



An overview of the regulation of virtual assets in Seychelles

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1. Virtual asset laws and regulations in Seychelles

The Virtual Asset Service Providers Act, 2024 (**Seychelles VASP Act**) of Seychelles was enacted on August 30, 2024, and came into force on September 1, 2024. This legislation establishes a framework for Virtual Asset Service Providers (**VASPs**) operating in or from Seychelles, covering activities such as Initial Coin Offerings (**ICOs**), token sales, wallet provision, exchanges, brokering, and other virtual asset-related services. The Financial Services Authority (**Seychelles FSA**) is designated as the regulatory body responsible for licensing, supervision, and enforcement under the Act. The Seychelles FSA is responsible for ensuring that entities engaged in virtual asset activities comply with international standards, including anti-money laundering (**AML**) and counter-terrorism financing (**CTF**) obligations in line with the Financial Action Task Force (**FATF**) Recommendations.

What is considered a virtual asset in Seychelles?

The AML/CFT Act in Seychelles defines a virtual asset as “a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes, excluding digital representations of fiat currencies, securities, and other financial assets.” This definition clarifies that legal tender recognised under Seychelles’ laws and regulated by the **Central Bank of Seychelles** is not considered a virtual asset.

In the Seychelles VASP Act, a virtual asset is defined more comprehensively as “a digital representation of value that may be digitally traded or transferred, and can be used for payment or investment purposes that

- a) is used as a medium of exchange, unit of account, or store of value and is not legal tender, whether or not denominated in legal tender;
- b) is intended to represent assets such as debt or equity in the promoter;
- c) is otherwise intended to represent any assets or rights associated with such assets; or
- d) is intended to provide access to an application or service or product by means of blockchain.”

The Seychelles VASP Act explicitly excludes the following from its definition of virtual assets:

- a) a digital representation of fiat currencies, securities and other financial assets;
- b) a transaction in which a person grants value as part of an affinity or rewards program, which value cannot be taken from or exchanged with the person for legal tender, bank credit or any digital asset; or
- c) a digital representation of value issued by or on behalf of the publisher and used within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform.

What are the relevant laws and regulations?

The laws and regulations that regulate virtual assets and VASPs in Seychelles are the Virtual Asset Service Providers Act, 2024, the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 (**AML/CFT Act**), and the **Securities Act, 2007**. The Seychelles VASP Act is the primary legislation that regulates the licensing, supervision, and conduct of business of VASPs carrying on business in or from Seychelles. It sets out the regulatory regime for authorised business, provides procedures for applying for a license, prescribes registration requirements for certain services such as initial coin offerings (**ICOs**) and non-fungible tokens (**NFTs**), and provides for continuing compliance requirements that include cybersecurity, consumer protection, and operational requirements.

The AML/CFT Act establishes the general anti-money laundering and counter-terrorism financing regime applicable to all reporting entities in Seychelles, including VASPs. It imposes on licensed entities the obligation to conduct customer due diligence, maintain proper records, and report suspicious transactions. The Securities Act, 2007 regulates traditional financial products, i.e., securities; nevertheless, although virtual assets are not typically considered securities under this Act, some tokens that can be likened to shares, debt instruments, or investment contracts might be covered by its provisions on a case-by-case basis through the assessment of the Seychelles FSA.

Seychelles is also undertaking to harmonise its regulatory system with global best practices laid out by the FATF. Specifically, the jurisdiction is adopting measures aligned with FATF Recommendation 15, under which VASPs must be licensed or registered and subject to effective AML/CFT regulation and supervision. This entails adherence to the Travel Rule, which requires the exchange of customer data during virtual asset transfers between VASPs.

Additionally, VASPs are required to comply with the [Financial Consumer Protection Act, 2022](#), which establishes safeguards to protect users of virtual asset services.

Who do such laws and regulations apply to?

The Seychelles VASP Act applies to all legal persons or entities that carry on virtual asset services in or from Seychelles, regardless of whether they are physically located in Seychelles or serve clients within the jurisdiction. For the purposes of the Act, “legal persons” include natural persons, partnerships, bodies corporate, trusts, and foundations. It is to note that individuals are not eligible to apply for a VASP license. Only legal persons (companies or IBCs incorporated in Seychelles) are permitted to be licensed under the Act.

