

Amendments to the regulatory framework for virtual assets in the Cayman Islands

Briefing Summary: On **1 April 2025**, several key updates will be made to the framework for the regulation of virtual assets in the Cayman Islands. These updates include the introduction and commencement of the VASP licencing framework for persons providing virtual asset custody services and operators of virtual asset trading platforms¹.

Service Area: Corporate, Regulatory

Location: Cayman Islands

Created Date: 12 March 2025

Commencement orders and Regulations

On 27 February 2025, the following commencement orders and Regulations were published:

- Virtual Asset (Service Providers) Act, 2020 (Commencement) Order, 2025;
- Virtual Asset (Service Providers) (Amendment) Act, 2024 (Commencement) Order, 2025; and
- Virtual Asset (Service Providers) (Amendment) Regulations, 2025.

The Commencement Orders commence certain provisions of the Virtual Assets (Service Providers) Act (as revised) (the "**VASP Act**") as amended by the Virtual Asset (Service Providers) (Amendment) Act, 2024 (the "**VASP Updates**").

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VASP updates – key details

Licensing

A person or entity that provides virtual asset custody services or operates a virtual asset trading platform^[2], will need to obtain a virtual asset service licence. Any entity that is already registered with the Cayman Islands Monetary Authority ("**CIMA**") under the VASP Act (a "**VASP**") that will, following the implementation of the VASP Updates, require a licence will have until **29 June 2025** (90 days from the commencement date for the VASP Updates) to submit an application for a licence.

Licence applications

The information that will need to be provided to CIMA to apply for a virtual asset service licence is set out in the amendments to the Virtual Asset (Service Providers) Regulations and includes new requirements for custodians and operators of virtual asset trading platforms compared to the information such parties would have been required to submit for registration under the VASP Act prior to the VASP Updates.

Director requirements

A VASP (whether registered or licenced under the VASP Act) will now also be required to have at least three directors, including at least one independent director without a vested interest in the VASP. Accordingly, existing VASPs and prospective VASPs will need to consider whether the appointment of an additional director(s) and/or independent director is required.

Waiver

In limited cases CIMA may now grant a waiver to a person or entity, exempting them from the requirement to be registered or licenced to provide virtual asset services under the VASP Act. If a person is a supervised person under another regulatory law in the Cayman Islands (e.g. under the Securities Investment Business Act (as revised)), CIMA may grant a waiver in respect to a person or entity obtaining a registration or licence where CIMA determines that:

- the virtual asset service does not materially change the nature of the activity for which the supervised person is licensed; and
- the supervision and oversight carried out in relation to the business of the existing supervised person is sufficient to include the virtual asset service.

Virtual asset custodians

Persons or entities providing virtual asset custody services will have an expanded set of ongoing obligations, including:

- obligations which will always apply such as:
 1. fiat currency custody;
 2. record keeping;
 3. custodial arrangements with clients;
 4. IT practices; and
 5. client asset segregation requirements; and

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