



# **An overview of the regulation of virtual assets in the British Virgin Islands**

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# 1. Virtual asset laws and regulations in the British Virgin Islands (BVI)

Virtual assets are regulated in BVI under the provisions of Virtual Assets Service Providers Act, 2022 (**Act**). The Act came into force on 1 February 2023 under the Authority of the Financial Services Commission (**FSC**). Along with the Act, the FSC issued the Virtual Assets Service Providers Guide to the Prevention of Money Laundering (**PML**), the Terrorist Financing (**TF**) and Proliferation Financing (**PF**) and **BVI FSC Guidance on Application for registration of a Virtual Assets Service Providers** on 1 February 2023. Other relevant legislation and guidance will be referenced including the Financial Services (Regulatory Sandbox) Regulations, 2020 (**Sandbox Regulations**) and the **Guidance on Regulation of Virtual Assets in the Virgin Islands, 2020**. The aforementioned virtual asset laws and regulations deals with virtual assets and offerings of virtual assets.

## **What is considered a virtual asset in the BVI?**

Pursuant to the Act, virtual assets in the BVI are defined as digital representations of value capable of digital trade or transfer. Notably, these assets can serve purposes of payment or investment. However, the definition excludes digital representations of fiat currencies and other assets as specified in guidelines, as well as digital records of credits against financial institutions and securities or other financial assets that can be transferred digitally.

As stablecoins are pegged to the value of the dollar or some other asset, it would likely fall within the definition of virtual asset under the Act given that it is not a digital representation of fiat currency or other asset but pegged to its value. Although non-fungible tokens (**NFTs**) are not specifically mentioned in the definition of virtual asset, it is likely that it would also fall within the definition of virtual asset only where they satisfy the definitions in the Act.

## **Who do such laws and regulations apply to?**

The Act and other relevant virtual asset laws and regulations apply to persons or entities providing virtual assets services, virtual assets custody service or virtual assets exchanges in the BVI. The definition of 'virtual assets' as set out within the act is also applicable to persons providing digital assets as a business for or on behalf of another natural or legal person. Any service that encompasses virtual assets, or engagement of activities to setup a Decentralized Finance platform, the sale of Non-Fungible Tokens, the operation of Peer-to-Peer financing platforms, or other innovative concepts related to virtual assets may fall in scope of the Act only where they satisfy the definitions in the Act. The term virtual assets services refers to conducting business on behalf of another natural or legal person in any activity related to virtual asset service providers (**VASPs**).

Under the Act, VASPs are defined as an entity engaging in the business of providing virtual asset services. Such services include:

- i. exchanges between virtual assets and fiat currencies;
- ii. exchanges between various forms of virtual assets;
- iii. transfers of virtual assets on behalf of others;
- iv. safekeeping or administration of virtual assets;
- v. participation in financial services related to a virtual asset issuer's offerings; and
- vi. other activities specified in the Act or prescribed by regulations which from time to time which the FSC may prescribe from time to time being involved in virtual asset activity.

The term 'offerings' under the Act is defined to be any specific offer to the public for potential subscription or purchase of virtual assets. It includes buying and selling of any virtual assets. Offering can be associated with the business activities linked with virtual asset exchanges where sale and purchase of virtual assets are conducted.

## **Who are the relevant regulatory authorities in relation to virtual assets in the BVI?**

VASPs in the BVI are registered and regulated by the FSC and any reporting or licensing in respect of virtual assets is done through the FSC. Other key governmental agencies include office of the Governor's Office, Attorney General's Chambers Royal Virgin Islands Police Force (**RVIPF**), the BVI Financial Investigation Agency (**FIA**), and the International Tax Authority (**ITA**).

