

CAYMAN ISLANDS



Virtual Asset (Service Providers) Act
(2022 Revision)

VIRTUAL ASSET (SERVICE PROVIDERS) (AMENDMENT) REGULATIONS, 2024

Consultation



CAYMAN ISLANDS



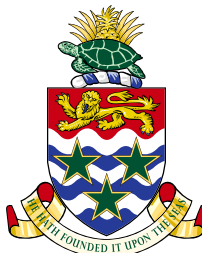
Virtual Asset (Service Providers) Act
(2022 Revision)

VIRTUAL ASSET (SERVICE PROVIDERS)
(AMENDMENT) REGULATIONS, 2024

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**Virtual Asset (Service Providers) Act
(2022 Revision)****VIRTUAL ASSET (SERVICE PROVIDERS)
(AMENDMENT) REGULATIONS, 2024**

In exercise of the powers conferred by section 39 of the Virtual Asset (Service Providers) Act (2022 Revision), the Cabinet, after consultation with the Authority, makes the following Regulations —

Citation and commencement

1. (1) These Regulations may be cited as the Virtual Asset (Service Providers) (Amendment) Regulations, 2024.
(2) These Regulations come into force immediately after the *Virtual Asset (Service Providers) (Amendment) Act, 2024* comes into force.

Insertion of regulation 4A in the Virtual Asset (Service Providers) Regulations, 2020 - application for licence

2. The *Virtual Asset (Service Providers) Regulations, 2020*, in these Regulations referred to as the “principal Regulations”, are amended by inserting after regulation 4 the following regulation —

“Application for licence

- 4A.** An application for a licence under section 8(1) of the Act shall be made to the Authority in the form set out in Schedule 1A.”.

Insertion of Schedule 1A - application for licence

3. The principal Regulations are amended by inserting after Schedule 1 the following schedule —

“SCHEDULE 1A

(regulation 4A)

Application for Licence

This form shall be accompanied by the completed application for registration form in Schedule 1 except where the applicant is already registered under the Virtual Asset (Service Providers) Act (2022 Revision). The relevant parts of this form are to be completed by applicants and shall be submitted, along with any additional information that is required, to the Authority.

PART A: APPLICANT’S GENERAL INFORMATION

- A.1 Details of the current business activities, if any, and activities which the applicant intends to engage in that form the basis of this application including —

- (a) details of the activity which requires licensing under the *Virtual Asset (Service Providers) Act (2022 Revision)* which the applicant wishes to undertake;
- (b) a detailed proposal setting out the applicant’s proposed assets and liabilities at the end of each of the two years following the submission of the application and an estimate of income;
- (c) particulars of the applicant’s management structure and personnel;
- (d) a statement as to the applicant’s customer base;
- (e) a copy of the applicant’s most recent balance sheet and details of the applicant’s fee earnings, if any; and
- (f) the date on which the applicant proposes to commence carrying on the provision of virtual asset custody or the operation of a virtual asset trading platform in or from within the Islands.

- A.2 The annual accounts, for the two years immediately preceding the year of application, of each shareholder which is a body corporate holding more than ten per cent of the applicant’s issued share capital or total voting rights, together with similar accounts for the parent body, if any, of each such body corporate.

- A.3 An organizational chart of the company ownership structure, together with the names and addresses of the registered offices of all subsidiary companies of the applicant. *(Where any of the entities within the company ownership structure, including the ultimate parent entity, is regulated, the name of the regulator shall be specified.)*
- A.4 Information on, and evidence of, the applicant's fully paid-up capital and, if applicable, a statement as to how much of the capital of each subsidiary company constitutes an asset of the applicant.
- A.5 The name and address of the firm of auditors practising in the Islands and approved by the Authority that is appointed to audit the accounts of the applicant and —
- (a) a statement giving the date for the drawing up of the annual accounts of the applicant; and
 - (b) evidence that the auditor has agreed to accept appointment.
- A.6 Any request for an exemption from the requirements of *the Virtual Asset (Service Providers) Act (2022 Revision)*, these Regulations or any other regulatory law made by the applicant.
- A.7 A statement indicating whether the applicant intends to provide any other services which are regulated in the Islands.

PART B: INFORMATION ON VIRTUAL ASSET CUSTODIAN

This Part is to be completed by all applicants who wish to offer virtual asset custody services in or from within the Islands.

- B.1 Indicate the types and amounts of virtual assets which the applicant proposes to hold on behalf of clients and reasons for facilitating the safekeeping of these virtual assets.
- B.2 Provide an outline of strategy and measures in place for cybersecurity, risk management, the safeguard of virtual assets and internal controls within the business to prevent loss and theft.
- B.3 Provide the proposed marketing strategy.
- B.4 Provide the strategy to carry out any due diligence, money laundering, terrorism or proliferation financing risk mitigation processes to ensure compliance with the *Virtual Asset (Service Providers) Act (2022 Revision)* and the *Proceeds of Crime Act (2020 Revision)*.

