

# A guide to blockchain and cryptocurrency laws and regulations 2026: Cayman Islands (GLI chapter)

**Briefing Summary:** Regulatory clarity in the digital assets and crypto space continues to be a moving target. Yet, the interest among policymakers and regulators worldwide has never been more pronounced. The Cayman Islands is a leading global financial centre and has developed a reputation as one of the world's most innovative and business-friendly places to operate. Now in its eighth edition, this publication is dedicated to assisting legal practitioners navigate these complexities, whether advising clients in the U.S. or internationally.

**Service Area:** Cayman Islands Corporate Services

**Sector:** Blockchain, Digital Assets and Tokenisation, Fintech and Regtech

**Location:** Cayman Islands

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## Government attitude and definition

The Cayman Islands is a leading global financial centre and has developed a reputation as one of the world's most innovative and business-friendly places to operate. The jurisdiction is a British overseas territory with a stable society and political system and a combined common law and statute-based legal system that reflects many principles of the laws of England and Wales, including judicial and legislative links to the United Kingdom. The territory offers tax neutrality, sophisticated service providers, and a proportionate regulatory regime for the financial services industry, including businesses that focus on sophisticated and institutional investors based outside the Islands.

These attributes have helped the jurisdiction become an obvious choice for establishing or supporting cryptocurrency and other blockchain projects, including fintech platforms and products, exchanges, liquidity providers, custodians, coin and token issuers, layer 1 and layer 2 protocols, and entities that will serve as the legal wrapper for a decentralised autonomous organisation ("DAO") or otherwise participate in DAO governance.

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Each of the Cayman Islands Government, the Cayman Islands Monetary Authority (“**CIMA**”), and industry bodies such as Cayman Finance and the Blockchain Association of the Cayman Islands acknowledge the importance of continuing to attract digital assets business to the jurisdiction and ensuring the further growth of the sector. They are also aware, however, of the need to balance this approach with maintaining the Cayman Islands’ commitment to the highest standards of financial probity and transparency and the specific considerations that accompany digital assets.

Consequently, in May 2020, the Cayman Islands introduced the Virtual Asset (Service Providers) Act, 2020, later amended in 2024 (the “**VASP Act**”), to align with international standards set by the Financial Action Task Force. The VASP Act sets out the framework for the supervision and regulation of virtual asset services businesses and the issuance of virtual assets in the Cayman Islands. Under the VASP Act, a “virtual asset” is defined as a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes. Specifically excluded are digital representations of fiat currencies, as well as “virtual service tokens”, which are digital representations of value that are not transferrable or exchangeable with a third party at any time (including digital tokens whose sole function is to provide access to an application or service or to provide a service or function directly to its owner).

The VASP Act was designed to be implemented in two phases: the first primarily dealing with anti-money laundering (“**AML**”) regulations and requiring virtual asset service providers (“**VASPs**”) to be registered; and the second phase dealing with licensing and other matters. Following the commencement of the second phase on 1 April 2025, both phases have now been implemented with the exception of only a limited number of the provisions in the Act that have yet to take effect. Key changes introduced by the second phase include the requirement that a business that provides custody of virtual assets or that operates a virtual asset trading platform must hold a licence<sup>1</sup> under the Act (rather than only register under the Act) and that the board of a company that is registered or licensed under the Act must include at least one independent director.

Another change introduced by the second phase is that the requirement to be registered or licensed under the VASP Act can be waived in respect of a business that is registered or licensed under another regulatory law in the Cayman Islands. This concept has been mirrored in amendments made at the same time to the Securities Investment Business Act (as revised) of the Cayman Islands (the “**SIB Act**”) to give the result that a business that is registered or licensed under the VASP Act may not be required to be registered or licensed separately under that Act. We expect this development to be particularly relevant to virtual asset businesses that deal with “securities” within the meaning of the SIB Act, including futures and contracts for difference.

The VASP Act framework makes the Cayman Islands an attractive jurisdiction for virtual asset services businesses as it provides regulatory certainty for those wishing to operate in the space, while furthering Cayman’s commitment to international standards.

## Cryptocurrency regulation

The VASP Act reflects that cryptocurrencies and other digital assets may be used freely in the Cayman Islands. The requirements of the Act apply only to the issuance of digital assets and to providing certain services related to digital assets, and the Act does not impose restrictions on the use of any specific category of digital assets. Parties that invest and trade in cryptocurrencies and other digital assets for their own account and parties that make and receive payments in cryptocurrencies are generally not subject to specific regulation in the Cayman Islands.

The services that are the subject of the VASP Act are the following services or operations when carried on as business for or on behalf of another person or entity:

- exchange between virtual assets and fiat currencies;
- exchange between one or more other forms of convertible virtual assets;
- transfer of virtual assets;
- virtual asset custody service, which is the business of safekeeping or administration of virtual assets or the instruments that enable the holder to exercise control over virtual assets; or
- participation in, and provision of, financial services related to a virtual asset issuance or the sale of a virtual asset.