The Seychelles VASP Act requires that any legal person or entity engaged in virtual asset-related activities, such as operating a cryptocurrency exchange, conducting an ICO, providing custody services, or facilitating the transfer or exchange of virtual assets; must obtain a license or register as required under the Act. This requirement applies equally to domestic companies, as well as to IBCs incorporated under the [Companies Act, 1972](#) or the International Business Companies Act, 2016.

In addition, the Seychelles FSA enforces AML/CFT obligations under the AML/CFT Act, 2020, which are applicable to all licensed VASPs. These obligations include implementing customer due diligence (**CDD**) procedures, monitoring for suspicious transactions, and maintaining adequate recordkeeping systems. While these obligations are primarily directed at regulated entities, they may have an indirect impact on users of virtual currencies, especially in cases where VASPs are required to verify and monitor client activity.

Who are the relevant regulatory authorities in relation to virtual assets in Seychelles?

The Financial Services Authority ([Seychelles FSA](#)) is the primary regulatory authority responsible for the oversight of virtual asset activities and VASPs in Seychelles. Under the Seychelles VASP Act, 2024, the FSA is empowered to license, supervise, and enforce compliance among entities conducting virtual asset business in or from Seychelles.

In addition to its responsibilities under the Seychelles VASP Act, the FSA continues to oversee other financial market participants, including securities dealers, investment advisers, and securities exchanges, pursuant to the Securities Act, 2007.

The Seychelles FSA is also a member of the National Anti-Money Laundering and Countering the Financing of Terrorism Committee (**NAC**) and plays a key role in shaping and implementing Seychelles’ regulatory policies concerning virtual assets. It is tasked with ensuring that VASPs comply with the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020, and that virtual asset activities adhere to international standards, particularly those established by the FATF.

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

Under the Seychelles VASP Act, breaches of virtual asset laws and regulations are subject to strict civil, criminal, and administrative penalties. Any legal person who carries on virtual asset business in or from Seychelles without a license commits an offence and is liable on conviction to a fine of up to USD 350,000, imprisonment for up to 15 years, or both.

Failure to comply with registration requirements, such as those relating to ICOs or NFTs may attract a fine of up to USD 150,000, imprisonment for up to 5 years, or both. The VASP Act further empowers the Seychelles FSA to impose a range of administrative sanctions, including monetary fines, directions, suspension or revocation of licenses, and compliance orders. In serious cases, the Seychelles FSA may also seek injunctive relief through the courts.

In parallel, violations of anti-money laundering and counter-terrorism financing obligations under the AML/CFT Act, 2020 carry heavy penalties. The AML Act establishes criminal offenses with significant fines and imprisonment of up to 10 years. Companies breaching AML/CFT laws can be fined up to USD 400,000 and/or face imprisonment of up to 5 years. Individual being sanctioned for Crypto and virtual assets in Seychelles can lead to confiscation of cryptos and fines up to SCR 3 million or imprisonment of up to 20 years.

The Seychelles VASP Act also establishes provisions for the authority to take enforcement action, such as suspension or revocation of a license, the issuance of compliance orders, or seeking injunctive relief.

2. Regulation of virtual assets and offerings of virtual assets in Seychelles

Are virtual assets classified as 'securities' or other regulated financial instruments in Seychelles?

As per the Securities Act, 2007, virtual assets such as cryptocurrencies are not classified as securities in Seychelles. The Securities Act provides regulations for securities dealers, investment advisers, and securities exchange and securitise financial products, but the Act specifically lists the financial products that are considered securities and virtual assets/cryptocurrencies are not listed under the definition of securities. However, this would need to be determined on a case-by-case basis, and the relevant authorities such as the Seychelles FSA or the NAC may conduct an analysis into the features of the digital asset to determine whether it falls within the regulatory scope of securities laws.

While the Seychelles VASP Act introduces a comprehensive regulatory framework for virtual asset service providers, it does not alter the classification of virtual assets under the Securities Act, 2007.

Are stablecoins and NFTs regulated in Seychelles?

Stablecoins and NFTs are regulated in Seychelles according to the Seychelles VASP Act. Issuers of NFTs and ICOs are required to register with the Seychelles FSC, and comply with the established regulations.

