

Cayman Islands digital assets - December 2025 update

Briefing Summary: Our Cayman Islands update highlights key changes to the Virtual Asset Service Provider ("VASP") Regulatory Framework as well as information on the obligations that the Crypto-Asset Reporting Framework ("CARF") will impose.

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

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Content Authors: Chris Duncan

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The Cayman Islands continues to be one of the leading offshore jurisdictions for digital assets, with several market leaders and tier 1 projects being established in the Cayman Islands. The Cayman Islands Virtual Asset (Service Providers) Act ("VASP Act"), as revised, creates a clear framework for regulating virtual asset service providers; since the recent implementation of phase 2 (the licencing regime), there has been a marked increase of applicants seeking regulatory approval from the Cayman Islands Monetary Authority ("CIMA"). Coupled with a strong regulatory framework, the Cayman Islands provides unique corporate structuring options which fit well with the decentralisation ethos of this space, being the Cayman Islands Foundation. These factors have led to a mature crypto and tech community being established in the Island, including founders, service providers, market makers and advisors. Investor familiarity (particularly in the US) continues to drive the growth of the market.

Tokenised funds

The Cayman Islands Government (the "Ministry") is currently consulting with industry on including certain amendments to the Mutual Funds Act (as revised) and Private Funds Act (as revised) - the principal legislation governing funds in the Cayman Islands - to provide clarity with respect to tokenised funds, and to ensure that CIMA has a clear framework on how to supervise such funds. Stakeholders had until 12 September 2025 to submit their feedback to the Ministry. The revisions to the fund legislation should help pave the way for tokenised funds to be established in the Cayman Islands.

Key Contacts



Chris Duncan

PARTNER,
CAYMAN ISLANDS

+1 345 749 2057



Richard Munden

PARTNER,
CAYMAN ISLANDS

+1 345 749 2026

[EMAIL CHRIS](#)

[EMAIL RICHARD](#)



Mark Dehaini

ASSOCIATE,
CAYMAN ISLANDS

+1 345 749 2001

[EMAIL MARK](#)



Simon Galante

ASSOCIATE,
CAYMAN ISLANDS

+1 345 749 2053

[EMAIL SIMON](#)

The Cayman Islands, with its preeminent position in the global funds market and strong position in digital assets, should present the ideal environment for tokenised funds. This is further supported by the sophisticated ecosystem of fund administration and Web3 providers, who can support a tokenised fund throughout its lifecycle.

VASP Regulatory Framework updates

Phase 2 Updates

On 1 April 2025, several key updates ("Phase 2 Updates") came into effect concerning the regulatory framework for virtual assets in the Cayman Islands. The salient aspects of the Phase 2 Updates are as follows:

- the introduction and commencement of the virtual asset service provider ("VASP") licencing framework for virtual asset custodians and virtual asset trading platforms;
- an expanded set of obligations for virtual asset custodians and virtual asset trading platforms;
- setting out the circumstances in which CIMA may grant a waiver to a person from the requirement to register or obtain a licence under the VASP Act; and
- that VASP registrants and licensees are required to have at least three (3) directors including at least one (1) director without a vested interest in the VASP.

Phase 3 Updates

Additional "phase 3" updates ("Phase 3 Updates") are also intended for the VASP Act. It is currently understood that the Phase 3 Updates would include:

- the commencement of the sandbox licensing regime. A sandbox licence is broadly described as a temporary licence with regulatory requirements, obligations and restrictions which are tailored by CIMA. For example, CIMA may impose certain restrictions on the sandbox licensee, such as, the technologies it uses, the number or type of its clients and its advertising. Note also that VASP applicants may be directed by CIMA to apply for a sandbox licence where their product or service offering is innovative or novel or it is in the public interest that the applicant holds a sandbox licence; and
- bringing into force provisions in the VASP Act which relate to the issuance of newly created virtual assets to the public.

Crypto-Asset Reporting Framework ("CARF")

The Tax Information Authority (International Tax Compliance) (Common Reporting Standard) (Amendment) Regulations, 2025 and the Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025 were gazetted on 27 November 2025. CARF will impose information gathering and reporting obligations on certain crypto asset service providers, primarily in connection with exchange and transfer services.

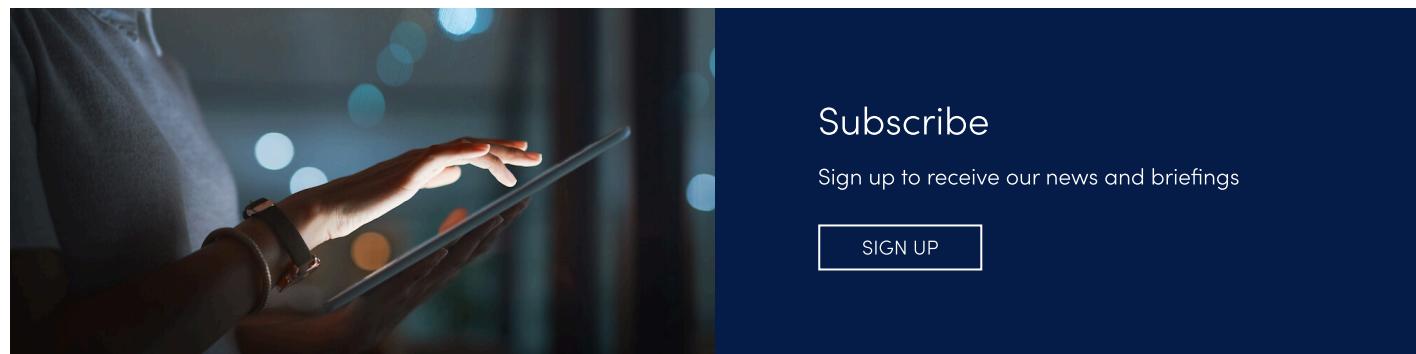
With the exception of Regulations 5 (Obligation to make a return) and 6 (Requirements for making a return) of the CRS Amendment Regulations, which will come into force on 1 January 2027, these Regulations come into force on 1 January 2026. Reporting for the 2026 financial year will be due by 30 June 2027.

The implementation of CARF demonstrates Cayman Islands' continued compliance with global tax reporting standards, to ensure transparency in global capital markets.

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Please note that this briefing is intended to provide a very general overview of the matters to which it relates. It is not intended as legal advice and should not be relied upon as such. © Carey Olsen 2026



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