

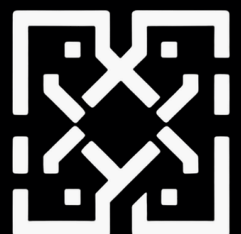
DIGITAL ASSETS LAWS & REGULATIONS IN MALTA

COMPARATIVE ANALYSIS AND
JURISDICTIONAL INSIGHTS

20 August 2026



WHPARTNERS



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Author Biography **34**

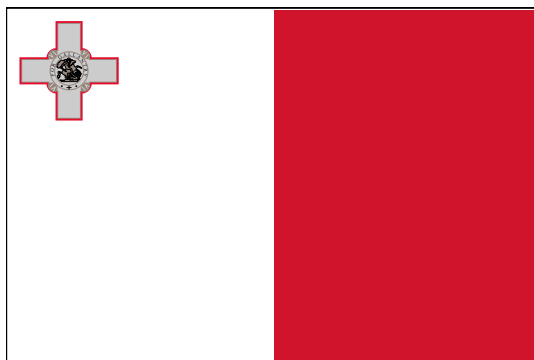
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Introduction

What is the general regulatory environment for digital assets in your jurisdiction?

Malta has evolved into a proactive crypto-regulatory hub, often called the “Blockchain Island,” thanks to early adoption of digital asset legislation and alignment with EU rules. The jurisdiction does not recognize digital assets as legal tender, but treats them under different regimes depending on whether they qualify as asset-referenced tokens (ARTs), e-money tokens (EMTs), or other crypto-assets under the MiCA classification.

The prime regulatory authority is the Malta Financial Services Authority (MFSA), which oversees crypto-asset service providers, issuers, and token offerings. The Financial Intelligence Analysis Unit (FIAU) handles anti-money laundering (AML) and counter-terrorist financing (CTF) supervision. Malta’s regulatory approach is firmly tied to EU standards, including MiCA and the latest AML directives, and emphasizes investor protection, transparency, and sound governance



Regulatory Framework

1. What are the primary laws or regulations governing digital assets in your jurisdiction?

In Malta, digital assets are governed by the Markets in Crypto-Assets Act (Chapter 647 of the Laws of Malta), adopted in November 2024 to transpose EU MiCA into domestic law. This statute replaces and supersedes the earlier Virtual Financial Assets (VFA) Act (Chapter 590) enacted in 2018. The MFSA serves as the competent licensing and supervisory authority, with the FIAU enforcing AML/CTF rules.

2. Regulatory Bodies Overseeing the Derivatives Market

Malta applies MiCA taxonomy: ARTs, EMTs, and other crypto-assets (like utility tokens or Bitcoin). Stablecoin issuers must meet MiCA's prudential, capital, governance, and disclosure requirements. NFTs aren't regulated specifically but fall under the broader crypto-asset regime or property law; they are generally not treated as payment instruments unless tokenized under a MiCA-covered category.

3. How does your jurisdiction address decentralized finance (DeFi) platforms?

Decentralized finance platforms that perform services qualifying as crypto-asset service providers (CASPs)—such as custody, trading, lending or issuing tokens—must seek authorisation from the MFSA under MiCA. They are also subject to AML/CFT requirements enforced by the FIAU. Even purely protocol-based services may fall within scope if they interact with EU consumers or markets.

4. How does your jurisdiction address smart contracts?

While Malta does not have legislation that specifically targets smart contracts, these are acknowledged as legally binding under general contract law, provided they meet legal requirements for mutual consent, lawful purpose, and capable parties. In financial services, smart contracts that automate digital asset transactions must comply with MiCA and other EU financial regulations.

If used in regulated activities—such as token issuance, escrow, or automated settlement—smart contracts must meet governance and audit standards set by the MFSA. Additionally, upcoming revisions under eIDAS 2.0 may introduce digital trust frameworks affecting how smart contracts are recognized in legal disputes or public registries.

5. Is there a licensing regime for businesses dealing with digital assets (e.g., exchanges, wallet providers, custodians)?

Yes, Malta requires all businesses providing crypto-asset services to obtain a license under MiCA from the MFSA. This includes exchanges, custodians, brokers, and token issuers. Previously licensed VFA operators must transition to MiCA-compliant authorization by July 1, 2026, under a transitional regime.

Applicants must submit a detailed business plan, IT systems architecture, AML/KYC policies, and governance documentation. They are also subject to conduct-of-business rules, capital requirements, and ongoing supervision by the MFSA, with additional consumer protection and marketing standards enforced under MiCA.

6. How are digital asset-related businesses and activities taxed (e.g., capital gains, VAT, income tax)?

In Malta, the taxation of digital assets depends on the nature of the transaction and the taxpayer's profile. Individuals who hold crypto-assets as a long-term investment may benefit from capital gains tax exemptions. However, active trading or business-related crypto activity is subject to income tax (up to 35%) or corporate tax for companies, though imputation and refund mechanisms often reduce the effective rate to between 0–10%.

