

07 December 2023

Circular to VFA Service Providers on Updates to Chapter 3 of the VFA Rulebook

1 Introduction

Reference is made to the [Consultation](#) on changes to Chapter 3 of the Virtual Financial Assets Rulebook (hereinafter 'the Rulebook') issued on 18 September 2023 wherein various amendments to Chapter 3 of the Rulebook were proposed in order to align the requirements applicable to VFA Service Providers to those found within Title V of the [Markets in Crypto-Assets \('MiCA'\) Regulation](#).

2 Transitional Periods

The MFSA received several responses from stakeholders comprising feedback on both the proposed amendments and the proposed transition periods for new requirements. Taking all feedback into consideration, the MFSA is today publishing the new version of Chapter 3 of the Rulebook containing the amendments included within the September consultation. The new Chapter 3 shall become applicable in two stages, the first becoming applicable on 1 January 2024 and the second stage becoming applicable on 1 July 2024, as per the below table. The proposed transition periods should allow VFA Service Providers sufficient time to become compliant with the new requirements.

Stage	Provisions	Date of Applicability
Stage 1	<ol style="list-style-type: none">1. Systems Audit requirements (<i>Title 2, Section 1, Sub-section 4 & R3-3.1.6.6</i>)2. IT Audit requirements (<i>Title 2, Section 1, Sub-section 5 & R3-3.1.6.7</i>)3. Prudential requirements (<i>R3-2.2.3.4.3 & Title 3, Section 3</i>)4. Reporting requirements (<i>RMICAAP – R3-3.5.4.5</i>)5. Conduct of Business requirements (<i>R3-3.4.1.3 – R3-3.4.1.5</i>)6. Client categorization requirement (<i>R3-3.4.3.3</i>)	1 January 2024

Stage 2	<ol style="list-style-type: none"> 1. Outsourcing requirements (<i>R3-3.1.6.4</i>) 2. Orderly wind-down plan (<i>Title 3, Section 1 Sub-section 8</i>) 3. Supplementary conditions applicable to specific VFA services (<i>Title 3, Section 2</i>) 4. Conduct of Business requirement (<i>R3-3.4.1.6</i>) 	1 July 2024

3 Other important updates

VFASP Return: In view of the changes to Chapter 3 of the Rulebook, the MFSA will be issuing an updated VFASP Return in Q1, which VFA Service Providers will be required to submit at the end of Q1 in line with their reporting obligations.

VFA Agent role: Following on previous communication, the MFSA has in 2023 commenced the legislative process following its proposal to remove the role of the VFA Agent from the VFA Framework. Chapter 3 of the Rulebook will be updated accordingly once these legislative amendments are published.

Outreach: Pursuant to feedback received on the consultation on changes to Chapter 3, the MFSA will in Q1 commence outreach with its VFA Service Providers in order to discuss (i) MiCA preparedness and (ii) issues raised vis-à-vis compliance with MiCA requirements. VFA Service Providers should expect to receive communication from the Authority in this respect.

MiCA supplementary text: cognisant of the fact that the MiCA Regulation is supplemented by various regulatory technical standards, implementing technical standards and guidelines, further updates to the VFA Framework applicable to VFA Service Providers will be made in order to integrate these supplementary requirements once these are published.

Going forward, further updates and developments to the VFA framework and the implementation of the MiCA Regulation will be made public on the MFSA's [website](#). Any queries related to the above should be addressed to vfa@mfsa.mt.