Cryptocurrency and other digital asset businesses that consist of services that are not described in any of the above categories may still be subject to regulation in the Cayman Islands that does not specifically target digital assets, such as the SIB Act, the Money Services Act and AML regulations (each described further below).

## Sales regulation

### VASP Act

As set out above, the issuance of virtual assets and, if undertaken as a business on behalf of another party, the provision of financial services related to a virtual asset issuance (or the sale of a virtual asset), as well as the transfer of virtual assets, will constitute virtual asset services and require registration with CIMA under the VASP Act.

Under the VASP Act, an issuance of virtual assets means the sale of newly created virtual assets to the public in exchange for fiat currency, other virtual assets or other consideration. "Public" is not defined in the VASP Act so should be interpreted broadly for this purpose, but helpfully, the Virtual Asset (Service Providers) Regulations (as amended) distinguish a "private sale", broadly defined as a sale that is not advertised and is sold to a limited number of persons by private agreement from a sale to the public (meaning that registration under the VASP Act may not be required for certain sales). The sale of virtual service tokens will also be excluded from this requirement and any transfer that is not for consideration (e.g. an "airdrop") should be excluded.

## Investment funds

An entity that operates as an investment fund that is formed or registered in the Cayman Islands and that issues digital assets may come within the ambit of the Mutual Funds Act (for open-ended funds) or the Private Funds Act (for closed-ended funds), and be required to obtain a registration or licence thereunder to the extent such digital assets constitute equity or investment interests within the meaning of the relevant Act. This will of course depend on a number of aspects, including the terms of the issue and the nature of the assets, and specific advice should be sought. For example, under the Mutual Funds Act, the definition of “equity interest” has recently been amended to include “any other representation of an interest”, which is likely broad enough to capture a variety of forms of digital asset.

## Securities Investment Business Act

Pursuant to the SIB Act, an entity formed or registered in, or that is operating from, the Cayman Islands that engages in dealing, arranging, managing or advising on the acquisition or disposal of digital assets, may come within the ambit of the SIB Act and be required to obtain a registration or licence from CIMA thereunder (which may be in addition to a registration or licence required under the VASP Act). This applies to the extent that the relevant digital assets constitute “securities” for the purposes of the SIB Act.

Notably, the definition of “securities” thereunder includes virtual assets that can be sold, traded or exchanged immediately or at any time in the future and that (i) represent or can be converted into another form of traditional securities (e.g. equity interests, debt instruments, options or futures), or (ii) represent a derivative of traditional securities. Consequently, consideration will need to be given on a case-by-case basis as to whether the digital asset in question falls within one of the above categories.

## Offerings within the Cayman Islands

In relation to the offering, sale, or issuance of interests within the Cayman Islands, certain regulatory provisions should be borne in mind. For example, the Companies Act prohibits any exempted company formed in the Cayman Islands and not listed on the Cayman Islands Stock Exchange from offering its securities to the Cayman Islands public. The Limited Liability Companies Act includes a similar prohibition in relation to limited liability companies (“LLCs”). Even persons based, formed or registered outside the Cayman Islands should be careful not to undertake any activities in relation to a sale or issuance of digital assets that would constitute “carrying on a business” in the Cayman Islands. To do so may entail various registration and licensing requirements and financial and criminal penalties for those who do not comply. There is no explicit definition of what will amount to “carrying on a business” for these purposes and, consequently, persons who propose to undertake concerted marketing to the Cayman Islands public, particularly if it involves engaging in any physical activity in the Cayman Islands, are encouraged to seek specific legal advice.

In practice, however, these restrictions do not generally pose a significant practical concern for issuers given that:

- the “public” in this instance is generally understood to exclude other exempted companies, exempted limited partnerships, and LLCs (which together comprise the majority of Cayman Islands entities); and
- issuers’ target investors tend not to include other persons physically based in the Cayman Islands.

## Taxation

There are no corporate, income, revenue, profit, inheritance, gift, capital gains, withholding or other similar taxes imposed by the Cayman Islands Government, including with respect to the issuance, holding, or trading of digital assets. Stamp duty may apply to original documents that are executed in the Cayman Islands or are brought into the Cayman Islands following execution. However, the sums levied are generally of a nominal amount.

Entities formed or registered in the Cayman Islands may apply for and, upon the payment of a relatively small fee, receive a tax exemption certificate confirming that no law enacted in the Cayman Islands after the date thereof imposing any tax to be levied on profits, income, gains or appreciations shall apply to such entity or its operations. Such certificates will generally apply for a period of between 20 and 50 years (depending on the type of entity).