Mining, staking, and crypto-as-a-service businesses are also considered income-generating and taxable accordingly. Malta currently applies no VAT on the exchange of cryptocurrencies used as payment instruments, in line with EU guidance.

7. Are there any ongoing regulatory proposals or upcoming changes that businesses should be aware of?

With MiCA now in effect as of December 30, 2024, Malta is aligning its existing structures to meet its implementation timelines. The MFSA has launched a series of public consultations and issued updated guidance for firms transitioning from VFA to MiCA regulation.

Recent reviews by the European Securities and Markets Authority (ESMA) identified gaps in Malta's licensing and supervisory standards, urging reforms on fit-and-proper assessments, cybersecurity protocols, and transparency. Businesses should expect increased scrutiny on risk management, IT systems, and compliance reporting in the coming months.

8. What specific regulations or licensing requirements apply to new fund formations focusing on digital assets?

Funds investing in digital assets must register with the MFSA and may fall under the Alternative Investment Fund Managers Directive (AIFMD) if targeting professional investors. Digital asset-focused funds must ensure proper risk disclosure, NAV valuation policies, and investor protection mechanisms.

Managers must also assess whether tokenized instruments fall under MiFID II or MiCA, depending on their characteristics. The MFSA evaluates the investment strategy, underlying technology, custody solutions, and governance standards before granting licenses.

9. Are there restrictions or guidance on fund structures investing in digital assets, such as hedge funds, venture funds, or tokenized funds?

Malta allows digital asset funds but imposes strict conditions, particularly for retail exposure. Hedge and venture funds must adhere to AIFMD rules and ensure fund structures don't pose systemic risks. Tokenized funds—those issuing shares or units on a blockchain—must meet regulatory standards on transparency, transferability, and investor protection.

The MFSA assesses the classification of tokens involved (e.g., as financial instruments or utility tokens), and whether AML and safekeeping requirements are adequately addressed. Certain limitations may apply to ensure retail investors are shielded from excessive volatility or lack of liquidity.

Market Access and Licensing

1. What is the process for obtaining a license to operate as a digital asset business in your jurisdiction?

To operate a digital asset business in Malta, companies must apply to the MFSA for CASP authorization under MiCA. The process includes submitting a comprehensive business plan, governance structure, IT and cybersecurity frameworks, AML/KYC procedures, and (for issuers) a crypto-asset whitepaper.

Applicants undergo due diligence checks on shareholders and directors, including fit-and-proper assessments. Once licensed, the CASP must submit regular compliance reports, financial audits, and maintain minimum capital requirements based on the nature and scale of its operations.

2. Are there restrictions on foreign companies or individuals operating digital asset-related businesses?

Foreign entities may operate in Malta but must incorporate a Maltese entity or designate a local representative to ensure regulatory accountability. Non-EU firms seeking EU market access must first obtain authorization from the MFSA before benefiting from MiCA's passporting provisions.

These businesses are subject to the same licensing and compliance standards as local firms and must maintain sufficient onshore governance and AML oversight to satisfy MFSA scrutiny.

3. What are the compliance obligations for licensed businesses, such as anti-money laundering (AML) and counter-terrorist financing (CTF)?

Licensed CASPs must implement robust AML/CTF frameworks that include customer due diligence, ongoing transaction monitoring, reporting of suspicious transactions to the FIAU, and employee training.

They must also maintain audit logs, conduct risk assessments, and appoint a Money Laundering Reporting Officer (MLRO). The FIAU conducts routine inspections and may impose administrative penalties for non-compliance.

4. Is there a regulatory sandbox available for digital asset startups or innovative technologies?

While Malta does not have a dedicated crypto-specific sandbox, the Malta Digital Innovation Authority (MDIA) and MFSA offer collaborative guidance for emerging blockchain or fintech projects. Startups can request pre-application meetings to discuss legal classification, licensing routes, or compliance pathways.

In addition, past initiatives by the Malta Gaming Authority (MGA) have permitted sandbox testing for blockchain-based gaming solutions. Malta remains open to launching new innovation frameworks aligned with EU-wide digital finance initiatives.

5. What unique considerations should be taken into account for foreign fund managers seeking to establish digital asset funds in your jurisdiction?

Foreign fund managers must ensure they meet local fund structuring requirements and comply with the AIFMD and MiCA. They must appoint local service providers, custodians, and auditors approved by the MFSA.

Specific attention must be paid to AML policies, crypto-asset classification, cross-border marketing rules, and investor disclosure obligations. Passporting is available for eligible EU firms, but retail marketing in Malta is tightly controlled and requires separate MFSA approval.