- B.5 Provide a copy of any agreement, contract or disclosure which will be used during the provision of virtual asset custodial services, outline all information that will be provided to the owners of the virtual assets including, but not limited to, fees, compensation structures, recourse available to the owners of the assets in event of loss and the method by which the owners may access the virtual assets.
- B.6 Provide the details of any insurance arrangements held by the applicant in the Islands or in another jurisdiction which relate to the provision of virtual asset custody services in the Islands.
- B.7 Provide information about contracts with affiliates or any other third parties regarding any services related to the provision of virtual asset custody services which will be outsourced or provided by a third party.
- B.8 Provide evidence of the availability to the applicant at all times of adequate professional knowledge and experience in the provision of virtual asset custodial services and the names of at least two of its directors actively engaged in the business of the applicant, one of whom shall possess a sound professional knowledge of and experience in the provision of virtual asset custodial services.
- B.9 Statement indicating whether the applicant intends to provide virtual asset custodial services to persons in the Islands.

PART C: VIRTUAL ASSET TRADING PLATFORM OPERATORS

This Part is to be completed by all applicants who wish to operate a virtual asset trading platform in or from within the Islands.

- C.1 Indicate the expected revenue of the virtual asset trading platform which the applicant will be operating.
- C.2 Indicate where physical hardware supporting the trading platform will be located.
- C.3 Provide the standard form agreements, contracts and disclosures which will be provided to the users of the virtual asset trading platform.
- C.4 Provide a statement setting out the management structure and governance of the virtual asset trading platform.

- C.5 Provide a list of virtual assets which will be listed, traded or exchanged by way of the virtual asset trading platform.
- C.6 Provide client agreements and terms by which each specific virtual asset will be listed, traded or exchanged on the virtual asset trading platform.
- C.7 Provide confirmation of, and reason for, any trading activity which will be conducted by the applicant on its own account using virtual assets which will be listed, traded or exchanged on the trading platform.
- C.8 Provide a statement regarding to whom the applicant's services will be marketed and offered, including the country of residence of the prospective clients.
- C.9 Provide a statement detailing any services which the virtual asset trading platform will be providing which are not considered virtual asset services.
- C.10 Provide a statement detailing the virtual asset trading platform's due diligence, measures to monitor money laundering, terrorism financing or proliferation financing.
- C.11 Provide an outline of strategy and measures in place for cybersecurity, risk management, the safeguard of virtual assets and internal controls within the business to prevent loss and theft.
- C.12 Provide a detailed outline of the applicant's measures to identify and prevent conflicts of interest, insider trading or price manipulation.
- C.13 Provide any outsourcing agreements regarding any services relating to the virtual asset trading platform's operation.
- C.14 If the applicant will be providing lending, financing or leveraging of any kind to its clients, provide the proposed terms of these arrangements.
- C.15 Provide a statement outlining the proposed clearing and settlement process which will be utilized by the trading platform in order to perfect trades and exchanges.
- C.16 Provide a statement outlining the due diligence process which will be undertaken by the applicant when listing, trading or exchanging a new virtual asset.
- C.17 If the applicant will be facilitating the listing, trading or exchange of virtual asset securities, provide a description of the types of securities, disclosures to be provided

to clients relating to these securities, and arrangements for and terms under which the securities will be listed on the trading platform.

C.18 Evidence acceptable to the Authority of the availability to the applicant at all times of adequate professional knowledge and experience in the operating of a virtual asset trading platform, and the names of at least two of its directors actively engaged in the business of the applicant, one of whom shall possess a sound professional knowledge of, and experience in, the operating of a virtual asset trading platform.

C.19 A statement setting out whether persons in the Islands will be able to buy, sell, trade, exchange or list virtual assets on the trading platform.

PART D: DECLARATION

To be completed by the applicant.

DECLARATION:

To be signed and submitted by two senior officers of the applicant.

I, _____,
(full name and address and position)

I, _____,
(full name and address and position)

declare that we are duly authorised to make this application. We confirm that we have read and understood the provisions of the Virtual Asset (Service Providers) Act (2022 Revision) and the regulations made under it and the Anti-Money Laundering Regulations (2023 Revision) and we declare that the business in respect of which this application is made will be conducted in accordance with the law. We declare the information provided in the application to be accurate in all material aspects to the best of our knowledge and belief.

Signatures:

Date:

.”.