## What are the penalties for breaches of virtual asset laws and regulations in the BVI?

The table below sets out the main offences and applicable penalties for contravention of the Act:

Offence	Sections of the Act	Consequence for companies	Consequence for individuals
Carrying on virtual assets service without being registered	5(1)	US\$100,000 or 5 years imprisonment or both	US\$75,000 or 5 years imprisonment or both
Individual carrying on or holding out as carrying on virtual assets service	5(2)	N/A	US\$75,000 or 5 years imprisonment or both
Failure to notify the FSC of material change	8(1) & (2)	US\$75,000 or 3 years imprisonment or both	US\$50,000 or 3 years imprisonment or both
Failure to comply with a directive	8(3)	US\$50,000	US\$30,000
Failure to maintain financially sound condition	10	US\$75,000 or 3 years imprisonment or both	US\$50,000 or 3 years imprisonment
Failure to keep sufficient records,	22(1)	US\$75,000 or 5 years imprisonment or both	US\$50,000 or 3 years imprisonment
Failure to maintain customer due diligence information	22(2)	US\$75,000 or 5 years imprisonment or both	US\$75,000 or 5 years imprisonment or both
Failure to maintain records for the prescribed period	22(3)	US\$75,000 or 5 years imprisonment or both	US\$50,000 or 3 years imprisonment
Non-compliance of Anti-Money Laundering (AML) and Counter Terrorist Financing (CFT) requirements or to put systems and procedures in place	25(1)	US\$100,000 or 5 years imprisonment or both	US\$75,000 or 5 years imprisonment
Failure to adopt measures to trace and collect information such as Internet Protocol (IP) addresses, associated dates, stamps, geographical data, device indicators, virtual asset wallet addresses and transaction hashes and in other information relating to its customers as is consistent with the Data Protection Act, No. 3 of 2021.	25(2)	US\$100,000 or 5 years imprisonment or both	US\$75,000 or 5 years imprisonment
VASP providing innovative FinTech without approval of FSC	34(1)	US\$100,000 or 5 years imprisonment or both	US\$75,000 or 5 years imprisonment

## 2. Regulation of virtual assets and offerings of virtual assets in the BVI

### **Are virtual assets classified as 'investments' or other regulated financial instruments in the BVI?**

In the BVI, virtual assets are not generally classified as 'investments' but instead are defined as a digital representation of value that can be digitally traded or transferred and which has the necessary capacity to be used for payment or investment purposes. That said, virtual assets may be classified as 'investments' if it demonstrates the characteristics of securities as outlined in Securities and Investment Business Act, 2010 (SIBA) which generally includes tokens representing interests in collective investment schemes (mutual funds), with attached equity rights, those creating or acknowledging debt as debentures, instruments like warrants enabling stock purchase, certificates conferring virtual asset rights, options, futures contracts, and contracts for differences. Compliance with these characteristics determines whether a token falls under specific paragraphs of Schedule 1 of SIBA, outlining its classification as a security. This is generally fact-specific and the functionality and characteristics of the token or virtual asset would need to be assessed. The SIBA is the primary piece of legislation regarding securities and investment business in the BVI, providing for the licensing and control of persons engaged in investment business in or from within the BVI.

In particular, where a virtual asset, product or service provides a benefit or right beyond a medium of exchange, it may be captured under SIBA upon which the VASP would require a licence under the SIBA framework. Where a virtual asset product issued is an interest in a collective investment scheme, or a virtual asset might be used in cases where the rights attached thereto would grant the holder a share or equity interest would be considered investment under the ambit of SIBA, or cases where a token or coin issued creates or acknowledges a debt or liability instrument may be deemed a debenture. In such circumstances, a licence would similarly be required under the SIBA framework. Therefore a careful assessment and analysis of the virtual asset is important to determine whether they may be captured by the SIBA. A person who is not carrying on an investment business under SIBA may still bring themselves within the licensing requirements where they hold themselves out as carrying out an investment business.

SIBA requires individuals or entities engaging in any form of investment business within or from the BVI must do so through a regulated and licensed entity, unless falling under safe harbors outlined in SIBA. The classification of virtual assets under the SIBA regime hinges on whether they share characteristics similar to traditional investments like shares. Such factors that should be considered include the nature and features of the relevant virtual asset.

