Cayman Islands Legal Update

Updates to the Virtual Asset Service Providers Framework – Effective 1 April 2025

2 April 2025

Introduction

On 1 April 2025, phase 2 of the Virtual Asset Service Providers ("**VASP**") framework came into effect in the Cayman Islands.

The Virtual Asset (Service Providers) (Amendment) Act, 2024 amends the Virtual Asset (Service Providers) Act (2024 Revision) (the "**VASP Act**") and brings the VASP licensing regime into effect. The Virtual Asset (Service Providers) (Amendment) Regulations, 2025 also came into effect and set out the fees for the VASP licensing regime.

1. Licensing Regime – New Applicants

An entity providing or intending to provide "virtual asset custody services" or to operate a "virtual asset trading platform" ("**Licensed Activities**") will require a license from CIMA under the VASP Act. The provision of all other "virtual asset services" under the VASP Act ("**Registrable Activities**") will require VASP registration (unless a waiver has been granted by CIMA under the VASP Act).

An entity which carries on both Licensed Activities and Registrable Activities will only be required to hold a license and is not also required to apply for registration under the VASP Act.

2. Licensing Regime – Existing Registrants

An entity registered under the VASP Act (a "**Registered Person**") who is providing or intending to provide Licensed Activities is required to apply for a VASP license within 90 days of 1 April 2025.

A Registered Person can continue to operate whilst the applicant for a license is under review.

3. Amendments to the VASP Act - Affecting both New Applicants and Existing Registrants

The amendments to the VASP framework include:

1. **Directors:** A requirement for a VASP to have a minimum of three directors, at least one of whom must be independent; and
2. **Waivers:** The ability for a supervised person (being a person licensed or registered under specified regulatory laws but not licensed or registered under the VASP Act) may apply for a waiver from licensing or registration under the VASP Act. CIMA may grant a waiver where CIMA determine that: (a) the virtual asset service does not materially change the nature of the activity for which the supervised person is licensed; and (b) the supervision and oversight carried out in relation to the business of the supervised person is sufficient to include the virtual asset service.

There are a number of provisions in the VASP Act which are not yet in effect (including in relation to sandbox licenses and virtual asset issuances).

Next Steps

New applicants for a VASP license will need to ensure that their application and associated compliance regime caters for the amendments to the VASP Act effective 1 April 2025.

Existing registrants under the VASP Act (or entities who have submitted an application for registration where final approval from CIMA is pending) will need to prepare an application for a VASP license if they provide or intend to provide "virtual asset custody services" or to operate a "virtual asset trading platform".

We advise on all aspects of the VASP Act, including applications for licensing and registration, and would be happy to assist with any questions you may have. Please feel free to reach out per the below.

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