font against a background of a colorful, geometric pattern of overlapping triangles in shades of blue, green, and dark blue.

# Hassans

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International Lawyers

## A brief Introduction to Gibraltar and its DLT and ITO Proposition

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## Building on the foundations of a strong diversified and open economy

Other tech companies have succeeded in Gibraltar before



Land border with Spain access to mainland Europe



International airport London in 2 Hours 20 mins, North Africa in 30 minutes



The largest bunkering port in the Mediterranean



1 in 5 British cars insured in Gibraltar



The only British Common Law jurisdiction in mainland Europe



Leading e-gaming jurisdiction



24Km from mainland Africa



Warm Mediterranean lifestyle and service



EU compliant Onshore Financial Centre



Zero Unemployment



Attractive Tax Regime, NO VAT, NO Inheritance Tax, 10% basic Corporation Tax



Gibraltar population supported by cross border workforce



Gibraltar at a glance

## Structuring an ICO – some factors to consider

- Nature of the rights, obligations and attributes of the tokens;
- Legal entity to conduct the token issue and sale;
- Structuring of legal arrangements between the token issuing entity and platform/service provider and/or intellectual property owning entity;
- Accountancy matters – e.g. how will the proceeds of the token sale be treated from an accounting perspective and reflected in the accounts?
- Taxation – e.g. how and where will the proceeds of the token sale be subject to taxation and on what basis?
- Marketing and promotion of the tokens – jurisdictions targeted and complying with local legal requirements.

## Gibraltar Legislation - Distributable Ledger Technology (with effect from January 2018)

Who will the new rules 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
- Investment advice
- Token sales

## Overall Principles underpinning the new regulations

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



**Gibraltar Finance**

HM Government of Gibraltar

## Token Regulation

Proposals for the regulation of token sales, secondary token market platforms, and investment services relating to tokens

(Expected in the next 2 months)

## Defining the problem

### Lack of regulation

Unless structured as a security (e.g. with an equity interest or right to distributions of, say, profits or in the event of winding up) or as a debt instrument, tokens do not constitute any form of regulated financial instrument, either in Gibraltar or, generally, elsewhere in the EU. Consequently, they (and their sale) are unregulated.

Tokens have proved popular as a means of participating in early-stage ventures and projects. There are risks to the general public and to inexperienced investors, in particular, in subscribing for unregulated crowd financing instruments. Such risks are heightened where underlying products and services have yet to be built, tested and deployed, or market demand established.

## Definition of security

Most often, tokens do not qualify as securities under Gibraltar or EU legislation. In many cases, they represent the advance sale of products that entitle holders to access future networks or consume future services. They are akin to mobile phone companies pre-selling airtime in networks they plan to build using the proceeds of those airtime sales. As such, these tokens represent commercial products (albeit reliant on future availability and utility) and are not caught by existing securities regulation in Gibraltar.

Tokens are sometimes created with the characteristics of a virtual currency, serving principally as a medium of exchange within an ecosystem (or marketplace) of consumers and service providers. In some cases (e.g. where a centralised virtual currency is involved), the organiser of the DLT system may fall within scope of the DLT Regulations<sup>2</sup> but the token sale, secondary market conduct and investment services relating to tokens remain unregulated.

The driver for purchasing tokens in an ICO is typically the expectation of making a return by selling them at a profit once the project is successfully completed and its products or services become popular and in demand. This is similar to early acquisition and holding of commodities with a view to trading them later at a higher price.