### **Are stablecoins and NFTs regulated in the BVI?**

As stablecoins are pegged to the value of the dollar or some other asset, it would likely fall within the definition of virtual asset under the Act given that it is not a digital representation of fiat currency. Although NFTs are not specifically mentioned in the definition of virtual asset, it is likely that it would also fall within the definition of virtual asset only where they satisfy the definitions in the Act. Stablecoins and NFTs should also be considered in the context of the SIBA framework and assessed on a fact-specific basis to determine whether they would constitute an 'investment', which would necessitate a license under the SIBA framework as well.

### **Are decentralised finance (DeFi) activities (e.g. lending virtual assets) regulated in the BVI?**

Decentralised finance activities may fall in scope of the Act only where they satisfy the definitions in the Act. These are covered under the term of innovative FinTech which is covered under the Sandbox Regulations and the Act. The term 'Innovative FinTech' means the development or implementation of a new system, mechanism, idea, method, or other arrangement through the use of technology to create, enhance or promote a product or service with respect to the conduct or provision of a financial services business. These include all the financial activities facilitated by electronic platforms where borrowers are matched directly with lenders categorized as peer to peer lending and online lending or other novel concepts involving virtual assets. It must be noted that DeFi may fall in the scope of the Act only where they satisfy the definitions in the Act.

### **Are there any restrictions on issuing or publicly offering virtual assets in the BVI?**

Entities seeking to publicly offer Virtual Assets in the BVI are required to be licensed by the FSC under the Act. There are restrictions under the Act where the public offering is against the public interest or associated with money laundering, terrorist financing and proliferation financing.

Where the virtual asset is classified as an 'investment' and falls within the scope of the SIBA framework, any public offering must be based on a prospectus registered with the FSC and must comply with such requirements as may be prescribed by the FSC as well as the requirements set out in the Public Issuers Code.

### **Are there any exemptions to the restrictions on issuing or publicly offering of virtual assets in the BVI?**

For virtual assets that fall within the scope of the SIBA framework, there is an exemption from the abovementioned restrictions where the offer is made to qualified investors, a person having a close connection with the issuer or offers made to the government of the BVI. As defined in SIBA, a qualified investor includes certain entities which are regulated by the BVI, a company (any securities of which are listed on a recognised exchange) and persons defined as professional investors under SIBA.

## **3. Regulation of VASPs in the BVI**

### **Are VASPs operating in the BVI subject to regulation?**

Yes, a person who wishes to carry on in or from within the BVI the business of providing virtual asset services must apply to the FSC for registration as a VASP. Licensed VASPs are able to (i) carry on the business of providing a virtual asset service; (ii) engage in the business of providing a virtual assets custody service; or (iii) operate a virtual asset exchange.

### **Are VASPs providing virtual asset services from offshore to persons in the BVI subject to regulation in the BVI?**

Yes, any offshore VASP that wishes to provide virtual asset services to persons in the BVI will need to be registered or licensed with the FSC based on the nature of services rendered by VASP and the requirements associated with it the Act.

### **What are the main requirements for obtaining licensing / registration as a VASP in the BVI?**

Part II Section 5 & 6 of the Act sets out the relevant requirements for registration of VASPs which includes various provisions relating to the registration procedures and documentation requirements.

The application for applying to the FSC to be registered as a VASP must include, amongst others, the following information:

- i. details about the physical address of the applicant in the BVI;
- ii. names and addresses of directors and senior executives, shareholder information, auditor details of the applicant, authorized representative; and
- iii. a written risk assessment of the applicant outlining the risks that the applicant may be exposed to and specifying how those risks are to be assessed and controlled;
- iv. a written compliance manual of the applicant demonstrating how it intends to comply with the relevant requirements of the Act and any regulations, including measures to safeguard against money laundering, terrorist financing, and proliferation financing activities;
- v. a detailed comprehensive business plan of the applicant setting out the knowledge and expertise, size scope and complexity of the applicant as well as how the applicant will be marketed, anticipated human resource capacity, outsourcing arrangements and their governance arrangements; and
- vi. details of internal safeguards, including data protection and cybersecurity systems, intended to be utilised by the applicant;
- vii. a system outlining how the VASP will handle client assets, custodian relationships, and complaints.