Security and Consumer Protection

1. How does your jurisdiction address security concerns?

Malta places a strong emphasis on cybersecurity and operational resilience in the digital asset space. The Malta Financial Services Authority (MFSA) requires all licensed crypto-asset service providers (CASPs) to implement rigorous IT security controls in line with MiCA and the upcoming Digital Operational Resilience Act (DORA). These controls include multi-factor authentication (MFA), data encryption, secure storage of private keys, and regular penetration testing. Businesses must also maintain risk management policies to mitigate threats such as hacking, phishing, data breaches, and ransomware attacks.

The Malta Digital Innovation Authority (MDIA) plays a complementary role by certifying technology platforms and promoting high technical standards, especially for smart contracts and digital ledgers. In addition, Malta cooperates with EU agencies and law enforcement to investigate cybercrime related to digital assets and enforces compliance with the General Data Protection Regulation (GDPR) for the protection of user data.

2. What consumer protection measures are in place?

Consumer protection is embedded in Malta's regulatory strategy through its full implementation of the MiCA Regulation. Under this framework, digital asset firms must provide clear, non-misleading information about services, risks, and fees before onboarding customers. The MFSA enforces obligations requiring platforms to publish transparent whitepapers, maintain up-to-date risk disclosures, and ensure that clients understand the volatile nature of digital assets.

To safeguard user funds, CASPs must segregate client assets from operational funds and maintain adequate internal controls. Additionally, consumers have access to dispute resolution procedures and may file complaints with the MFSA, which has the authority to impose sanctions or revoke licenses if misconduct is found. The regulatory framework emphasizes transparency, fair treatment, and enhanced oversight, especially for services targeting retail investors.

3. Are there insurance requirements for businesses holding digital assets?

Currently, Malta does not mandate compulsory insurance for digital asset service providers, but firms are encouraged to adopt risk mitigation strategies such as cybersecurity insurance or crime insurance to protect against hacking, fraud, and internal malfeasance. Larger custody providers or exchanges often voluntarily obtain insurance coverage as part of their operational risk management.

Under MiCA, firms that hold client funds or provide wallet services must demonstrate sufficient financial safeguards, including capital reserves or third-party coverage to protect against loss or theft. The MFSA may consider insurance arrangements as part of its broader risk assessment when licensing CASPs. In future, additional insurance requirements could emerge at the EU level as part of broader financial stability or investor protection initiatives.

Blockchain and Smart Contracts in Malta

1. Are blockchain-based records legally recognized in Malta (e.g., for contracts or property ownership)?

Malta was one of the first jurisdictions in the world to legally recognize blockchain-based records through the Malta Digital Innovation Authority Act and related frameworks. Although these laws are now integrated into broader EU digital finance regulations, Malta continues to support the legal recognition of distributed ledger technology (DLT) in various applications, such as financial transactions, tokenized assets, and contract automation.

Blockchain-based records are accepted in evidence under Maltese civil law, provided their integrity and provenance can be demonstrated. While property ownership is still primarily recorded via traditional registries, pilot projects exploring tokenized property titles are underway. The MDIA can certify technology platforms and ensure that blockchain-based systems meet legal and technical standards, thereby enhancing trust in on-chain records.

2. What are the legal considerations around the enforceability of smart contracts in Malta?

Smart contracts are legally enforceable in Malta if they meet the general requirements of Maltese contract law, such as mutual consent, lawful cause, and capacity to contract. Although no specific statute governs smart contracts, they are recognized as valid agreements when they clearly articulate the parties' obligations and can be interpreted by a court if necessary.

For financial services, the use of smart contracts must also comply with MiCA, especially if they automate token issuance, trading, or custody. Businesses must ensure that smart contracts include appropriate fallback mechanisms, legal jurisdiction clauses, and security features to prevent unintended execution. Certification by the MDIA is available for high-risk or mission-critical smart contract systems to enhance legal robustness and auditability.

3. Are there any regulations governing the development and use of blockchain technology in Malta?

Malta supports blockchain innovation through a combination of national certification frameworks and full alignment with EU-wide digital finance laws. The Malta Digital Innovation Authority (MDIA) plays a central role in overseeing the development of blockchain systems, offering voluntary certification of technology platforms based on quality, security, and accountability.

While there is no law mandating how blockchain must be built or used, any platform involved in regulated financial services must comply with MiCA and DORA. These laws govern digital asset issuance, service provision, cybersecurity, and operational resilience. Developers are encouraged to design systems that are auditable, interoperable, and GDPR-compliant, especially when handling user data or providing services to EU residents.

3. How are blockchain technologies being leveraged in fund management for record-keeping, compliance, or automation in Malta?