Stablecoins, which are a type of virtual asset that maintain a stable value relative to a fiat currency or another digital asset, are also considered a virtual asset under the Act. Virtual asset service providers who use stablecoins are subject to the same regulations as other virtual assets. This includes capital and solvency requirements, safeguarding client assets through segregated accounts, maintaining appropriate custody and protection measures, submitting annual audited financial statements, appointing approved auditors, and implementing effective cybersecurity protocols.

NFTs are also regulated under the Seychelles VASP Act. Entities intending to promote or issue NFTs from within or outside Seychelles must be either licensed under the Seychelles VASP Act or authorised under the Securities Act, 2007. Furthermore, such entities must be registered with the Seychelles FSA before engaging in any NFT-related promotional or issuance activity. The Act restricts NFT issuance and promotion to licensed entities only, meaning individuals or unlicensed businesses are not permitted to carry out such activities legally.

Are decentralised finance (DeFi) activities (e.g. lending virtual assets) regulated in Seychelles?

Yes, DeFi activities are regulated in Seychelles under the Seychelles VASP Act. The Act categorises DeFi services, such as lending, borrowing, or other financial services involving virtual assets as part of the permissible activities that require licensing and oversight.

Entities that provide DeFi services in or from Seychelles are considered VASPs and are required to obtain a VASP license from the Seychelles FSA. These providers must comply with a set of regulatory obligations under the Act. This includes meeting capital and solvency requirements, employing qualified personnel, maintaining internal procedures to manage conflicts of interest, and ensuring indemnity insurance coverage for the benefit of clients. Furthermore, such VASPs must carry out an annual risk assessment and submit a compliance form to the Seychelles FSA as part of their ongoing regulatory duties.

The Seychelles FSA has also responded to developments in the virtual asset space by issuing public advisories, particularly warning investors about the risks associated with unregulated DeFi activities, ICOs, and virtual asset schemes. It has also been actively monitoring and taking action against entities that falsely claim to be licensed or registered in Seychelles.

Are there any restrictions on issuing or publicly offering virtual assets in Seychelles?

According to the Seychelles VASP Act, any legal person or entity who wishes to issue ICOs or NFT in Seychelles must first register with the Seychelles FSA. It requires that such a person must apply in the approved form and provide information that is not false or misleading.

In addition to this, any legal entity that carries on business using virtual assets from Seychelles must obtain a VASP license from the Seychelles FSA. The Act has laid out various registration and licensing obligations. Once a person or entity has applied for registration, the Seychelles FSA will consider the application and grant or refuse registration within the prescribed period. Similarly, a person or entity seeking to obtain a VASP license must apply in the approved form and provide information as required by the Seychelles FSA. The application will be granted or refused within the prescribed period after consideration of the submitted information.

In addition to the above, the Seychelles VASP Act has also laid out obligations and requirements for VASP licensees. These include fulfilling fit and proper assessment criteria, maintaining adequate net assets, conducting business in a prudent and integral manner, maintaining adequate accounting and other records, and implementing cyber-security programs.

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

Yes, there are exemptions provided for in the [Financial Services Authority \(Regulatory Sandbox Exemption\) Regulations, 2019](#). These regulations provide an exemption from certain regulatory requirements for eligible persons seeking to test innovative financial products, services, and business models in a controlled environment known as a regulatory sandbox.

Eligible persons can apply for an exemption from restrictions on issuing or publicly offering virtual assets in Seychelles during the testing period as long as they comply with the conditions and disclosure requirements set out in the First and Second Schedules of the regulations.

The First Schedule of the Financial Services Authority (Regulatory Sandbox Exemption) Regulations, 2019 provides the requirements that must be met for an eligible person to apply for an exemption to issue or publicly offer virtual assets during the testing period. These requirements include:

- i. The virtual asset must not be a security.
- ii. The issuer must fully disclose all information necessary for assessment of the virtual asset.
- iii. The issuer must clearly indicate the risks associated with investing in the virtual asset.
- iv. The virtual asset must not be issued to retail clients during the testing period.
- v. The virtual asset must not be traded on a secondary market during the testing period.

The Second Schedule provides the conditions that must be met by the eligible person for providing eligible financial services under the regulatory sandbox exemption. These conditions include:

- i. The eligible person must maintain records of all transactions involving virtual assets and the identity of the persons involved.
- ii. The eligible person must provide regular reports to the Seychelles FSA on the testing activities and the results obtained.
- iii. The eligible person must comply with any other conditions or restrictions imposed by the Seychelles FSA.