The FSC has the power to request additional information as it may consider appropriate in support of the application. The directors, senior officers and other relevant persons of the applicant must also meet the "fit and proper" requirements.

Under section 7 of the Act, for a VASP registration application to be approved the following criteria must be met:

- i. the applicant, as well as its directors, senior officers, and individuals with a significant or controlling interest, satisfy the fit and proper criteria outlined in Schedule 1A of the Regulatory Code, Revised Edition 2020;
- ii. the organisational structure, management practices and financial resources of the proposed VASP are currently adequate or will be adequate upon registration to conduct VASP business;
- iii. if registered as a VASP, the applicant has or will acquire the ability and capacity to manage and mitigate the risks associated with VASP business activities. This includes detecting and preventing activities involving the use of anonymity-enhancing technologies or mechanisms (like mixers, tumblers, and similar technologies) that obscure the identity of the sender, recipient, holder, or beneficial owner of a virtual asset; and
- iv. the registration of the applicant is not contrary to the public interest.
- v. the auditor designated for the applicant has given consent and is approved by the FSC

Applicants seeking to provide virtual asset custodian or virtual asset exchange services must comply with the requirements as set out in section 27 and section 30 of the Act respectively, which relates to, amongst others, information about the facilities that enable safe keeping of virtual assets, security measures, internal safeguards and disclosure measures.

Two declarations are mandatory for all VASP applications prior to submission. The first declaration should be completed by the Applicant's Authorised Representative or another representative responsible for submitting the application. The second declaration is to be filled out by the Applicant themselves. In both instances, individuals making the declarations must confirm that the information provided to the FSC regarding the application is true and accurate.

The table outlines the necessary fees for the registration process of a VASP in the BVI. The application fee is required to be deposited along with a complete application form and relevant supporting documents in accordance with sections 5 and 6 of the Act. Upon approval, the registration fee should be submitted to the FSC for the official registration of the VASP, following the directions provided by the FSC. Additionally, an annual renewal fee is to be paid each year to the FSC.

Category of entity	Amount
Application for registration as a VASP	US\$5,000
Application for registration as a VASP providing virtual assets custody service	US\$10,000
Application for registration as a VASP operating a virtual assets exchange	US\$10,000
Approval of registration of a VASP	US\$7,500
(a) Initial registration fee	US\$7,500
(b) Annual renewal of registration fee	
Approval of registration of a VASP providing virtual assets custody services:	
(a) Initial registration fee	US\$15,000
(b) Annual renewal of registration fee	US\$15,000
Approval of registration of a VASP operating a virtual assets exchange:	
(a) Initial registration fee	US\$25,000
(b) Annual renewal of registration fee	US\$25,000
Application by a VASP under 34(1), (3) of the Act to participate in the Regulatory Sandbox to provide innovative FinTech in relation to virtual assets	US\$1,000
Approval of Application by a VASP and issuance of certificate of approval to provide FinTech in relation to virtual assets	US\$1,500

### **What are the main ongoing requirements for VASPs regulated in the BVI?**

VASPs registered in the BVI are subject to the certain ongoing obligations under the Act including, amongst others, the following:

- i. ensuring that the requirements and documentation under which they were granted registration are kept up to date, and under section 8 of the Act, VASP must forthwith notify the FSC if there is any material change in the information provided;
- ii. ensuring that it remains fit and proper and specifically maintains adequate resources (human and technological) and appropriate policies, procedures and mechanisms in place to ensure compliance;
- iii. submitting a copy of its auditor's report concerning the its financial statement to the FSC within six months of the end of financial year (which can be extended by six months upon application);
- iv. recording and maintaining all customer due diligence information for its clients in accordance with the requirements of any legislation related to AML, TF, and PF for at least five years;
- v. informing the FSC about significant developments, changes in jurisdictional presence, legal actions, acquisitions and any changes affecting the its compliance with specified matters outlined in section 7(1) of the Act; and
- vi. adopting best practices in information technology for the safekeeping of virtual assets and related instruments maintained on behalf of the client and protect virtual assets and related instruments against theft and loss.