Blockchain is increasingly being used by fund managers in Malta to enhance operational transparency, automate regulatory compliance, and streamline asset management. Distributed ledger technology (DLT) allows for immutable and real-time transaction records, which simplify audit trails and regulatory reporting.

Smart contracts are being adopted to automate key fund processes such as subscriptions, redemptions, and performance fee calculations. This improves both efficiency and investor confidence. Tokenized funds—offering digital representations of ownership units—are emerging, though still subject to approval under the Alternative Investment Fund Managers Directive (AIFMD) and MiCA. The MFSA requires robust governance and risk management before approving blockchain-integrated fund structures, particularly if marketed to retail investors.

Cross-Border and International Considerations in Malta

1. How does Malta approach cross-border transactions involving digital assets?

As a member of the European Union, Malta aligns fully with MiCA to govern cross-border crypto-asset activities. MiCA introduces a passporting system that allows authorized CASPs in Malta to operate across the EU without needing separate licenses in each country. This creates a streamlined legal environment for businesses seeking to scale operations within the single market.

Cross-border transactions must also comply with EU and Maltese AML regulations, which require thorough due diligence and transaction monitoring. The MFSA closely supervises CASPs that engage in international operations to ensure they meet both local and international standards for financial integrity and consumer protection.

2. Are there specific restrictions or reporting requirements for cross-border transfers of digital assets?

Yes, cross-border transfers of digital assets involving Malta are subject to both MiCA and EU-wide AML laws, particularly the Fifth Anti-Money Laundering Directive (5AMLD) and the FATF Travel Rule. CASPs must collect and transmit identifying information about the sender and recipient for transactions above certain thresholds.

These firms are also required to implement transaction screening systems to detect suspicious activity, potential sanctions breaches, or links to high-risk jurisdictions. Malta's Financial Intelligence Analysis Unit (FIAU) monitors compliance and may request periodic reports or perform inspections. Transfers involving countries outside the EU may trigger additional regulatory reviews or data sharing with foreign authorities.

3. How does Malta align with international regulatory frameworks, such as FATF guidelines?

Malta fully adheres to the Financial Action Task Force (FATF) recommendations and has taken significant steps to strengthen its AML/CTF regime following prior scrutiny. The country's framework now incorporates key FATF guidelines, including enhanced due diligence, beneficial ownership transparency, and compliance with the Travel Rule for crypto transactions.

The MFSA and FIAU coordinate regularly with international bodies to monitor trends in illicit finance and implement evolving standards. Malta's compliance improvements were recognized in its removal from the FATF grey list in 2022, demonstrating its commitment to aligning with global best practices in digital asset regulation.

4. Are there treaties or agreements with other jurisdictions that facilitate cooperation on digital asset regulation?

As part of the EU, Malta participates in all treaties and cooperative mechanisms established under European law, including data-sharing and mutual recognition frameworks for crypto regulation. Through MiCA, Malta benefits from regulatory harmonization across all EU/EEA member states.

Additionally, Malta collaborates with the European Securities and Markets Authority (ESMA), Europol, and international financial intelligence units (FIUs) to investigate cross-border crimes and enforce regulatory standards. The country also engages in bilateral agreements and global forums focused on technology-neutral financial oversight and cybercrime prevention.

5. What considerations apply to cross-border digital asset funds, especially regarding taxation, investor protection, or regulatory compliance in Malta?

Cross-border digital asset funds in Malta must adhere to both local and EU rules governing fund management, tax reporting, and investor safeguards. The MFSA requires such funds to comply with the AIFMD, which includes disclosure, risk management, and governance obligations. Funds marketed to EU investors benefit from passporting rights, while offerings outside the EU must comply with third-country marketing rules.

From a tax perspective, Malta offers an attractive regime with refund mechanisms that can lower effective corporate tax rates, though fund managers must consider tax treaties, VAT implications, and reporting duties under the Common Reporting Standard (CRS). Investor protection is a core concern, especially in volatile crypto markets, and the MFSA closely evaluates tokenization models and asset custody arrangements to ensure regulatory compliance.

Investment and Fundraising

1. What regulations govern initial coin offerings (ICOs), security token offerings (STOs), or other digital asset fundraising methods?

In Malta, Initial Coin Offerings (ICOs) and Security Token Offerings (STOs) are primarily governed by the Virtual Financial Assets (VFA) Act and its accompanying Rulebook, now supplemented by the EU's Markets in Crypto-Assets (MiCA) framework. ICO issuers are required to prepare and register a detailed whitepaper with the Malta Financial Services Authority (MFSA), conduct a financial instrument test to determine token classification, and appoint key local functionaries, such as an auditor, Money Laundering Reporting Officer (MLRO), and a custodian or IT arrangement certifier. The classification of the token—whether it is a utility token, security token, or e-money token—determines the applicable regulatory regime, including MiFID II if the token qualifies as a financial instrument. STOs are often treated as securities and may face more stringent EU securities law requirements.