Failure to comply with the conditions and requirements specified in the First and Second schedules could lead to the withdrawal or variation of the exemption by the Seychelles FSA.

3. Regulation of VASPs in Seychelles

Are VASPs operating in Seychelles subject to regulation?

Yes, VASPs operating in Seychelles are subject to regulation under the Seychelles VASP Act. This Act provides the regulatory framework for the licensing and supervision of legal persons who conduct business using virtual assets in and from Seychelles. Its aim is to protect the interests of clients and their virtual assets, ensure compliance with legislative requirements, and investigate matters connected therewith.

According to the Seychelles VASP Act, no legal person or entity can carry on business using virtual assets in or from Seychelles unless they are licensed. Failure to do so is an offence and is liable to a fine not exceeding US\$ 350,000 or to imprisonment for a term not exceeding 15 years or both.

The Seychelles VASP Act stipulates the general requirements and obligations for VASP licensure, such as the fit and proper assessment of directors and principal officers of the applicant, adequate capital and solvency requirements, cybersecurity measures, in-person presence in Seychelles, maintaining adequate accounting records and other records, and more. VASPs must also comply with the Authority's request for information and reports, including submitting an annual declaration and cyber-security report.

Are VASPs providing virtual asset services from offshore to persons in Seychelles subject to regulation in Seychelles?

Yes, VASPs providing virtual asset services from offshore to persons in Seychelles are subject to the regulatory framework provided in the. According to the Seychelles VASP Act, a legal person is considered a virtual asset service provider if it carries on virtual asset services in or from Seychelles.

The Seychelles VASP Act also prohibits legal persons from carrying on business using virtual assets in or from Seychelles without being licensed under the Act. Therefore, if a VASP is providing virtual asset services to persons in Seychelles, even if operating from offshore, they are considered to be carrying on business using virtual assets in Seychelles and must be licensed. Failure to do so would be an offence and is liable to a fine not exceeding US\$ 350,000 or to imprisonment for a term not exceeding 15 years or both.

What are the main requirements for obtaining licensing / registration as a VASP in Seychelles?

The Seychelles VASP Act provides a structured authorisation system for a range of activities related to virtual assets. These include wallet service provision, whether custodial or non-custodial, for the storage of virtual assets. It also covers virtual asset exchange services, encompassing both centralised and decentralised platforms for trading. Additionally, the Seychelles VASP Act regulates brokerage services, including over-the-counter or agency-based transactions. Investment services such as portfolio management and advisory functions also fall within the scope of the authorisation framework established under the Act. In addition to licensing of these core service areas, the Seychelles VASP Act allows for the registration of ICOs and NFTs.

To obtain a VASP license in Seychelles, the following main requirements must be met:

- i. The VASP must apply for a license to the Authority in the approved form.
- ii. The licensee shall pay the annual license fee.
- iii. The licensee shall conduct the permissible activities listed under the First Schedule.
- iv. The licensee and directors and principal officers of the applicant must be considered fit and proper with the necessary skills, knowledge, and experience.
- v. The VASP must have physical substance in Seychelles.
- vi. The VASP must have books, records, and adequate accounting systems.
- vii. The VASP must have adequate capital and solvency requirements, cybersecurity measures, and meet specific requirements for permissible activities.
- viii. The VASP must have custody and protection of client assets and maintain an indemnity insurance for the benefit of its clients.

- ix. The VASP must have policies and procedures satisfactory to the Authority to avoid, mitigate, and deal with conflicts of interest.
- x. The licensee shall cause to be prepared annual audited financial statements as required by the Seychelles VASP Act.
- xi. Minimum paid-up capital: The Seychelles VASP Act sets minimum paid-up capital thresholds depending on the type of service:
 - Wallet Providers: USD 75,000
 - Exchange Services: USD 100,000
 - Brokers: USD 50,000
 - Investment Providers: USD 25,000

From the third year onward, all licensees must maintain paid-up capital equivalent to at least 2.5% of their annual turnover.

