



MINISTRY FOR  
**FINANCIAL SERVICES**  
CAYMAN ISLANDS GOVERNMENT

Government Administration Building  
133 Elgin Avenue, Box 126  
Grand Cayman KY1-9000  
CAYMAN ISLANDS  
[WWW.MFS.KY](http://WWW.MFS.KY)

# Consultation Paper

---

**A Bill to Amend the Virtual Asset (Service Providers) Act (2022 Revision)**

---

**February 2024**



MINISTRY FOR  
FINANCIAL SERVICES  
CAYMAN ISLANDS GOVERNMENT

Government Administration Building  
133 Elgin Avenue, Box 126  
Grand Cayman KY1-9000  
CAYMAN ISLANDS  
WWW.MFS.KY

## Contents

About this Consultation .....	3
Licensing Regime .....	3
Fees .....	3
“Operator” Definition .....	4
Convertible Virtual Asset .....	4
Requirement for Directors .....	4
Financial Action Task Force Recommendations .....	4
Other Clarifying Changes .....	4
Responding to the consultation .....	5



## About this Consultation

The purpose of this consultation note is to;

- seek industry feedback on the draft amendments to the Virtual Asset (Service Providers) Act (2022 Revision) (the “**Act**”).

The Act was passed in May 2020 and partially commenced in October of that same year. The Act imposed a requirement for persons engaged in virtual asset services to register with the Cayman Islands Monetary Authority (“**CIMA**”) and comply with relevant requirements in the Act. The Ministry for Financial Services and Commerce (the “**Ministry**”) is now in process of commencing additional provisions of the Act relating to the licensing of virtual asset trading platforms and custodians and proposes revisions to the Act to facilitate this process. The Ministry has also identified and proposes a number of changes to the Act which are necessary for the supervision of virtual asset services in the Cayman Islands. This paper will outline and provide some context for the principal changes to the Act.

The Ministry welcomes any feedback on the Amendment Bill (the “**Bill**”) and the provisions therein.

## Licensing Regime

The principal purpose of the Bill is to prepare the Act for the commencement of the licensing regime for virtual asset trading platform operators and virtual asset custodians. These specific activities were identified in the early stages of the policy development process as key services which would benefit from the application of standards and direct oversight by CIMA. The licensing regime seeks to impose requirements over and above the current requirements in the Act, namely to ensure these services are provided in a safe and regulated manner in of from within the Islands. The requirements for these activities can be found in Sections 10 and 11 of the Act.

## Fees

The Act currently requires CIMA to assess a registration fee payable by any new applicants on receipt of an application. The Regulations which complement the Act indicate a fee range for different types of service providers. Feedback received by the Ministry indicated that this type of fee structure was difficult to apply for new applicants given the fee payable on registration could not be known prior to an application’s approval. The proposed changes in the Bill seek to simplify the fee structure by removing the fee-assessment requirement, thus giving greater clarity on the fees payable by any new applicant.

New licensing fees are also proposed in the amendment to the Virtual Asset (Service Providers) Regulations.



MINISTRY FOR  
FINANCIAL SERVICES  
CAYMAN ISLANDS GOVERNMENT

Government Administration Building  
133 Elgin Avenue, Box 126  
Grand Cayman KY1-9000  
CAYMAN ISLANDS  
WWW.MFS.KY

## **“Operator” Definition**

The Act contains a definition outlining who is and who is not considered the operator of a virtual asset trading platform. This definition is being revised to give greater clarity, especially in the case of innovative trading platforms which may or many not have a clearly identifiable group managing the platform, such as a Decentralized Autonomous Organization.

## **“Convertible Virtual Asset” Definition**

This term is used in the Act and the accompanying regulations, but was not defined in the Act. The Bill proposes a definition for this term.

## **Requirement for Directors**

The Bill proposes to require a minimum of two directors for a virtual asset service provider. A provision is also added to the Bill which states that approval for a new director or senior officer lapses or be revoked by CIMA under specific circumstances (Section 9(9A) as proposed). These changes align the act with other regulatory laws.

## **Financial Action Task Force Recommendations**

The Cayman Islands has received a positive rating for its application of global Anti-Money-Laundering and Countering the Financing of Terrorism standards by the Caribbean Financial Action Task Force. The Bill also strengthens the application of these standards by various changes to the legislation which strengthen the regulator’s ability to enforce requirements. The revision of the “Operator” definition should also help expand and clarify the scope of who operating a VASP, and thus who is in scope of the legislation.

## **Other Clarifying Changes**

A number of changes were made to clarify provisions of the Act and remove obsolete provisions that are no longer needed (e.g. Sections 22 and 23 of the Act). These provisions will be addressed in secondary legislation such as rules and guidance from CIMA. The term “existing licensee” was revised to “supervised person” in order to provide greater clarity. Additionally, provisions relating to the audit of a licensee’s accounts have been revised for greater clarity and to align with other regulatory laws.



MINISTRY FOR  
**FINANCIAL SERVICES**  
CAYMAN ISLANDS GOVERNMENT

Government Administration Building  
133 Elgin Avenue, Box 126  
Grand Cayman KY1-9000  
CAYMAN ISLANDS  
[WWW.MFS.KY](http://WWW.MFS.KY)

## **Responding to the consultation**

This consultation includes a draft bill with proposed revisions to the Virtual Asset (Service Providers) Act, and a set of proposed regulations. The Ministry appreciates any comments or feedback you may have on either document.

The Ministry also encourages stakeholders to provide as much supporting evidence as possible with their responses. Responses must be submitted via email, using the response template provided, to [dfslegislation@gov.ky](mailto:dfslegislation@gov.ky) on or before March 20<sup>th</sup> 2024.