Amendment of Schedule 2 - fees

4. The principal Regulations are amended in Schedule 2 as follows —

- (a) by deleting the subheading “Fees” and substituting the following subheading —



“Virtual Asset Service Fees”;

- (b) by deleting the sub-subheading “Registration” and substituting the following sub-subheading —

“Part 1 - Registration”;

- (c) in item 3 as follows —
- (i) in Category A, by deleting paragraphs (a) to (c) and substituting the following paragraphs —
- “(a) the applicant wishes to issue virtual assets via a recognized exchange, licensed virtual assets trading platforms or obliged entities only; or
- (b) the applicant wishes to issue virtual assets directly to the public in this or another jurisdiction.”; and
- (ii) in Category B, by deleting paragraphs (a) to (c) and substituting the following paragraphs —
- “(a) the applicant wishes to issue virtual assets via a recognized exchange, a licensed virtual asset trading platform or an obliged entity; or
- (b) applicant wishes to issue virtual assets directly to persons in this or another jurisdiction.”;
- (d) by deleting item 4 and its corresponding particulars and substituting the following item and particulars —

Item	Description	Section of Act	Fee
“4.	Application fee for registration of virtual asset service providers that are providing virtual asset services not including the issuance of virtual assets (Fee payable on approval of the application for registration):	5(2)	
	Category A Persons who have generated or expect to generate revenue not exceeding five hundred		

	thousand dollars, or its equivalent, from the virtual asset service (or services) for which registration is required —		
	(a) where the virtual asset service (or services) is being offered to persons within the Islands only; and		\$1,500
	(b) where the virtual asset service (or services) is being offered to persons outside the Islands.		\$5,000
	Category B Persons who have generated, or who expect to generate, revenue exceeding five hundred thousand dollars, or its equivalent, from the virtual asset service (or services) for which registration is required —		
	(a) where the virtual asset service (or services) is being offered to persons within the Islands only; and		\$5,000
	(b) where the virtual asset service (or services) is being offered to persons outside the Islands.		\$15,000”;

(e) in item 5 as follows —

- (i) in Category A, by deleting paragraphs (a) to (c) and substituting the following paragraphs—

- “(a) the applicant wishes to issue virtual assets via a recognized exchange, licensed virtual assets trading platforms or obliged entities only; or
- (b) the applicant wishes to issue virtual assets directly to the public in this or another jurisdiction.”.
- (ii) in Category B, by deleting paragraphs (a) to (c) and substituting the following paragraphs —
 - “(a) the applicant wishes to issue virtual assets via a recognized exchange, a licensed virtual asset trading platform or an obliged entity; or
 - (b) applicant wishes to issue virtual assets directly to persons in this or another jurisdiction.”;
- (f) by deleting item 6 and its corresponding particulars and substituting the following item and particulars —

“Item	Description	Section of Act	Fee
6.	Annual renewal fee for registered persons that are providing virtual asset services not including the issuance of virtual assets	5(5)	(The amount of the fee is based on the category in which the Authority assesses the registered person to fall based on the revenue generated during the previous year and the type and delivery method of virtual asset service provided.)
	Category A Persons who have generated or expect to generate revenue not exceeding five hundred thousand dollars, or its		

	equivalent, from the virtual asset service or services for which registration is required —		
	(a) where the virtual asset service (or services) is being offered to persons within the Islands only; and		\$1,500
	(b) where the virtual asset service (or services) is being offered to persons outside the Islands.		\$5,000
	Category B Persons who have generated or who expect to generate revenue exceeding five hundred thousand dollars, or its equivalent, from the virtual asset service or services for which registration is required —		
	(a) where the virtual asset service (or services) is being offered to persons within the Islands only; and		\$5,000
	(b) where the virtual asset service (or services) is being offered to persons outside the Islands.		\$15,000”; and

(g) by inserting after Part 1, as renumbered, the following Part —



“Part 2 - Licence

Item	Description	Section of the Act	Fee
1.	Assessment fee for virtual asset service licence	5(1)	\$5000
2.	Application fee for virtual asset service licence for the provision of virtual asset custody services only	5(2)	\$30,000
3.	Application fee for virtual asset service licence for the operation of a virtual asset trading platform	5(2)	\$100,000
4.	Renewal fee for licensee granted a licence under section 8(2) of the Act	5(5)	
	Category A Licensees providing virtual asset custody services only who have generated revenue not exceeding one million dollars, or its equivalent, from the provision of virtual asset services		\$30,000
	Category B Licensees providing virtual asset custody services only who have generated revenue exceeding one million		\$60,000

	dollars, or its equivalent, from the provision of virtual asset services		
	Category C Licensees operating a virtual asset trading platform who have generated revenue not exceeding ten million dollars, or its equivalent, from the provision of virtual asset services		\$100,000
	Category D Licensees operating a virtual asset trading platform who have generated revenue exceeding ten million dollars, or its equivalent, from the provision of virtual asset services		\$200,000.”.

Made in Cabinet the day of , 2024.

Clerk of the Cabinet