- xii. Fee structure: The fee structure includes both application and recurring annual fees:
 - VASP License Application: SCR 75,000
 - ICO/NFT Registration Application: SCR 22,500
 - Annual Base License Fee: SCR 75,000
 - Wallet Providers: SCR 300,000
 - Exchange Services: SCR 375,000
 - Brokers: SCR 150,000
 - Investment Providers: SCR 75,000

All annual fees must be paid by January 31 each year to maintain the license in good standing.

Any legal person conducting virtual asset services shall be considered as a virtual asset service provider, including an overseas company or an international business company incorporated or continued or converted under the [International Business Companies Act 2016](#).

What are the main ongoing requirements for VASPs regulated in Seychelles?

VASPs regulated under the Seychelles VASP Act are subject to several ongoing requirements. Some of the main requirements are:

- i. Annual License Fee: VASPs must pay an annual license fee to the Authority by or before the 31st of January of each year after the initial license issue.
- ii. Annual audited financial statements: VASPs must prepare and cause to be audited annual audited financial statements in respect of all transactions and balances relating to its business.
- iii. Fit and Proper Assessment: VASPs must continue to meet the fitness and propriety assessment criteria set out in the Seychelles VASP Act for the duration of their license.
- iv. Substance in Seychelles: VASPs must ensure that they have physical substance in Seychelles, which means an actual presence in Seychelles that fulfills certain requirements, as specified in the Seychelles VASP Act
- v. Compliance Form: VASPs must submit a compliance form to the Authority disclosing the VASP's compliance status.

- vi. Cyber Security Report: A cyber security report must be submitted by a designated staff member relating to the measures and compliance of the VASP's cybersecurity measures and controls.
- vii. Record Keeping: VASPs must maintain adequate books and records in accordance with international best practices for a period not less than 10 years from the termination of the business relationship with the client concerned.
- viii. Adherence to AML and CFT regulations: VASPs must comply with the Anti-Money Laundering and Combating the Financing of Terrorism regulations specified by the Seychelles government to prevent criminal activities such as money laundering and terrorist financing.

Failure to comply with any of these requirements may result in penalties, revocation of license, suspension of license, or other enforcement actions.

What are the main restrictions on VASPs in Seychelles?

VASPs in Seychelles are subject to regulation and supervision by the Seychelles FSA. VASPs must comply with the AML/CFT Act and licensing rules in Seychelles. Also, they are required to have measures in place to reduce crime and other unlawful activities related to financial services business.

The Seychelles VASP Act imposes several restrictions on VASPs operating in Seychelles. Below are some of the important ones:

- i. Registration and licensing: The Seychelles VASP Act requires VASPs to obtain a Virtual Asset Service Provider license from the Seychelles FSA to operate in Seychelles. To obtain this license, VASPs must submit a license application, undergo a 'fit and proper' assessment, and pay an annual license fee.
- ii. Prohibited activities: The Seychelles VASP Act prohibits VASPs from providing certain activities such as payment services, causing instruments to be converted into NFT, issuing ICOs, or causing ICOs to be issued, without being registered with the Seychelles FSA.
- iii. Conducting business in Seychelles: VASPs must conduct their business from Seychelles by having a physical office with qualified staff. They must also undertake client onboarding, complaint handling, and management meetings in Seychelles.
- iv. Custody and protection of client assets: Licensees holding client assets must maintain an indemnity insurance for the benefit of their clients in a form and amount acceptable to the Seychelles FSA for the protection of clients' assets.
- v. Material changes to business: Licensees must obtain authorisation from the Seychelles FSA before making material changes to their business.
- vi. Filing of reports: VASPs must file an annual audited financial statement on annual basis, maintaining comprehensive records for a minimum of ten years, an annual declaration, and a cyber-security report compiled in accordance with stipulated guidelines.
- vii. Compliance: Licensees must comply with legislative requirements and regulatory codes issued by the Seychelles FSA.
- viii. Risk assessment: VASPs must undergo a comprehensive risk assessment.