Other obligations include filing of annual returns, filing of annual financial statements and filing annual compliance officer reports. Failure to file these would result in enforcement action by the FSC including the levy of fines.

Additionally, directors, senior officers and other relevant persons of VASPs must continue to comply and satisfy with the "fit and proper" criteria outlined in the Regulatory Code, Revised Edition 2020.

### **What are the main restrictions on VASPs in the BVI?**

VASPs in the BVI are restricting from, amongst others, the following:

- i. conducting its business against the public interest or conducting business involving money laundering, terrorist financing, proliferation financing;
- ii. encumbering or causing to be encumbered the virtual asset deposits held or maintained on behalf of its clients unless explicitly agreed upon with the beneficial owners of those virtual assets; and
- iii. issuing a virtual asset which has a underlying characteristics of securities or other financial assets without an appropriate license as required by FSC under SIBA licensing framework

Additionally, VASPs are also under an obligation to ensure that they are not issuing advertisements, statements, brochures, documents, promises or forecasts which may be misleading or contains incorrect statements.

For licensed VASPs operating virtual asset exchanges, they are also restricted from:

- i. providing financing to clients for the purchase of virtual assets unless approved by the FSC and terms of financing and the risk associated to it are disclosed to clients;
- ii. engaging in trading or marketing activities for its benefit that may be detrimental to its clients, unless necessary for the exchange's operation and disclosed to its clients;
- iii. allowing misleading or deceptive trading of virtual assets on its exchange designed to defraud subscribers or purchasers;
- iv. permitting its clients to trade or purchase a virtual asset without ensuring the client is aware of the risks and making required disclosures;
- v. providing fiat currency-to-fiat currency exchange services without the written approval of the FSC; and
- vi. engaging in any other activity not specified above with the potential to compromise the integrity of the virtual assets exchange or erode public confidence.



## **What are the main information that VASPs have to make available to its customers?**

In the event of an unlawful interference or if the client's virtual assets are compromised, the VASP must notify its customer of such circumstances and further inform the client of the steps it has taken or is taking to restore the client's virtual asset and protect the virtual assets from any further unlawful interference or from otherwise being compromised.

A VASP providing custodian services must enter into safekeeping arrangements with the owner of a virtual asset and related instruments which should set out relevant including, amongst others, the duration, terms of renewability, manner of holding, transaction engagement conditions, required disclosures on associated risks and the steps taken to mitigate them, fees, terms of client access, termination conditions, provision of security measures information, available remedies in case of theft or loss, and any other matters agreed upon by the client and the VASP or specified by the FSC from time to time.

## **What market misconduct legislation/regulations apply to virtual assets?**

A brief overview of the various market misconduct provisions in BVI legislation that may apply to virtual assets is set out below:

- i. *VASP Act*: provides for relevant rules and requirements concerning conduct of VASPs registered in the BVI and includes various offences including, amongst others, carrying out virtual asset services without licensing;
- ii. *SIBA*: provides for requirements for licensing of entities engaged in investment services in the BVI and includes various offences including, amongst others, carrying out investment services without licensing; and
- iii. *AML / TF / PF regulations*: VASPs are required to comply with the Anti-money Laundering and Terrorist Financing Code of Practice (**AMLTFCOP**) and the Anti-money Laundering Regulations (**AMLR**) which imposes various reporting requirements on VASPs to mitigate such risks. AML/CFT/PF are further dealt with in Proceeds of Criminal Conduct Act (**PCCA**), Criminal Justice (International Cooperation) Act, Counter Terrorism Act, Proliferation financing (Prohibition) Act, and the relevant orders in council related to terrorism and terrorist financing;
- iv. *Economic Substance requirements*: The Economic Substance (Companies and Limited Partnerships) Act (**ESA**) and the Beneficial Ownership Secure Search System Act (**BOSSSA**) requires the BVI legal entities to notify and submit their economic substance declarations. Any BVI legal entity that fails to do so will be subject to enforcement actions by the competent authority, i.e. the International Tax Authority (**ITA**).

