

Virtual Assets Initial Token Offerings Act

VAITOS Act - Mauritius

Cryptocurrency rollouts and digital transactions grew at a high speed in the last decade and laws had to be repealed or even shelved to give way to new legislations with new components and new means of monitoring. Mauritius came with its VAITOS Act early in 2022 to define the various main vectors of activities concerning virtual assets, sets out the rules and regulations for their trade and offer clarity on the oversight of authorities concerned.

Virtual Assets Initial Token Offerings Act (VAITOS) aims at becoming the legislation to link us to the new world order of finance and fintech. However, fintech in its full form can be very disruptive. Capable of transferring a system of trust that has been ongoing for the past century or so, experts have written extensively on the emergence of this new space and the stages to reach till its full integration into an efficient digital society. It is believed to be a gamechanger in every aspect of our lives with acceptance, accessibility and infrastructure preparedness as being key considerations. However, the most important feature remains the legislations and regulations acting as enabling frameworks to accept this change in a formal manner. Numerous countries around the world including Mauritius, believing in life-changing fintech platforms have started to adopt commonalities pertaining to legislations as embraced by forward thinking economies.

Use of distributed ledger technologies, born from the famous blockchain phenomenon, has opened the floodgates to all sorts of digital representations which can be stored on the technology. Fiat currencies have been interchanged for bitcoins to be stored on blocks and digital creative contents are being recorded on the technology, inviting speculation and bidding processes. It was high time for the authorities to regulate these activities and conclusive frameworks around this technology became a matter of worldwide concern.

The definition of virtual assets as per the act has been literally the same around the world as being:

- (a) a digital representation of value that may be digitally traded or transferred, and may be used for payment or investment purposes; but
- (b) does not include a digital representation of fiat currencies, securities and other financial assets that fall under the purview of the Securities Act

It is important to demarcate here the rising importance of a non-fungible token as a digital representation of asset(s) which is considered an immutable virtual asset but differentiate itself by being a unique drawing, animated GIF, sound, video game, video clips and more...

Virtual Assets and Token Offerings Activities Regulated under the VAITOS Act

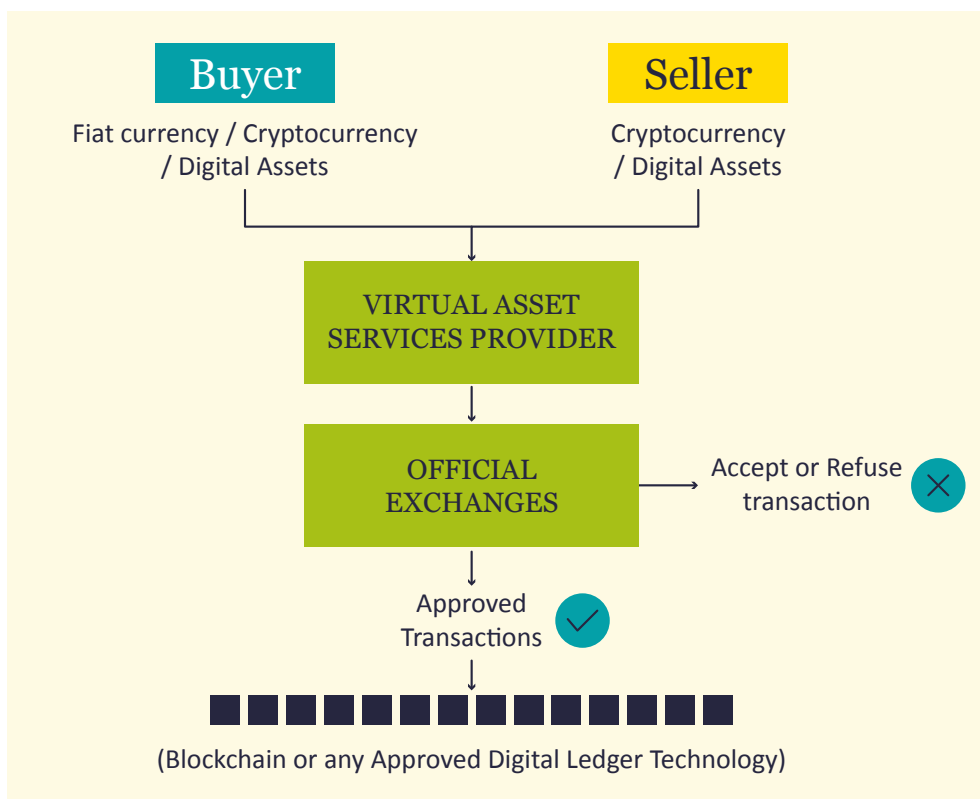


Fig. 1 Transactions as per VAITOS Act

Initial Token Offerings

Initial Token Offerings are more popular for financial services and considered as an upcoming digital store of value. Initial Token offerings form part of an activity where a current asset is tokenised or broken down into units known as tokens. These tokens are subsequently interchanged for digital values captured through cryptocurrencies. Initial token offerings are usually meant to be regulated and issued for long term perspectives. Their business outlooks are less volatile, backed by some fundamentals or archetypes of traditional finance. In a nutshell, initial token offerings are calls for smart contracts having lower costs of compliance, easy to implement and increasingly cross-border friendly and decentralised.

Nowadays, tokenisation is progressing with a plan for transparency to customers. Carrefour is one of those examples, which is creating more loyalty to organic customers by tagging the value chain of organic products to blockchain technology. Same goes for the Ethiopian coffee bean value chain, where customers now know through blockchain, the real history of the coffee they are consuming and the real value of transparency.

Initial Coin Offerings

Whilst Initial Coin Offerings have more to do with technological products, they happen to be highly volatile due to ideation stage of start-ups and have their share of high risk/high returns profiles. They are also known to be part of unregulated business ventures where a coin can be issued to call for more investors to consider a new venture. In the recent past, various cryptocurrencies have been introduced in the wake of the success of bitcoins but few have succeeded whilst some have been marred by the rise of online hacking and theft. There are various projects from central banks to issue their own coins, which can promote the shift from fiat currencies to cryptocurrencies. On the other side of the coin and as an example, we have high-net-worth individuals around the world who have already tested the waters, known as the 'Big whales' for their huge shift to cryptocurrency, mostly bitcoin including its rise and falls.

Distributed Ledger Technology

The whole idea behind the distributed ledger technology is the security it gives to transactions. With virtual assets, securities and token offerings growing faster, companies will be called upon to come with adaptive regulations, enhanced compliance and long-term perspectives of their implications to fintech. Holders of tokens will be called upon to transact for normal assets, digitally represented and safeguarded by the best technology on offer. In the new paradigm of investment highways both primary and secondary markets for securities will enjoy more flexibility and liquidity potential against the current traditional capital model.

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