## Money transmission laws and anti-money laundering requirements

### Money transmission laws

Pursuant to the Money Services Act, any person carrying on a “money services business” in or from the Cayman Islands must first obtain a licence from CIMA thereunder. Any breach of this requirement will constitute a criminal offence.

For the purposes of the foregoing, a “money services business” means the business of providing, among other things, money transmission or currency exchange services.

Although there is no clear authority on the extent to which the foregoing would be seen to include such transactions in cryptocurrency or other digital assets, a cautious and substantive reading of the statute may, in some cases, lead to that conclusion. In particular, if the digital assets in question are primarily used to facilitate the transfer of fiat currency from one party to another, or the conversion between fiat currencies, the legislation may well apply. Consequently, persons wishing to establish such businesses are encouraged to consider closely the application of the Money Services Act and consult appropriate advisors.

### Anti-money laundering requirements

The very nature and, in some cases, the intended features of digital assets can present heightened compliance risks and practical hurdles to addressing the same. Such features may include the lack of a trusted central counterparty, increased anonymity, and ease of cross-border transfer without any gating or restriction.

Consequently, the Cayman Islands authorities have maintained a keen focus on balancing the jurisdiction's long track record of innovation and the promotion of a business-friendly environment with its commitment to the prevention of crime and maintaining robust standards of transparency. In general, this has been done not by establishing an entirely separate regime for digital assets, but by applying the approach of the existing framework, which focuses on the specific activity and the nature of the assets in question so as to properly quantify the risk that the same may be used to facilitate illegal activity.

Pursuant to the provisions of the Proceeds of Crime Act, the Anti-Money Laundering Regulations, and the guidance notes thereon (together, the “**AML Laws**”), any persons formed, registered or based in the Cayman Islands conducting “relevant financial business” are subject to various obligations aimed at preventing, identifying, and reporting money laundering and terrorist financing.

“Relevant financial business” is defined in the Proceeds of Crime Act and includes the provision of virtual asset services (which is defined slightly differently for this purpose than under the VASP Act).

Although a detailed consideration of the specific requirements of the AML Laws falls outside of the scope of this chapter, any person subject to the regime will generally need, among other things, to do the following:

- appoint a named individual as an AML compliance officer to oversee its adherence to the AML Laws and to liaise with the supervisory authorities (and, under the VASP Act, a VASP must have such officer approved by CIMA);
- appoint named individuals as the money laundering reporting officer and a deputy for the same to act as a reporting line within the business; and
- implement procedures to ensure that counterparties are properly identified, risk-based monitoring is carried out (with specific regard to the nature of the counterparties, the geographic region of operation, and any risks specifically associated with new technologies such as virtual assets), proper records are kept, and employees are properly trained.

In addition, CIMA has issued specific AML-related guidance for VASPs, and new regulatory requirements – the “travel rule” – have been put in place to ensure sufficient information is obtained relating to transfers of virtual assets by intermediaries.

In our experience, most parties will be best advised to consult specialist third-party providers to assist with this process.

## Promotion and testing

### Special Economic Zone

The Cayman Enterprise City (the “**CEC**”) Special Economic Zone has been active in promoting to those wishing to develop blockchain-related businesses from the jurisdiction.



The CEC offers qualifying businesses built on or focused on blockchain technology the opportunity to establish physical operations within the Cayman Islands in a rapid manner. It provides several benefits, including a simpler, quicker and more cost-effective work permit process, concessions including with respect to local trade licences and ownership requirements, the ability to be operational within four to six weeks, and allocated office space.

## Tech Cayman

Tech Cayman is a private sector initiative that, through partnership with the Cayman Islands Government, can support an expedited set-up in the Cayman Islands of businesses in the tech sector. The Tech Cayman option is an alternative to the CEC, which means that companies that do not qualify for entry into the CEC or do not wish to be based within the CEC may consider Tech Cayman.

When coupled with the other benefits of the jurisdiction, including recently updated intellectual property laws, both the CEC and Tech Cayman have proven popular with the tech industry both for early-stage companies and more established companies seeking to migrate to the Cayman Islands.

## Ownership and licensing requirements

The Cayman Islands does not impose any restrictions or licensing requirements that are specifically targeted at the ownership, holding or trading of digital assets by those doing so for their own account.

As described above, under the VASP Act, all VASPs are required to be licensed or registered with CIMA unless such requirement is waived on account of the entity being registered or licensed under another regulatory law of the Cayman Islands. The applicability of other regulatory regimes, such as under the SIB Act (further detailed above), should also be considered.

Pursuant to the VASP Act, a VASP is required to ensure that its beneficial owners are approved by CIMA as fit and proper persons to have such control or ownership. Subject to possible exceptions for publicly traded companies, ownership interests or voting rights totalling 10% or more in a VASP cannot be issued or voluntarily transferred without CIMA's prior approval.

