

DISTRIBUTED LEDGER TECHNOLOGY (DLT) ESTABLISHING YOUR 'BLOCKCHAIN' BUSINESS IN GIBRALTAR

The emergence of distributed ledger technology (DLT) means we could soon be witnessing an explosion of innovation. Underlying this technology is the 'block chain' concept used by the first decentralised digital currency Bitcoin, which records every transaction made in identical copies of a digital ledger that is shared among its users. This 'shared ledger' approach can be modified to incorporate rules, smart contracts, digital signatures and an array of other new tools.

The business community has been quick to appreciate the potential. And not just in terms of products, services, revenue streams and operating systems, but also alternative ways to raise funds. Initial coin offerings (ICOs) – a form of crowdfunding in which firms issue digital 'coins' or 'tokens' in return for a payment in cryptocurrencies rather than fiat currency such as dollars, euros or pounds – have raked in more than \$3.2 billion this year, rivalling the money flowing to internet start-ups from early-stage venture capital.

As well as providing opportunities DLT, like any radical innovation, represents a threat to those who fail or are unable to respond. And because block chain operates through a decentralised structure, which means no one controls it or the data it holds, it poses a threat to the role of institutions and intermediaries such as governments and banks.

The potential for abuse is obvious and crypto-currencies and ICOs have been the subject of negative press coverage and harsh regulation. Their broader acceptance and legitimacy will depend on what form of relationship they forge with such institutions, and more importantly financial regulators, going forward. As a result, many firms in the DLT area are seeking proactive and collaborative regulation that will provide protection, confidence and certainty. Gibraltar has the solution

GIBRALTAR'S NEW DLT PLATFORM

Gibraltar's new DLT regulatory regime, introduced as of 1 January 2018, is focused on the application of principles rather than rigid rules that could quickly become outdated and unfit for purpose for businesses based on rapidly evolving technology. It is aiming to create a centre of excellence for these technologies and an environment in which operating models and organisational structures can be explored, with new entrants able to participate freely.

Gibraltar is also considering a complementary regulatory framework covering the promotion and sale of tokens or coins, aligned with the DLT framework, as a means of raising finance, especially by early-stage start-ups.

In order to take advantage of Gibraltar's entrepreneurial regulatory approach to DLT and ICO regulation, firms will have to demonstrate that they have 'sufficient substance' in Gibraltar. In practice, this will require premises in Gibraltar, local directors with expertise, anti-money laundering reporting requirements, satisfying capital adequacy requirements and the ability to meet local accounting and other reporting requirements.

In short, you cannot benefit from this ground breaking regulatory regime without contributing to Gibraltar's reputation and economy. It is worth noting that if you already operate in Gibraltar under another licence, you may not require DLT licensing. The requirement for substance, however, is unaltered.

HOW CAN SOVEREIGN HELP?

We provide the support to create substance and maximise opportunities and achieve long-term sustainability.

These services include:

- Establishing your legal entity
- Banking Introductions
- Bespoke corporate insurance policies including Cyber Security, Directors and Officers, PI, Key Man, Healthcare
- Executive relocation
- High Executive Possessing Specialist Skills (HEPPS) applications
- Introductions to obtain your DLT Provider's licence
- Specialist legal advice
- Locating commercial and residential premises
- Occupational and private pensions
- Accounting and Payroll
- Company Secretarial and administrative support
- Trademark and IP protection

Once your firm is established and successfully operating in Gibraltar, you will be in the corridor to access UK markets. It is likely that you will then be considering international dimensions. Whether you are seeking to do business in Europe, Asia, Africa, the Middle East, the Americas or elsewhere, Sovereign has a network of offices or agents in all major international finance centres.

Businesses operating in rapidly evolving industries require expertise, speed and efficiency. With over three decades of experience handling cross-border corporate and commercial matters, Sovereign can help with establishing and registering the most effective and efficient legal entity.

We also have the necessary expertise in administering and managing companies, including company law, board procedures, director responsibilities and shareholder relations, and financial and corporate compliance requirements. This will enable the company's owners to focus on the primary business.

Sovereign opened its first office in Gibraltar in 1987 and has since grown into a regulated financial services group with global reach. We currently manage over 20,000 structures for a wide variety of clients – companies, entrepreneurs, private investors or high net worth individuals and their families – and have assets under administration in excess of US\$10 billion.

Sovereign now employs more than 400 trained and experienced staff worldwide. The depth and breadth of our services means we have built up a huge reserve of in-house knowledge and expertise. There is very little that we haven't seen before and there are few areas where we cannot be of help.

This information sets out our core specialisations for establishing and expanding your DLT business but there is much more we can do to help. Please contact John Blake jblake@SovereignGroup.com or Ian Le Breton ilebreton@SovereignGroup.com for further information. If we cannot assist with any particular requirement, we will almost certainly know someone who can. So whatever your requirement, just ask.