2. Are there restrictions on advertising or marketing digital asset investment opportunities?

Marketing materials related to ICOs, STOs, or any digital asset offering must comply with the VFA Rulebook and MiCA standards, emphasizing clarity, transparency, and the avoidance of misleading content. Issuers must disclose all risks, capabilities, and token characteristics accurately. Where the tokens qualify as financial instruments, the marketing must also satisfy MiFID II requirements, including suitability assessments for retail investors. The MFSA retains the authority to halt misleading campaigns and prevent aggressive marketing tactics that target vulnerable populations. Pre-launch consultations with the MFSA are encouraged to ensure advertising strategies meet all regulatory standards.

3. How are digital asset investment funds regulated in your jurisdiction?

Digital asset investment funds in Malta fall under the Collective Investment Scheme (CIS) regulatory regime. For tokenised funds, the MiCA framework also applies where relevant. According to a June 2025 MFSA position paper, the tokenisation of fund units through Distributed Ledger Technology (DLT) is permissible, provided the fund remains compliant with the legal framework of UCITS, AIFs, or PIFs. These funds must adhere to governance, safekeeping, transfer agency, and investor protection rules based on their legal structure. If the tokenised units are treated as financial instruments, MiFID II obligations come into play. Fund managers must implement AML protocols, provide clear disclosures, and ensure that custody arrangements are properly segregated and secure.

4. Are venture capital and institutional investments in digital assets subject to additional scrutiny or regulations?

Venture capital and institutional investments in digital assets are subject to comprehensive regulatory scrutiny in Malta. These investors must adhere to AML laws and evaluate the classification of tokens they intend to invest in. If the tokens are deemed financial instruments, licenses under MiFID II or AIFMD may be necessary. Investment managers are required to perform thorough due diligence, assess governance models and token economics, and closely monitor risk exposure. MiCA adds further requirements, including capital adequacy and transparency measures for institutional participants. While Malta encourages such investments, these layers of compliance are intended to safeguard investors and preserve financial system stability.

5. Are there any incentives or specific frameworks encouraging the formation of tokenized investment funds?

Malta promotes the development of tokenised investment funds through its pro-blockchain stance and structured legal environment. Tokenised Collective Investment Schemes benefit from guidance provided in the MFSA's June 2025 position paper, which treats tokenisation as a technical innovation rather than a regulatory overhaul. Malta applies the principle of technological neutrality, allowing UCITS and AIFs to integrate DLT without legal restructuring. The country's clear delineation of roles for service providers, coupled with structural tax advantages (such as the absence of wealth and inheritance taxes for non-domiciled individuals), enhances its appeal for fund developers. While no direct crypto tax incentives exist, Malta's legal clarity and innovation-friendly policies provide indirect benefits for tokenised fund formation.

6. What limitations or opportunities exist for fundraising through decentralized autonomous organizations (DAOs)?

Currently, Malta lacks a dedicated regulatory regime for Decentralized Autonomous Organizations (DAOs). Fundraising by DAOs using tokens may still fall under the VFA Act or MiCA, especially if the tokens qualify as asset-referenced or financial instruments. Challenges stem from the absence of legal personality and ambiguity in DAO governance, which complicates compliance with accountability and AML requirements. As a result, DAOs may need to adopt a formal legal entity or wrapper to meet local regulatory standards. Despite these limitations, DAOs hold promise for capital raising via smart contracts and DLT, particularly if paired with approved corporate or trust structures. Early engagement with Maltese regulators is strongly advised to address compliance hurdles.

Taxation

1. How are gains or losses from digital assets treated under your jurisdiction's tax laws?

Malta's tax treatment of digital assets depends on the type of token and the nature of the transaction. Payment tokens or "coins" used for transactions are generally treated similarly to fiat currencies. Gains from their trading are taxable as income, but long-term holdings for non-business purposes may not trigger tax liabilities. Utility tokens are typically not taxed until they are converted into fiat or monetized. Tokens that resemble securities or financial instruments follow standard taxation rules, such as those for interest or dividends. Income from mining, staking, or frequent trading is taxable, and assets must be valued using fair market prices.

2. Are there specific reporting obligations for digital asset transactions or holdings?

Individuals and entities must report digital asset gains or losses in their annual tax returns, converting the value of assets into fiat currency based on reliable exchange rates. Entities such as exchanges, custodians, and ICO issuers must keep detailed records of all transactions for a minimum of five years. AML laws require enhanced due diligence, including know-your-customer (KYC) processes and the reporting of suspicious activity to the Financial Intelligence Analysis Unit (FIAU). Cross-border transfers are subject to the FATF Travel Rule and EU AML directives, especially when carried out by crypto-asset service providers (CASPs).

