

Cayman Islands launches Virtual Assets legislation

June 2020

The Cayman Islands Government has introduced a new “Virtual Asset (Services Providers) Law 2020 (“VASP Law”) to strengthen the anti-money laundering and counter-terrorist financing framework.

What is a Virtual Asset?

“Virtual asset” is a means a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes but does not include a digital representation of fiat currencies.

Who is a Virtual Asset Service Provider?

Virtual Asset Service Providers (“VASPs”) are the entities that provide one or more of the following services or operations for or on behalf of a client:

- the exchange between virtual assets and fiat currencies;
- the exchange between one or more other forms of convertible virtual assets;
- the transfer of virtual assets;
- the virtual assets custodian services;
- the participation in and the provision of financial services related to the issuance or the sale of a virtual asset.

Licensing & Registration

As per the VASP Law, the virtual asset service cannot be provided in or from within the Cayman Islands, unless the person is-

- (a) holding a Virtual Asset Service Licence; or
- (b) registered with CIMA; or
- (c) holding a Sandbox Licence; or
- (d) an existing licensee that has been granted waiver from the Authority under section 16.

The VASP Law provides new registration and licensing requirements for persons providing virtual asset services.

Virtual Asset Service Licence

A person who is engaged in or is wishing to provide the virtual asset custody services or operate a virtual asset trading platform is required to apply for a Virtual Asset Service Licence. Further, CIMA can direct an existing licensee or a person who is providing virtual asset service to obtain a virtual asset service licence.

Registered Person

Persons already engaged in or who are wishing to provide a virtual asset service other than the virtual asset custody services or the asset trading platform services can apply for registration with CIMA.

Sandbox Licence

A sandbox licence is a temporary licence which can be granted for a period of up to one year and is subject to review as such time as CIMA may deem appropriate.

CIMA may require a person applying to be registered person (or an existing registered person) or a person applying for a virtual asset service licence (or an existing licensee) to apply, instead, for a sandbox licence, in certain circumstances.

Main Requirements

The main requirements for VASPs are as follows:

- Compliance with the Anti-Money Laundering Regulations (2020 revision) and other laws relating to the combating of money laundering, terrorist financing and proliferation financing
- Preparation of annual accounts
- Accounts to be audited annually or at such times as CIMA may require by an auditor approved by CIMA (only applicable to Licenced entities)

VASPs are required to –

- ensure that the senior officers, trustees and beneficial owners are fit and proper
- ensure that the personal data and the virtual assets of the client are protected and secured
- ensure that anti-money laundering systems and procedures are implemented
- ensure that an AML officer is designated with responsibility for the procedures for combating money laundering, terrorist financing and proliferation financing
- have a registered office on the islands
- provide information that may be required by the Authority to enable it to properly perform any of its functions
- notify the Authority of any licence or registration in another jurisdiction

CIMA may also require the VASP to provide an auditor’s report, prepared by an independent auditor, on the anti-money laundering systems and procedures for compliance with the Anti-Money Laundering Regulations (2020 Revision).

Note- In case of a Sandbox Licence, CIMA may exempt the sandbox licensee from requirements that are applicable to virtual asset service providers or modify any requirement in such manner as CIMA considers appropriate.

Offences under the proposed law:

Business without Registration

Person who carries on business without a registration or waiver, commits an offence and is liable on summary conviction to a fine of CI\$25,000 and imprisonment for one year, and in the case of a continuing offence, to a fine of CI\$10,000 for each day during which the offence continues.

Business without a License

Person who carries on virtual asset custody services or operate a virtual asset trading platform without obtaining a licence or without receiving a waiver, commits an offence and is liable on summary conviction to a fine of CI\$100,000 and imprisonment for one year, and in the case of a continuing offence, to a fine of CI\$10,000 for each day during which the offence continues.

What should I be doing now?

The first step should be to determine if your entity needs to be registered with CIMA, or apply for a VASP Licence, or apply for a sandbox licence.

An internal review should be undertaken to determine the measures required to achieve the compliance with the new law.

Contact us

If you would like Grant Thornton’s assistance on how these requirements will impact your business, please reach out to Dara Keogh, Managing Partner, or Manraj Singh, Manager.



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