

Here's what you need to know about Crypto-licensing and Crypto-regulations

In this issue of Gamechangers Magazine, Gabriel Styllas, the CEO of FiveComply, a global consultancy firm specialising in international licensing, establishment, and operations of financial institutions, is providing his views on the latest developments in the crypto-industry, with focus on crypto-licensing options and crypto-regulations.

Q What are the latest developments in the crypto industry? What should we expect?

Despite the fact that the digital currency prices dropped significantly since their peak in November 2021, we have seen that the blockchain technology in terms of the payment system is here to stay. Regardless of the valuation, cryptos are gradually accepted by the government authorities worldwide and even some countries went one step ahead by launching their own cryptocurrencies.

Many countries are publishing their own crypto-regulations, as they realise that the lack of a legislative crypto-regime will increase the uncertainty in the market.

At the same time, governments and regulators would like to enhance investor protection, as they realise that more and more people (usually inexperienced in trading), and especially young people, invest in cryptocurrencies nowadays.

The European Union is introducing major changes with its Markets in Crypto-Assets (MiCA) legislation, which could be in force in the next few months and EU competent authorities shall need to comply with the provisions of the Regulation which shall be directly applicable in all EU Member States.

We should also expect in the near future more countries to introduce their own crypto-regulations and countries with existing crypto-regulations to introduce major amendments to keep up with the latest developments. Much of the current regulatory framework is still developing, and regulations and restrictions should be continuously followed by market participants in order to stay ahead of the market.

Q What are the main countries offering crypto license?

Cyprus, Malta, Estonia, Lithuania and Portugal are among the EU countries that encourage foreign investors to set up a crypto-business by acquiring a crypto-license in their countries.

Switzerland is also a well-known and well-respected jurisdiction for blockchain-related businesses that also provides good banking options for this type of business.

On the other hand, Gibraltar used to be a very popular jurisdiction to obtain a crypto license and was among the first jurisdictions to introduce a relevant regulatory framework. However, lately it's not among the top jurisdictions, as it used to be.

In terms of offshore jurisdictions, Mauritius is one of the pioneers in its region as it is one of the first countries that proceeded with the adoption of a comprehensive legislation on Virtual assets (VAs) and Initial Token Offerings (ITOs).

Last but not least USA, UK, Australia and UAE are among the main jurisdictions, that have further developed their regulatory framework regarding crypto-licensing.

Q Why do you think Revolut decided to acquire a Cyprus CySEC crypto-license?

Currently, the legislative scheme established in Cyprus is considered to be more in line with the EU MiCA legislation than other European jurisdictions and this might be one of the main reasons that the UK-based FinTech giant Revolut, selected Cyprus among other EU countries, after careful evaluation of the different options available.

Once the EU MiCA is voted by the EU Parliament and comes into force, Cyprus is expected to be in a better position compared to other EU countries that have legislation that is not fully aligned with the legislative provisions of MiCA.

Cyprus has also acquired reputation as an upcoming FinTech hub destination, it provides tax incentives to investors, simplified immigration rules and has a well-developed infrastructure.

Lastly, by acquiring this license, Revolut will be able to take advantage of the EU passporting rules and to offer crypto services across the European Economic Area (EEA).

Q What would you advise interested parties about crypto-licensing selection process?

Each of the above-stated countries has its own unique set of advantages and disadvantages, when it comes to setting-up a crypto business.

Interested parties must always take into consideration a number of parameters before concluding as to the jurisdiction that they will acquire a license in order to offer crypto services.

Some of the parameters that must always be taken into consideration during the selection process are the target clients / countries, type(s) of clients to be targeted (retail vs professional), monthly / yearly operating expenses after the company acquires its license, quality/expertise/knowledge of professionals/employees in the country, local crypto-friendly banking options, etc.

Depending on each client's budget, it is sometimes advisable to set up a group structure with more than one licensed entity, in order to maximise the number of countries / clients to be targeted.

To summarise the above, the selection of a crypto-license is a complex procedure that each client needs to evaluate based on his own business model in order to conclude as to the best option for him. In FiveComply, our aim is to be always updated and proactive in regards to all the latest developments; in this way, we can assist our clients in their selection and provide them with the best available options based on their operating model.

Q What type of services can be offered by crypto licensed / registered entities around the globe?

Depending on the type / category of license and their initial capital, licensed entities can provide investment advice, receive and transmit client orders, execute client orders, exchange between crypto-assets and fiat currency, exchange between crypto-assets, participate and/or provide financial services related to the distribution offering and/or sale of crypto-assets including the initial offering (ICOs) and portfolio management services.

Regulated entities with higher initial capital are also able to provide administration / transfer of ownership and/or safekeeping including custody of crypto-assets or cryptographic keys, underwriting and / or placement of crypto assets and finally can operate of a multilateral system.



Of course, the above are provided on a generic basis; each jurisdiction has its legislative peculiarities and types of license and thus, more specific information should be provided for each jurisdiction.

FiveComply can provide interested parties with this kind of information and assist them in selecting the type of license that better match their needs, always based on their operating model and corporate goals.

Q How can FiveComply assist clients in meeting their licensing targets / expectations?

FiveComply consists of a team of experts that specialise in global licensing solutions; the dedicated members of the licensing team are handling different types of applications in different jurisdictions and are also dealing with different regulators, at the same time. Due to the number and complexity of applications that our team of experts has handled throughout the years, they have acquired the knowledge and expertise to handle every application in the most efficient way, thus, minimising administrative time and costs.

We always assist our clients to select the most suitable jurisdiction to acquire their crypto license based on their operating model, target clients / countries, budget, etc. Our aim is to help our clients to get the best results in the most efficient way, by ensuring effectiveness in terms of time and cost.

You can contact our team for a free consultation session about the different options and the best jurisdictions for your crypto business:

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