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What is a Virtual Assets Service Provider (VASP)?

A VASP is a BVI entity which provides a virtual assets service in relation to virtual assets, as a business or on behalf of another person in the following activities or operations:

- exchange between virtual assets and fiat currencies;
- exchange between one or more forms of virtual assets;
- transfer of virtual assets, where the transfer relates to conducting a transaction on behalf of another person that moves a virtual asset from one virtual asset address or account to another;
- safekeeping or administration of virtual assets or instruments enabling control over virtual assets;
- participation in, and provision of, financial services related to an issuer's offer or sale of a virtual asset; or
- perform such other activity or operation as may be specified by the Virtual Assets Service Provider Act, 2022 (VASP Act) or by subsequent regulations.

VASPs must comply with AMLCFT requirements under the VASP Act and other laws such as:

- The Anti-Money Laundering and Terrorist Financing Code of Practice, Revised Edition 2020;
- The Anti-Money Laundering Regulations, Revised Edition 2020;
- The Proliferation Financing (Prohibition) Act; and
- The Financial Investigation Agency Act, Revised Edition 2020.

These acts include requirements to trace and collect internet protocol (IP) addresses of customers and other information consistent with the Data Protection Act.

VASP Application Requirements

Essential documents must be submitted and actions taken as part of the application:

- **Governance:** VASP are required to have at least two (2) directors.
- **Ownership Structure:** FSC requires full evidence and information on the ultimate beneficial ownership of the applicant, including detail on the structures and intermediaries.



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- **Business Plan:** The business plan needs to cover the extensive requirements set out in the Regulatory Code 2009; however, the following must also be considered:
 - o Corporate Governance
 - o Capital and Reserves
 - o Technological audits
 - o Liquidity
 - o Risk Management Strategies
 - o Consumer Protection Provisions
 - o Related Parties and Public Disclosures
 - o Custody and Safeguarding
 - o Escrow and Lock-up Provisions
 - o Interoperability
 - o Cessation of Business and Living Wills
 - o Implementation of Travel Rule
- **Policies and Procedures:** VASPs must implement policies and procedures documentation which comprises of the following:
 - o Risk Assessment Framework
 - o Manual of Compliance Procedures and Internal Controls
 - o Outsourcing Agreements
 - o Data Protection and Cybersecurity Framework
 - o Business Continuity Plan
 - o Custody and Safekeeping of Assets Framework
 - o Complaints Handling Procedures
 - o Technology Audits Framework (if applicable)
- **Insurance requirements:** The FSC may require the VASP to obtain professional indemnity insurance or similar arrangement as may be determined by the FSC as a prerequisite for the granting of the registration application.

Reporting Obligations

VASPs are required to submit Reports to the Commission on a semi-annual or annual basis (as determined by the Commission), 15 days after the end of the period, beginning June 30, 2025, detailing the following:



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- a) Details of its trading volume, by currency pair, during the term
- b) Number of customers and geographic location of customers
- c) Details of any significant changes to the licensee's book of business
- d) A copy of its Significant Complaints Register (a full account of customers' complaints including the actions or steps taken and length of time to address each complaint)
- e) Details of any breach of systems or system failures that occurred during the term
- f) Clients' exposure levels
- g) The licensee is required to disclose any investigations or civil actions to the Commission immediately.
- h) A Cybersecurity and Integrity Systems Audit (as determined by the Commission where applicable)

Fulfilling VASP Act reporting obligations means an intricate understanding of virtual asset business laws.

Maintaining VASP Licensing

Registered VASPs must take steps on a yearly basis to keep their licensing. These steps include:

- Filing annual financial statements;
- Filing annual compliance officer reports; due on or before March 31 each year; and
- Filing annual returns (AML/TF).

In general, the due date of a VASP's annual return depends on what financial year the VASP chooses.

Annual Renewal Fee

Maintaining a VASP or crypto license also requires payment of an annual renewal fee. The following renewal fees apply:

- A registrant who will not be operating as a virtual assets exchange or providing virtual assets custody service must pay a US\$7,500 annual renewal of registration fee;
- A registrant who will provide virtual assets custody service must pay a US\$15,000 annual renewal of registration fee; and
- A registrant who will operate as a virtual assets exchange must pay a US\$25,000 renewal of registration fee.



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Penalties for non-compliance

Any director, partner or senior officer of a BVI entity which provides virtual assets services without being registered under the VASP Act may be fined up to US\$100,000 and/or sentenced to five years imprisonment, if they have acquiesced in the commission of the offence.

The BVI VASP Act and registration regime significantly changes the position of the BVI relating to virtual asset providers. Expert legal counsel is required to analyse whether your current or proposed BVI entity and its activities will be a VASP and required to register with the FSC, and to help you prepare an application for submission.

DLT AR Solutions Ltd is a BVI authorised representative expressly registered under the VASP Act to submit applications to the BVI FSC. We also provide Directorship services as required.

For more information, please feel free to contact us for further assistance.

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