## **4. Regulation of other crypto-related activities in the BVI**

### **Are managers of crypto funds regulated in the BVI?**

The managers of crypto funds or the act of managing crypto funds in or from within the BVI are not explicitly excluded, and there are no specific restrictions on their operations provided in the Act. The determination of the applicability of BVI regulations to these entities is based on specific facts related to the concerned entities. To understand the nature and extent of applicability of BVI laws and regulations, a comprehensive analysis of crypto funds and the activities involving their management by experts is considered necessary.

The BVI adopts a case-by-case approach, taking into account the specific characteristics and operations of crypto funds. The regulatory framework in the BVI is designed to adapt to emerging financial technologies and digital assets. It recognizes the importance of expertise and a nuanced understanding of the crypto space, emphasizing the need for careful consideration of the unique features associated with crypto funds.

### **Are distributors of virtual asset funds regulated in the BVI?**

Distributors of virtual asset funds, or the act of distributing virtual asset funds for or on behalf of another person within or from the BVI, may be deemed a business activity of a VASP. Individuals or entities involved in this activity for or on behalf of others within the BVI may be considered providers of virtual asset services as part of their business operations, depending upon the nature of operations. The BVI adopts a case-by-case approach, considering the specific characteristics and operations of business activity related to virtual asset funds and its distribution. The regulatory framework is designed to adapt to emerging financial technologies and digital assets, recognizing the importance of expertise and a nuanced understanding of the crypto space.

The Act further clarifies that any mention of terms like 'funds,' 'property,' 'proceeds,' or other value-based terminology in financial services legislation is construed to include virtual assets, ensuring appropriate coverage and regulation within the existing financial services framework.

**Are there requirements for intermediaries seeking to provide trading in virtual assets for clients or advise clients on virtual assets in the BVI?**

To provide trading in virtual assets, intermediaries are required to be registered as VASPs by the FSC pursuant to the Act. For detailed registration requirements, please refer to the above.

BVI is silent on the point of advisory on virtual asset in BVI as advisory does not fall under the definition of virtual asset services as provided in the Act.

## 5. Other relevant regulatory information

**Are there any upcoming regulatory developments in respect of crypto-related activity in the BVI?**

No.

**Has there been any notable events in the BVI that has prompted regulatory change recently?**

No.

## 6. Pending litigation and judgments related to virtual assets in the BVI (if any)

The High Court (Commercial Division) of the BVI has delivered two notable judgments relating to virtual asset ownership in the BVI in the recent years. In the case of *Philip Smith v Torque Group Holdings Limited et al BVIHC (COM) 0031 of 2021*, the court held that crypto assets should be treated as assets or property for the purpose of a company's liquidation. In another notable judgment in the case of *Chainswap Limited v Persons Unknown & Ors BVIHC (COM) 2022/0031*, the court had granted a freezing order over assets held by persons unknown in relation to crypto fraud for the first time. In this case a link between the wallets and an exchange in Croatia was identified, pursuant to which the court signed a letter of request addressed to Croatian Courts for any available data in relation to the wallet.

The BVI courts are leading and developing the relevant jurisprudence in respect of virtual asset ownership and it is expected that other courts such as the Cayman Islands would likely follow a similar approach.

## 7. Government outlook on virtual assets and crypto-related activities in the BVI

The BVI is a leading financial offshore business centre. It has developed as an innovative and business friendly jurisdiction. The BVI is a self-governing dependent territory of the United Kingdom. BVI laws are a combination of common law and statute which are based heavily upon English law. The BVI had enacted the International Business Companies Ordinance in 1984, which marked the beginning of its journey as an offshore financial services jurisdiction. Since then, the BVI has been by far the most popular offshore tax haven with the greatest number of registered offshore companies among all the offshore jurisdictions in the world. Today 40% of the world's offshore companies are registered in the BVI.