3. Are there tax incentives for businesses or investors in the digital assets sector?

While Malta does not offer direct tax incentives specifically for crypto-related activities, its broader tax regime provides several indirect benefits. These include the remittance basis for non-domiciled individuals, zero inheritance and wealth taxes, and exemptions from VAT on certain crypto transactions. Professional investors may benefit from standard tax reliefs, and companies investing in DLT research and development can access deductions under national innovation schemes. Tokenised financial structures can also benefit from tax treatments applicable to funds under AIFMD, but there are no crypto-specific tax grants or subsidies in place.

4. How are investment funds with digital assets taxed, particularly regarding fund-level gains and distributions to investors?

Investment funds in Malta that include digital assets are subject to the same tax rules that apply to traditional collective investment schemes. Fund-level gains are usually taxed at the standard corporate rate of 35%, though participation exemptions or tax refund mechanisms may significantly reduce the effective rate. Gains from tokenised funds are calculated similarly to those from securities, and distributions to investors are treated according to investment income tax rules, with withholding taxes depending on the investors' residency. Funds must ensure accurate valuation of their digital holdings, submit audited accounts, and comply with international reporting obligations under the Common Reporting Standard (CRS) and FATCA. The MFSA also monitors token valuation and financial reporting to ensure transparency with investors.

Enforcement and Dispute Resolution

1. How are disputes involving digital assets typically resolved (e.g., courts, arbitration)?

In Malta, disputes involving digital assets are typically resolved through traditional legal mechanisms, such as civil courts, or via alternative dispute resolution (ADR), including arbitration and mediation. The Maltese legal system relies on established principles of contract and financial law, supplemented by the Virtual Financial Assets (VFA) Act and relevant EU regulations like MiCA and MiFID II, particularly when the asset qualifies as a financial instrument. Many digital asset service agreements, including those involving token issuers, exchanges, and investors, often include arbitration clauses to avoid lengthy litigation. The Malta Financial Services Authority (MFSA) may become involved in cases where regulated entities breach their obligations, particularly in consumer protection or market integrity matters. Due to the cross-border nature of many digital asset transactions, international legal cooperation is sometimes necessary. The enforcement of smart contracts and decentralised governance agreements may require innovative legal interpretations as these technologies mature.

2. Are there precedents or notable cases involving digital assets in your jurisdiction?

Malta does not yet have a large volume of publicly reported judicial precedents specifically involving digital assets. However, several enforcement actions and administrative rulings by the MFSA have addressed non-compliance by VFA agents and crypto service providers. Cases have involved issues such as offering services without a license, failure to meet AML/CFT obligations, and misleading or insufficient disclosures in whitepapers. These actions reflect Malta's intention to maintain strong oversight over its blockchain ecosystem, especially under its "Blockchain Island" regulatory initiative. As MiCA becomes fully enforceable and market activity increases, Malta is likely to develop more jurisprudence in areas such as token classification, investor protection, and smart contract disputes. These emerging cases will help define the boundaries of digital asset liability and governance within the Maltese legal framework.

3. What penalties or enforcement actions can regulatory authorities impose for non-compliance?

The MFSA has broad powers to enforce compliance with digital asset regulations in Malta. Penalties for non-compliance may include administrative fines, license suspension or revocation, restrictions on business operations, and public warnings. Under the VFA Act and MiCA, regulated entities must meet obligations related to disclosure, AML, IT governance, and operational resilience. Failure to meet these standards can result in enforcement actions targeting both the corporate entity and responsible individuals, including directors and compliance officers. The Financial Intelligence Analysis Unit (FIAU) can also impose sanctions for breaches of anti-money laundering obligations, which may involve heavy financial penalties and criminal prosecution. As regulation continues to evolve, enforcement is expected to grow more robust, particularly as Malta aligns with EU-wide supervisory standards.

4. Are there special considerations or precedents regarding disputes involving fund managers or investors in digital asset funds?

Disputes involving fund managers and investors in Malta's digital asset funds are subject to the general legal framework governing collective investment schemes, including the AIFMD and local fund rules. Although Malta has not yet developed a large body of case law in this area, regulatory guidance and fund agreements often provide mechanisms for resolving conflicts, such as arbitration or internal dispute resolution processes. Issues may arise around fund transparency, token valuation, custody of tokenised assets, or compliance with investment limits and risk disclosures. The MFSA closely monitors fund operations to ensure that managers act within their fiduciary duties and regulatory obligations. Any misconduct, including misrepresentation or inadequate risk management, could expose fund managers to liability and regulatory sanctions. As tokenised funds become more common, Malta is expected to refine both regulatory oversight and legal remedies in this area.

