



HCS OFFSHORE

What You Should Know About the Cayman Islands' Regulatory Policy on Virtual Asset Service Providers

The Cayman Islands Monetary Authority (CIMA) has officially introduced its Regulatory Policy on the Registration or Licensing of Virtual Asset Service Providers (VASPs), providing a clear and structured framework for how VASPs can register, apply for a license, or request a waiver to legally operate in or from within the Cayman Islands. Announced in the Official Gazette on 23 May 2025, the policy strengthens regulatory clarity for virtual asset businesses looking to establish or continue operations in the jurisdiction.

Regulatory Policy Purpose

CIMA introduced this policy to provide clarity and consistency around how it approves applications under the Virtual Asset Service Providers Act (VASP Act). Specifically, it sets out the criteria for:

- Registration
- Licensing for custodial or trading services
- Waivers for supervised entities

Who It Applies To

This policy applies to:

- Entities seeking to register as a VASP under Section 4(1)(a)
- Entities applying for a license to offer custodial services or operate a trading platform
- Entities requesting a waiver from licensing requirements

Note: This policy does not apply to those pursuing a sandbox license under Part 3 of the VASP Act.

Key Legal & Compliance Requirements

VASPs must comply with the VASP Act, its regulations, and related laws concerning anti-money laundering and Countering Financing of Terrorism (AML/CFT). CIMA also expects adherence to best practices on risk management, corporate governance, and cybersecurity.

To streamline the application process, CIMA recommends:

- Obtaining legal advice
- Arranging a pre-application meeting
- Ensuring systems are in place to comply with Part XA of the Anti-Money Laundering Regulations (AMLRs), especially if virtual asset transfers are involved

Understanding VASP Registration & Licensing in the Cayman Islands

CIMA has laid out a clear process under the VASP Act for how VASPs can register or apply for a license. Here's a summary of key terms and requirements:

Key Terms

- **Applicant:** An individual or entity applying to register or be licensed as a VASP
- **Control:** Holding or controlling 10% or more of a company's shares or management decisions
- **Independent Director:** A director with no prior ties to the business
- **Licensee:** A VASP licensed under Section 8 of the VASP Act
- **Registered Person:** A VASP registered under Section 6
- **Supervised Person:** An entity already regulated under other Cayman Islands laws, not the VASP Act.

What CIMA Expects Before You Apply

- Obtain legal advice to determine whether registration or licensing is required
- Book a meeting discussion with CIMA to align expectations
- Understand and plan for compliance duties, especially around AML/ CFT
- If virtual assets are transferred, comply with Part XA of the AMLRs
- For non-transfer activities, provide justification if AML rules do not apply

Application & Review Process

Applicants must submit all required forms and documentation, incomplete applications will not be reviewed. If a registered VASP begins offering licensable services, it must apply separately for a license.

- CIMA reviews applications weekly
- Typical turnaround: 2–3 business days
- Any approval conditions must be met within 6 months

CIMA's Evaluation Criteria

CIMA conducts a comprehensive assessment of each applicant's structure, operations, and personnel. The objective is to ensure the applicant is capable of operating in a sound, transparent, and compliant manner. Key areas of focus include:

- **Leadership:** Owners and senior managers must be "fit and proper" in terms of integrity, competence, and financial soundness
- **Ownership:** Full disclosure of ultimate beneficial owners (UBOs), control structures, and any trust or fund arrangements
- **Governance:** Each VASP must have at least three directors, including one independent director
- **Business Plan:** The VASP must present a clear operational model, qualified team, and evidence of regulatory readiness
- **Risk & Controls:** Strong systems must be in place for AML compliance, cybersecurity, outsourcing oversight, and business continuity

Required Documentation

- To support their application, VASPs must submit:
- A completed Schedule 1 or Schedule 1A form (depending on registration or licensing)
- All supporting documents outlined in CIMA's checklist
- Any additional documents requested by CIMA

Transitional & Waiver Provisions

Entities currently registered and now offering licensable services must comply with the new framework. CIMA also provides flexibility through waivers for Supervised Persons, under certain conditions.


- **Deadline:** Licensable VASPs must apply for a license by 29 June 2025
- No need to resubmit previously submitted documents unless updated
- Supervised Persons may apply for a waiver if their virtual asset activities do not significantly alter the nature of their existing business


This policy is now in effect. If you're offering virtual asset services in the Cayman Islands, now is the time to align your operations with CIMA's legal and regulatory standards. Staying proactive and well-prepared is key to gaining approval and maintaining long-term compliance.

For specific advice on the Regulatory Policy on Virtual Asset Service Providers, please contact us at enquiries@hcsoffshore.com.


The Regulatory Policy can be found [here](#).


CONTACT US

 +1(345)749 7591
+1(284)494 1848

 enquiries@hcsoffshore.com

 <https://www.hcsoffshore.com/>

 6th Floor, Waters Edge, Building 1, Wickham's Cay
2, Road Town, Tortola, BVI.

 Fifth Floor, Zephyr House, 122 Mary Street, George
Town, P.O. Box 31493, Grand Cayman KY1-1206,
Cayman Islands