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

According to the Seychelles VASP Act, a licensed VASP in Seychelles is required to make the following information available to its customers:

- i. Its legal name,
- ii. Its registered office or the office where it operates in Seychelles,
- iii. The name(s) of the principal(s) and the contact details of the principal(s),

- iv. If it has a website, the internet address of the website,
- v. Its license number and date of issue when conducting virtual asset services in Seychelles
- vi. The permissible activities in which it is authorised to engage,
- vii. The currencies it will accept for payment,
- viii. The terms and conditions of its virtual asset services, including the costs and fees that may be charged,
- ix. The arrangements that put in place to safeguard the client's virtual asset, including the segregation of the client assets from the operator's own assets,
- x. The procedures for resolving disputes arising from virtual asset services provided by the VASP; and
- xi. The client's right to seek compensation from the VASP if they suffer loss arising from the virtual asset services provided by the VASP

In addition to these requirements, the VASP should comply with other obligations, including anti-money laundering and combating terrorism financing measures, cybersecurity policies, and financial and auditing obligations.

What market misconduct legislation/regulations apply to virtual assets?

In Seychelles, there is no specific market misconduct legislation or regulations that apply only to virtual assets. Under the Seychelles VASP Act, virtual asset activities are brought under formal regulatory supervision, and general misconduct laws can apply depending on the nature of the activity. The following legislation and regulations may apply to market misconduct involving virtual assets:

- i. Securities Act, 2007: The Securities Act regulates the issuance, trading, and offering of securities in Seychelles. While virtual assets are not explicitly mentioned in the Act, the SEYCHELLES FSA has indicated that certain virtual assets may be considered securities and subject to the Act's requirements.
- ii. Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020: The AML/CFT Act requires VASPs to implement adequate measures to prevent money laundering and terrorist financing, including customer due diligence, transaction monitoring, and suspicious activity reporting.
- iii. Penal Code: The Penal Code prohibits various forms of market misconduct, such as fraud, insider trading, and market manipulation. These offenses may apply to virtual assets if they are considered securities or other financial instruments.
- iv. Consumer Protection Act, 2014: The Consumer Protection Act prohibits false or misleading advertising, deceptive business practices, and unfair contract terms. VASPs that offer virtual asset services to consumers must comply with these requirements.
- v. Virtual Asset Service Providers Act, 2024: While the Seychelles VASP Act primarily focuses on licensing and regulatory compliance, it also indirectly addresses misconduct through its requirements for fit and proper persons, record-keeping, risk assessments, and compliance reporting. Non-compliance with these obligations or providing false or misleading information can trigger enforcement actions under this Act.

4. Regulation of other crypto-related activities in Seychelles

Are managers of crypto funds regulated in Seychelles?

Yes, managers of crypto funds are explicitly regulated in Seychelles under the Seychelles VASP Act. Under the Act, such entities are categorised as Virtual Asset Investment Providers and are required to obtain a license from the Seychelles FSA in order to operate legally in or from Seychelles.

To qualify for a license, crypto fund managers must meet several conditions. These include incorporation or registration under the Seychelles Companies Act, 1972 or the International Business Companies Act, 2016, and satisfying substance requirements such as maintaining a physical office and conducting board meetings in Seychelles. Furthermore, the board of directors must include at least two individuals, one of whom must be a resident of Seychelles. The VASP Act also imposes specific capital, solvency, and insurance requirements, in addition to mandating the implementation of effective compliance programs, appointment of qualified compliance officers, and submission of annual audited financial statements. Cybersecurity measures are also a critical requirement to ensure the protection of client assets and data.

The Seychelles VASP Act further prohibits certain high-risk activities, such as the operation of mining facilities, mixer or tumbler services, and validator services. It also restricts the use of certain terms in business names, such as “blockchain,” “cryptocurrency,” “exchange,” and “NFT” to licensed entities only.

Are distributors of virtual asset funds regulated in Seychelles?

Yes, distributors of virtual asset funds are regulated in Seychelles under the Seychelles VASP Act. Under the Act, entities engaged in offering, marketing, or distributing investment products or portfolios comprised of virtual assets fall within the scope of “virtual asset investment services,” and are therefore classified as VASPs.

As such, distributors of virtual asset funds must be licensed by the FSA of Seychelles to legally operate in or from the jurisdiction. These distributors are subject to a range of regulatory obligations, including satisfying fit and proper criteria for their directors and key personnel, meeting capital adequacy and solvency requirements, maintaining appropriate substance in Seychelles (including a physical presence and resident directors), and implementing compliance, AML/CFT, and cybersecurity measures.