## Mining

The mining of digital assets is not regulated or prohibited in the Cayman Islands currently, nor will it (in and of itself) be regulated or prohibited under the VASP Act. We would note, however, that the import duties applicable to computing equipment and the high cost of electricity production in the Cayman Islands are likely to present practical deterrents to the establishment of any material mining operations within the jurisdiction. It is possible that the increased availability of renewable energy options, and the falling price of the same, may mitigate this somewhat in the future.

## Border restrictions and declaration

The Cayman Islands does not impose any general border restrictions on the ownership or importation of digital assets.

As part of the Cayman Islands' commitment to combatting money laundering and terrorist financing, the Customs (Money Declarations and Disclosures) Regulations mandate that individuals transporting money amounting to CI\$15,000 (approximately US\$18,292) or more into the Cayman Islands must make a declaration in writing to customs officers at the time of entry. However, the Customs Act defines "money" as being confined to cash (i.e. bank notes or coins that are legal tender in any country) and bearer-negotiable instruments (i.e. travellers' cheques, cheques, promissory notes, money orders). As such, we would not expect such a requirement to apply to virtual assets or any other type of digital asset. Further, given the nature of these assets, particularly those based or recorded on a distributed ledger, there is a conceptual question of what would amount to the importation or transportation of such assets.

## Reporting requirements

A VASP registered or licensed under the VASP Act will be required to:

- prepare audited accounts and submit them to CIMA annually;
- obtain prior approval from CIMA to appoint senior officers or AML compliance officers;
- provide certain notices to CIMA confirming compliance with AML Laws and data protection laws and ensuring that all communications relating to the virtual asset service are accurate;
- undertake audits of their AML systems and procedures at the request of CIMA; and
- notify CIMA of any licence or registration in another jurisdiction or the opening of an office or establishment of a physical presence in another jurisdiction, or the holding or acquisition of a controlling interest in another person engaged in virtual asset service.

Additional reporting and other requirements may apply and may be imposed, which in some cases differ based on the type of virtual asset service being provided.

To the extent that any payment or transfer is made in the context of the conduct of a "relevant financial business" for the purposes of the AML Laws, there may of course be an obligation to make certain filings or reports in the event that there is a suspicion of money laundering or other criminal activity.

## Estate planning and testamentary succession

Neither the VASP Act nor any other particular regime under Cayman Islands law deals specifically with the treatment of virtual assets upon the death of an individual holding them. This means that, in principle, and assuming Cayman Islands law governs succession to the deceased's estate, virtual assets will be treated in the same way as any other asset and may be bequeathed to beneficiaries in a will, or, if a person dies intestate, will be dealt with under the intestacy rules in the Cayman Islands Succession Act.



As is the case in many jurisdictions beyond the Cayman Islands, there is likely to be some uncertainty as to where the situs of a virtual asset is located (or indeed whether or not a situs can be determined at all). To the extent that the asset can be analysed under traditional conflict-of-laws rules as sited in the Cayman Islands, then a grant of representation would be required from the Cayman Islands court to preclude the risk of intermeddling claims in dealing with the asset in the Cayman Islands (even though the grant itself would not necessarily prevent someone with access to the private keys associated with a digital asset from dealing with the same).

The main potential difficulty that may arise is practical; namely that anyone inheriting a virtual asset will, on the face of it, often only be able to access that virtual asset if the personal representative of the deceased or the beneficiary (as the case may be) has or can obtain the information needed in order to gain access and control over that virtual asset (e.g. a private key to the wallet in which it is stored). Most exchanges have policies in place to transfer virtual assets to next of kin but these policies, and the transfer requirements, will vary across exchanges and it is generally regarded as prudent to avoid leaving significant value on exchanges for any length of time due to the risks of hacking and insolvencies.

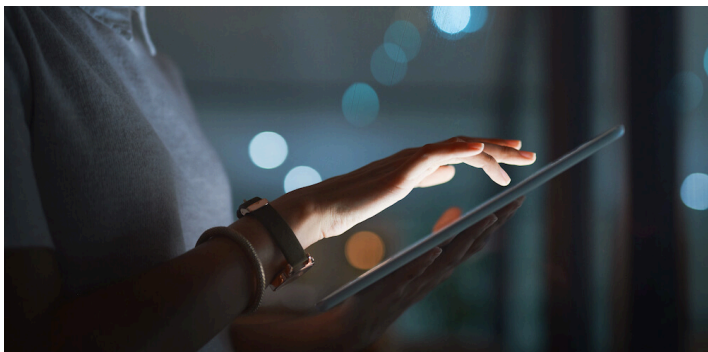
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<sup>1</sup> The VASP Act contains a number of provisions that apply to the holder of a licence that do not apply to a person that is only registered under the Act.

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