The enactment of the Act in the BVI not only aligns the jurisdiction with global efforts to regulate virtual assets but supports its fostering of a secure and transparent FinTech environment. This move positions the BVI as a jurisdiction welcoming responsible innovation in the virtual assets space.

The BVI has implemented Sandbox Regulations, aimed at creating an environment conducive to the development and testing of FinTech solutions. The Sandbox Regulations aims to benefit various entities, including start-ups and licensed financial service providers, by providing a streamlined regulatory approach. Sandbox participants are entities or persons approved by the FSC pursuant to the Sandbox Regulations offering innovative FinTech for development or implementation of a new system, mechanism, idea, method, or other arrangements through the use of technology to create, enhance a product or service with respect to the conduct or provision of a financial service business. Start-ups approved as Sandbox participants before the enactment of the Act can notify the FSC in writing about their intention to provide innovative FinTech related to virtual assets. VASPs not registered under the Act but wanting to engage in virtual asset services while utilizing innovative FinTech under the Sandbox Regulations can submit an application to the FSC. The application should specify the intent to conduct the business of providing virtual asset services alongside the application of innovative FinTech.

## 8. Advantages of setting up a VASP in the BVI

BVI is a prominent offshore centre given its tax neutrality, confidentiality of data and information, simple reporting systems, asset protection and limited liability protection.

The main advantages of setting up a VASP in the BVI are:

### i. *tax benefits*

One of the main advantages of opting for a BVI offshore company lies in its highly favourable tax regime. In contrast to other jurisdictions, the BVI imposes no corporate, capital gains or income taxes on offshore companies. This translates into substantial tax savings, especially for businesses involved in international trade and investment. The absence of these taxes can significantly contribute to the bottom line, making the BVI an attractive choice for entrepreneurs and investors.

### ii. *confidentiality*

Information relating to shareholders and directors is not publically accessible.

### iii. *simplified reporting requirements*

The BVI aims to offering streamlined and straightforward reporting requirements for offshore companies. Annual reporting obligations are kept to a minimum, reducing administrative burdens and costs for business owners. VASP and similar entities are required to track and collect information for AML / CFT compliance such as tracing and collecting internet protocol addresses of its customers, associated dates, geographical data, wallet addresses and transaction hashes and other such data as is consistent with the BVI Data Protection Act, No. 3 of 2021. VASPs must retain records relation to AML/CFT/PF for a period of at least five years.

### iv. *asset protection*

The BVI also has a robust legal framework through its asset protection laws. The BVI's commitment to providing a secure environment for asset protection enhances the overall risk management strategy for individuals or businesses establishing an offshore presence.

### v. *asset division*

There is a division of personal and corporate assets which safeguards the personal assets in case a lawsuit is brought against the business. According to section 109 of the Business Corporations Act (**BCA**), a company's operations are overseen by the directors, who have the authority to manage and supervise its business and affairs. However, in matters exclusively for shareholders, section 175 of the BCA serves as a crucial protection for shareholders, requiring that major decisions, such as the disposal of over 50% of a company's assets, require the explicit approval of the shareholders.

### vi. *limited liability protection*

A BVI company can be established with a limited liability structure whereby shareholders or directors are legally responsible for the company's debts only up to the value of their shares. A company is a legal entity separate from its shareholders, which can sue and be sued in its own rights, and which has the full capacity of a natural person.

#### vii. *taxation in the BVI*

BVI entities have exemption from capital gains taxes, gift taxes, profits taxes, inheritance taxes, or estate duty. The BVI International Tax Authority has not issued specific statements on the taxation of virtual assets. It maintains a tax-neutral environment with a 0% income tax rate, relieving entities from the obligation to pay income tax to the BVI government. The entities are not required to file income tax returns. Instead, they must submit an annual economic substance declaration, a requirement introduced via the ESA. Although, during initial token or coin offerings, exchange operators should be aware of the implications of international tax regulations such as the Foreign Account Tax Compliance Act (**FATCA**) and Common Reporting Standards (**CRS**). However foreign taxpayers taxed on worldwide income must declare all income to their respective governments.

Position stated as at January 2024

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