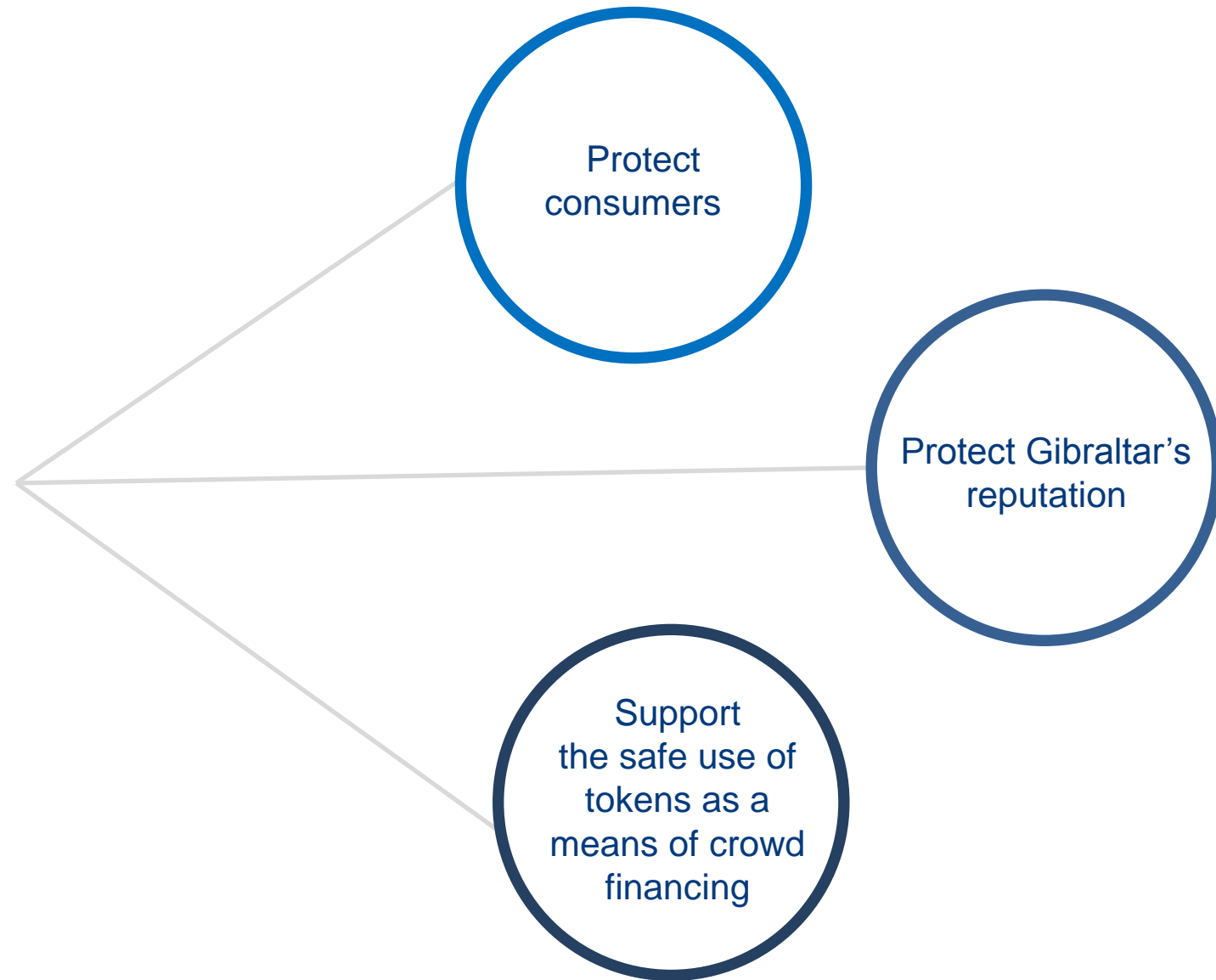
## Proposed regulatory response

New legislation is proposed to regulate the following activities conducted in or from Gibraltar:

- the promotion, sale and distribution of tokens;
- operating secondary market platforms trading in tokens; and
- Providing investment and ancillary services relating to tokens



## GOALS



## Approved Sponsors

- Main mechanism will be the licensing of “approved sponsors” of ICO/ITO issues
- Sponsors will be required to verify and confirm KYC and appropriate disclosure/health warnings

## Gibraltar Stock Exchange

### GBX - The Crypto Harbour

GBX is building a world leading token sale platform and cryptocurrency exchange. It is built upon principles of decentralization and community consensus. It's key advantages are:

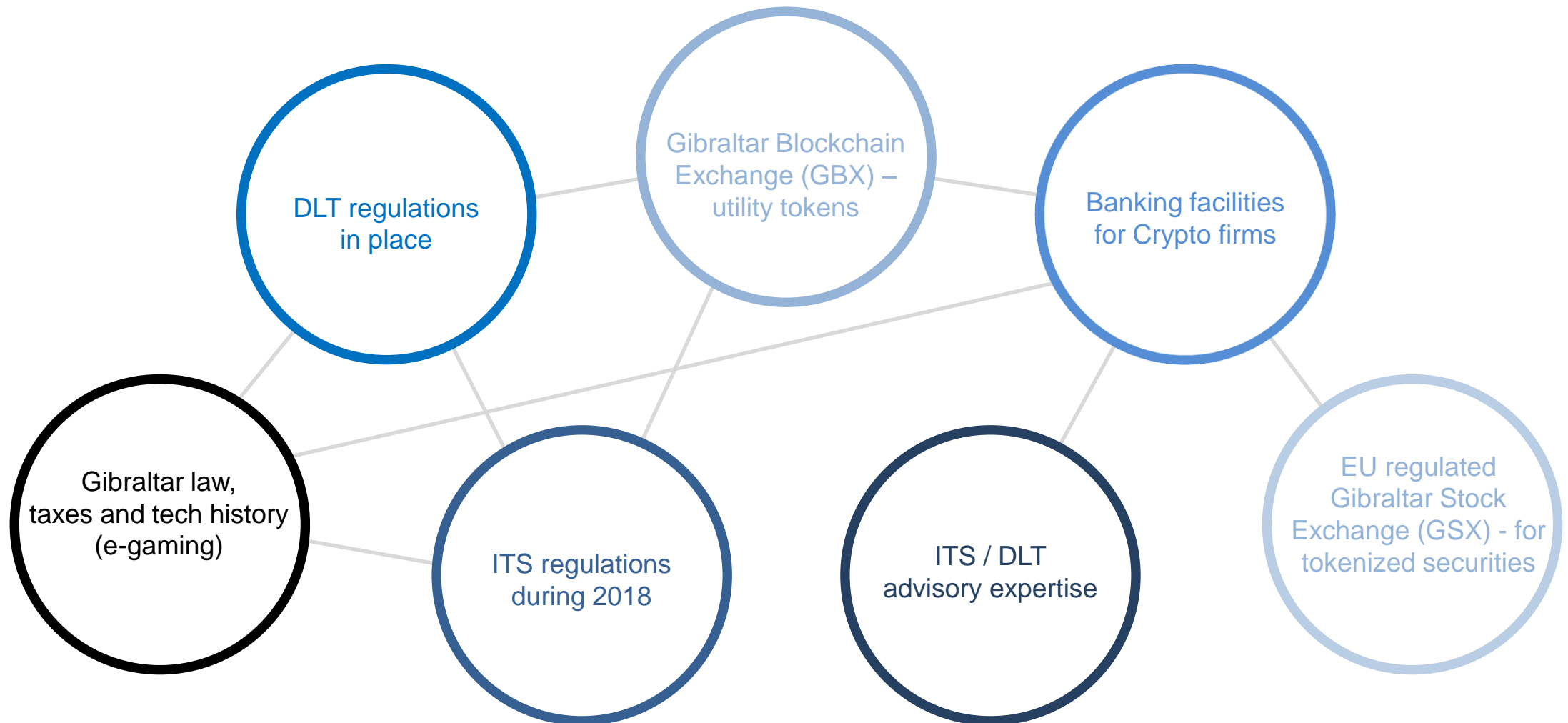
- **Founded on quality market principles:** It is a subsidiary of GSX, an EU-regulated stock market recognized by HMRC and ESMA (European Stock Market A?). Itself seeking to be regulated by Gibraltar's FSC.
- **Security:** Rigorous listing process and participant protection with AML/ KYC, corporate governance and best practices.
- **Transparency:** Encourages confidence, trust, credibility and liquidity for participants.
- **Accessibility:** Offering an international gateway underpinned by a world class regulatory framework in a jurisdiction which is supportive of DLT.

### The role of the sponsor

A GBX approved sponsor must be appointed by the issuer to bring the token onto the exchange. It's role is to prepare the issuer for admission and comply with requirement subsequently. Prior to admission it must undertake robust due diligence in six key areas:

- Controller and senior management (inc. competence and financial crime risks).
- Legal
- Financial
- Project
- Technology
- Security

## Gibraltar – DLT and Crypto Harbour Jurisdiction



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Gibraltar – A fast growing eco-system