Additionally, the VASP Act prohibits unlicensed entities from conducting any virtual asset business activity in or from Seychelles, and imposes significant penalties up to USD 350,000 in fines or 15 years of imprisonment, or both for violations. Therefore, any entity distributing virtual asset funds, whether directly to investors or through intermediaries, must ensure full compliance with the licensing and operational requirements established by the Act.

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

As per the Seychelles VASP Act, intermediaries offering trading services or advisory services on virtual assets are required to obtain a license from the Seychelles FSA. They must also comply with the Act’s extensive obligations, including capital adequacy requirements, appointment of qualified personnel, maintaining a physical presence in Seychelles, and putting in place AML/CFT, cybersecurity, and internal control systems. The Act also imposes ongoing compliance requirements such as submitting annual audited financial statements, filing cybersecurity reports, and conducting annual risk assessments.

Furthermore, intermediaries advising clients on virtual assets may additionally be subject to other financial services legislation, such as the Securities Act, 2007 or the [Mutual Fund and Hedge Fund Act, 2008](#), if the digital asset qualifies as a “security” or forms part of a collective investment scheme. In such instances, the intermediary may need to obtain appropriate licenses under these Acts as well.

5. Other relevant regulatory information

Are there any upcoming regulatory developments in respect of crypto-related activity in Seychelles?

Seychelles has recently introduced a major regulatory development in respect of crypto-related activity through the enactment of the Seychelles VASP Act, which came into force on 1 September 2024. Under the Act, all crypto companies operating in or from Seychelles like exchanges, wallet providers, ICOs, and NFT platforms, must apply for a license by December 31, 2024. After this date, unlicensed operations will be illegal.

During the transition, companies can keep operating while their license applications are reviewed. The Seychelles FSA is stepping up oversight to ensure companies meet rules on AML/CFT, cybersecurity, economic substance, and must have a local office and qualified staff. A public register of licensed VASPs is also maintained to improve transparency. Seychelles is also aligning its laws with FATF international standards, including the Travel Rule. Additional regulations and guidelines, especially around DeFi, stablecoins, and DAOs are expected to follow.

Has there been any notable events in Seychelles that has prompted regulatory change recently?

Yes, a significant event that prompted regulatory change in Seychelles was the identification of weaknesses in its virtual asset oversight by the Eastern and Southern Africa Anti-Money Laundering Group (**ESAAMLG**) in 2018. This led to the enactment of the Seychelles VASP Act, effective from September 1, 2024. The Act mandates that all VASPs operating in or from Seychelles obtain a license by December 31, 2024, and comply with requirements such as establishing a local presence and adhering to AML/CFT standards.

6. Pending litigation and judgments related to virtual assets in Seychelles (if any)

There are currently no pending litigations or judgments in Seychelles.

7. Government outlook on virtual assets and crypto-related activities in Seychelles

The government of Seychelles has adopted a positive and stance toward virtual assets by enacting the Seychelles VASP Act in effect from September 1, 2024. Now has a clear legal framework for licensing and regulating VASPs, including exchanges, custodians, and token issuers. The Seychelles FSA oversees compliance, ensuring strong AML/CFT standards aligned with FATF recommendations.

VASPs must maintain a local presence, with resident directors, physical offices, and qualified staff. The FSA also provides oversight through due diligence and enforcement actions against unauthorised actors.

8. Advantages of setting up a VASP in Seychelles

Seychelles has taken a balanced approach to regulating virtual assets and VASPs, offering both regulatory clarity and operational flexibility. With the Seychelles VASP Act now in force, the Seychelles FSA provides a defined licensing regime while still maintaining a relatively light-touch oversight compared to more heavily regulated jurisdictions.

The country's strategic location, coupled with growing investment in the crypto industry, its pro-business policies and attractive tax environment continues to make Seychelles one of the favorable jurisdictions for virtual asset businesses. Notably, around 20% of global crypto exchanges are registered in Seychelles, including leading platforms like HTX, BitMEX, and KuCoin.

The tax advantages are a major draw. Seychelles offers no capital gains tax, no inheritance tax, and competitive income tax rates (ranging from 0% to 30%), which are significantly lower than global averages. Corporate tax policies are favorable, and the IBC regime provides further incentives for offshore operations. Additionally, cost-efficiency is a key benefit. Seychelles offers low registration and licensing fees, and the cost of living and doing business remains relatively affordable compared to other offshore jurisdictions.

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