Opportunities and Challenges

1. What are the primary benefits of choosing your jurisdiction for digital asset businesses or activities?

Malta is widely recognized for its proactive and structured approach to regulating digital assets, offering legal certainty under the Virtual Financial Assets (VFA) Act and alignment with the EU's MiCA framework. The Malta Financial Services Authority (MFSA) provides detailed guidance, licensing pathways, and regulatory oversight, making the jurisdiction especially attractive for serious fintech and blockchain firms. Malta's commitment to technology neutrality allows businesses to innovate without having to conform to overly prescriptive technical requirements. The country also boasts a robust professional services sector with expertise in token structuring, fund formation, and AML compliance. Its strategic location within the EU ensures access to the broader European market under a harmonized legal regime. The combination of legal clarity, regulatory support, and a fintech-savvy ecosystem creates an appealing environment for digital asset businesses.

2. Are there specific challenges or risks associated with operating in your jurisdiction?

While Malta offers a well-defined legal framework, the licensing process under the VFA regime can be time-consuming and resource-intensive. Applicants must meet high standards for governance, IT security, AML/CFT compliance, and ongoing reporting, which may require significant investment. Smaller startups may find it challenging to meet capital and staffing requirements, especially when compared to more loosely regulated jurisdictions. Additionally, Malta's reputation has faced scrutiny in past years due to broader concerns about regulatory enforcement, though substantial reforms have since been introduced. Market access is largely EU-centric, meaning firms targeting global clients may still need additional licensing elsewhere. Banking relationships for crypto-related entities, though improving, remain limited and can pose operational hurdles.

3. How does public perception or government policy impact the digital assets market in your jurisdiction?

Public perception in Malta regarding digital assets is generally positive, bolstered by the government's early support for blockchain technology and branding initiatives like "Blockchain Island." The government's consistent messaging has emphasized responsible innovation and regulatory clarity rather than fear or restriction. This balanced approach has built trust among local businesses and international stakeholders. The MFSA and other regulators continue to engage with industry participants through consultations and regulatory updates, enhancing transparency. While retail adoption is modest compared to global hotspots, Malta has built a reputation as a credible and professional jurisdiction for institutional-grade digital asset services. Educational initiatives and government support for digital literacy are gradually improving public understanding of crypto technologies.

4. Are there incentives or grants available to encourage blockchain or digital asset innovation?

Malta does not offer crypto-specific tax incentives, but it supports blockchain innovation through its broader research and development (R&D) and innovation funding schemes. Companies investing in DLT-based solutions may benefit from tax credits or project grants through Malta Enterprise and other EU-backed funding programs. Educational institutions and tech incubators in Malta, such as MITA Innovation Hub, also collaborate with startups to test and develop blockchain use cases. Public-private partnerships and sandbox discussions have enabled firms to experiment within a regulated environment. While direct subsidies are limited, the combination of tax-neutral treatment, legal clarity, and access to EU innovation programs provides strong indirect incentives. These factors collectively foster a business-friendly climate for blockchain and digital asset experimentation.

5. Are there government programs or private initiatives supporting the development of digital asset funds or blockchain-based investment vehicles?

Yes, Malta has seen the emergence of legal and regulatory frameworks that accommodate tokenised investment funds and blockchain-based financial products. The MFSA has issued guidance to clarify how traditional fund structures—like Professional Investor Funds (PIFs) and Alternative Investment Funds (AIFs)—can be adapted for crypto asset exposure. Legal firms and fund administrators in Malta offer specialist services for structuring and managing such vehicles, including advice on custody, compliance, and token issuance. Private initiatives, including fintech accelerators and legal tech startups, provide support for fund managers entering the digital asset space. These developments are reinforced by Malta’s commitment to maintaining investor protection and aligning fund regulation with EU standards like AIFMD and MiFID II. The collaborative ecosystem encourages innovation while upholding institutional-grade compliance norms.

Emerging Trends

1. How is your jurisdiction addressing trends such as central bank digital currencies (CBDCs)?

Malta is closely monitoring global developments in central bank digital currencies (CBDCs) and participates in EU-wide discussions led by the European Central Bank (ECB) regarding the potential issuance of a digital euro. While Malta has not announced plans for a standalone national CBDC, it is actively engaged in policy debates about the role of retail and wholesale digital currencies. As a member of the eurozone, Malta's approach will align with ECB strategy and timelines. Local institutions are also exploring the implications of CBDCs on payment infrastructure, financial inclusion, and monetary policy. Regulatory authorities maintain an open dialogue with fintech stakeholders to assess readiness and opportunities. Malta's involvement in EU-level task forces ensures it remains an informed and responsive participant in CBDC developments.

2. Are there specific areas of growth or innovation in the digital assets sector (e.g., tokenized real estate, gaming, metaverse applications)?

Malta has seen growing interest in tokenised real estate projects and fractional ownership models supported by blockchain. These efforts align with the country's strong legal property framework and fintech expertise. The gaming industry—already a major sector in Malta—is beginning to integrate NFTs and blockchain-based assets into gaming ecosystems, supported by a regulatory backdrop that already accommodates remote gaming. Local artists and creatives have also begun experimenting with digital art and NFT exhibitions, adding cultural momentum to the digital asset movement. While still in early stages, the convergence of real estate, gaming, and digital identity solutions presents promising areas of innovation. Regulatory clarity has made Malta a favorable base for piloting these blockchain-enabled projects.

3. How is artificial intelligence (AI) being integrated into blockchain or digital asset initiatives in your jurisdiction?

Malta is actively exploring the convergence of AI and blockchain technologies across financial and regulatory use cases. Some crypto platforms are beginning to integrate AI to enhance trading algorithms, perform predictive analytics, and support real-time fraud detection. AI-powered compliance systems are also being adopted to automate KYC/AML checks and transaction monitoring, improving efficiency and reducing compliance costs. Public institutions such as MITA are investing in national AI strategies that intersect with DLT applications in sectors like health, identity management, and financial services. These integrations are still in development but reflect a broader national push toward digital transformation. The government continues to support initiatives that combine AI and blockchain under its digital innovation framework.

4. What trends are emerging around digital asset fund management, such as tokenized shares, AI-driven strategies, or decentralized fund structures?

Digital asset fund management in Malta is evolving toward greater automation, transparency, and tokenisation. Fund managers are exploring the use of tokenised shares and blockchain registries to streamline issuance and settlement. There is growing interest in using AI tools for portfolio optimization, predictive analytics, and risk management—particularly among institutional managers targeting high-net-worth and professional investors. While fully decentralized fund structures are still largely theoretical, Malta’s legal system allows flexibility for integrating smart contracts into fund operations. The MFSA has begun discussions with industry participants to assess how these innovations can align with investor protection laws. As MiCA implementation progresses, new fund formats that integrate blockchain and AI are likely to be piloted within the Maltese legal framework.

Conclusion

What is the outlook for digital assets in your jurisdiction over the next 5–10 years?

Over the next five to ten years, Malta is poised to maintain and enhance its role as a European hub for digital assets and blockchain innovation. The country's structured regulatory approach, underpinned by the VFA Act and the upcoming implementation of MiCA, offers a solid foundation for responsible growth in the sector. Malta's commitment to technological neutrality and EU alignment ensures that the jurisdiction remains adaptable to emerging technologies such as AI, DeFi, and tokenised funds. Public-private partnerships, legal clarity, and access to EU markets give Malta a unique advantage for both startups and established financial players looking to expand into the digital asset space.

However, sustained growth will depend on continued investment in digital infrastructure, regulatory capacity, and fintech education. Addressing ongoing challenges—such as limited banking services for crypto firms, high compliance costs, and international competitiveness—will be critical. Malta's participation in EU-wide initiatives, coupled with its domestic innovation agenda, positions it to play a meaningful role in shaping the future of digital finance. By balancing innovation with robust oversight, Malta is set to remain a credible and attractive jurisdiction for digital asset businesses in the years ahead.

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Joseph Borg is a Partner at WH Partners and heads the firm's FinTech and Financial Services team.

Joseph is ranked Band 1 in the Chambers FinTech 2026 guide for FinTech Legal in Malta and is recognised as one of the four “Leading Individuals” in FinTech in Malta by the Legal 500 EMEA 2026 guide.

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Joseph is a member of the International Masters of Gaming Law (IMGL), lectures in Gaming Law at the University of Malta, and chairs the Virtual Assets Business Section at The Malta Chamber.



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Galyna Podoprikhina is a Senior Associate at WH Partners and a member of the firm's FinTech, Intellectual Property and Gaming & Gambling practices. She is recognised as an Associate to Watch in the Chambers FinTech 2026 guide.

Galyna advises crypto-asset service providers, fintech companies and other regulated businesses on licensing, regulatory and operational matters. Her practice includes assessing licensability, assisting with licence applications,

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Galyna holds an LL.B. (Hons.) and a Master of Advocacy from the University of Malta, as well as an LL.M. in Commercial Law from Erasmus University Rotterdam. Her interest in fintech developed through exploring blockchain applications in logistics and has since evolved into a broader focus on digital assets and financial services regulation.

Firm Biography

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a global network of correspondent firms, the firm provides legal and strategic advice to clients operating in dynamic and rapidly evolving markets.

Our practice spans corporate and M&A, fintech and financial services, tax, gaming and gambling, dispute resolution, intellectual property, data protection, consumer protection and advertising, real estate, employment and immigration, sports, technology and media, and competition and state aid.

As part of its integrated service offering, WH Partners also operates licensed corporate services businesses in Malta and the UAE.