



VIRTUAL ASSETS



# UNLOCK THE POTENTIAL OF YOUR VIRTUAL ASSET BUSINESS WITH THE BRITISH VIRGIN ISLANDS


Welcome to the British Virgin Islands [BVI], where innovation and growth thrive in a supportive business environment. As an international financial centre, the BVI is a hub for cross-border investments, trade, and capital flow. The ease of doing business, political stability, and access to the English common law system, along

with a network of experienced law firms and financial services professionals, make the BVI a desirable location for digital asset-related businesses. This supportive atmosphere has earned the BVI a consistent ranking within the top crypto markets by trading volume, further solidifying the BVI as a prime destination for digital asset businesses.

# TYPES OF BVI CORPORATE VEHICLES USED TO FACILITATE VIRTUAL ASSET BUSINESSES

Virtual Asset Business Type	Types of BVI Corporate Vehicles
Crypto Investment Funds	BVI Business ["BVI BCs"], Segregated Portfolio Companies ["SPCs"], Limited Partnerships ["LPs"] and Unit Trusts. Any of these vehicles may be used in setting up different types of crypto investment funds, such as: Incubator Funds, Approved Funds, Private Funds, Private Investment Funds (closed ended), Professional Funds and Public Funds.
Virtual Asset Exchanges	BVI BCs, LPs
Virtual Assets Custody Services [Custodied wallet providers]	BVI BCs, LPs
Virtual Asset Issuers [dApps, DAOs]	BVI BCs, LPs

## ADVANTAGES OF SETTING UP A VIRTUAL ASSET BUSINESS IN THE BVI

 Economic and Governmental Stability and Reliability

 Low Incorporation and Maintenance Costs

 Tax Neutrality

 No Exchange Controls

 Corporate Flexibility

 Good Regulation



## BVI VIRTUAL ASSET SERVICE PROVIDERS ACT, 2022 [the “VASP Act”]

The VASP Act came into force on February 1, 2023, making the BVI a leader in the regulation of cryptocurrencies and digital assets. The VASP Act requires virtual asset service providers (“VASPs”) operating in or from within the BVI to register with the regulator, BVI Financial Services Commission [the “Commission”], and comply with the VASP Act.

The VASP Act defines a “virtual asset” as a digital representation of value that can be traded or transferred and used for payment or investment.

### VIRTUAL ASSET SERVICE PROVIDER (a “VASP”)

A VASP is a person who provides, as a business, a virtual asset service [described above] and who is registered under the VASP Act to conduct for or on behalf of another person activities such as: [a] exchange between virtual assets and fiat currencies; [b] exchange between one or more forms of virtual assets; [c] transfer of virtual assets on behalf of another person that moves a virtual asset from one virtual asset address or account to another; [d] safekeeping or administration of virtual assets or instruments enabling control over virtual assets; [e] financial services relating to an issuer’s offer or sale of a virtual asset; or [f] other such activities stated in the VASP Act or related regulations.

## CORPORATE VEHICLES MAY APPLY TO THE COMMISSION FOR A LICENSE UNDER VASP ACT TO PROVIDE VIRTUAL ASSET SERVICES IN ONE OR MORE OF THE CATEGORIES SET OUT BELOW:

### **Virtual Assets Services**

Under the VASP Act, virtual asset services include engaging in activities, such as:

Hosting wallets or maintaining custody or control over another person's virtual asset, wallet or private key for safe keeping;

Providing financial services relating to the issuance, offer or sale of virtual assets;

Providing kiosks (such as ATMs, bitcoin teller machines or vending machines) for exchanging virtual assets with fiat currency or other virtual assets.

### **Virtual Assets Custody Services**

This means the acceptance for safekeeping of virtual assets or instruments that enable a VASP to exercise control over the virtual assets or instruments. The custodial services would involve entering into arrangements with the owner for the duration, fees, access, security, etc. of the virtual assets. A company in the BVI performing this activity must also adopt best practices in information technology ("IT") for virtual asset safekeeping and make sure that any related proceeds benefit the owner unless otherwise agreed.

### **Virtual Asset Exchanges**

A virtual assets exchange means a trading platform that is operated for the purpose of allowing an offer or invitation to be made to buy or sell any virtual asset in exchange for money or any virtual asset in which comes into custody, control, power or possession of, or over, any money or any virtual asset at any point in time during its course of business. A BVI corporate vehicle seeking to operate a virtual assets exchange must adhere to licensing requirements to be released at a future date.

Both investors and VASPs would be happy to note that the VASP Act allows the Commission to impose conditions which are designed to protect the interests of investors. The corporate vehicle is prohibited from providing financing to clients, engaging in detrimental trading activities, allowing misleading or deceptive trades, allowing trades without informing clients of risks, providing fiat currency exchange services without Commission's approval, and from engaging in any activity that could compromise the integrity of the exchange or erode public confidence.

### **The Regulatory Sandbox**

A VASP may be permitted to participate in the Regulatory Sandbox by submitting an application to the Commission.

### **WHAT IS THE REGULATORY SANDBOX?**

It is a regulatory framework (created by the Regulations) which allows the Commission to accept participants (the "Participants") into a live and contained environment, referred to as the "Regulatory Sandbox", to test their products or services in relation to the provision of financial services business. Participants are subject to specified rules and appropriate regulatory oversight, which aim to reduce the risk of financial disruption and instability to the economy which their new financial services may bring. Designed to support and encourage the development of innovative fintech companies, the Regulatory Sandbox provides regulatory clarity, opportunities for growth, and engagement with the Commission.

# VASP LICENSE APPLICATIONS

In order for a BVI corporate vehicle to carry on business as a VASP (or a foreign company to do so in the BVI), the corporate vehicle must apply to the Commission for a licence.

The application must be accompanied by information about:

1. the directors,
2. senior officers,
3. shareholders,
4. controlling interests,
5. auditor,
6. authorized representative,
7. business plan,
8. risk assessment,
9. internal safeguards,
10. data protection systems,
11. the handling of client assets and;
12. a manual on compliance with the VASP Act and on how the vehicle will safeguard against money laundering, terrorist financing and proliferation financing. The Commission may request additional information as needed.

The Commission will assess the application based on several conditions including the ability of the applicant to carry out its business in a sound manner with appropriate safeguards in place. Each director, senior officer, and person with a significant or controlling interest in the vehicle must be “fit and proper,” as defined in the BVI Regulatory Code. This determination is based on the honesty, integrity, competence, capability, and financial soundness of these individuals, and requires a review of previous convictions (if any), regulatory enforcement proceedings, and financial services legislation contraventions.

## MORE ON THE BVI REGULATORY SANDBOX

To participate, FinTech corporate vehicles must meet eligibility criteria and have its application to the Commission approved. A start-up entity must propose a new financial services solution that involves a FinTech business model not currently covered under current regulatory legislation or wish to test an innovative technology to deliver a licensable financial service. A current licensee may also participate by testing an innovative technology as part of their already approved financial services offering.

The program's objectives are to:

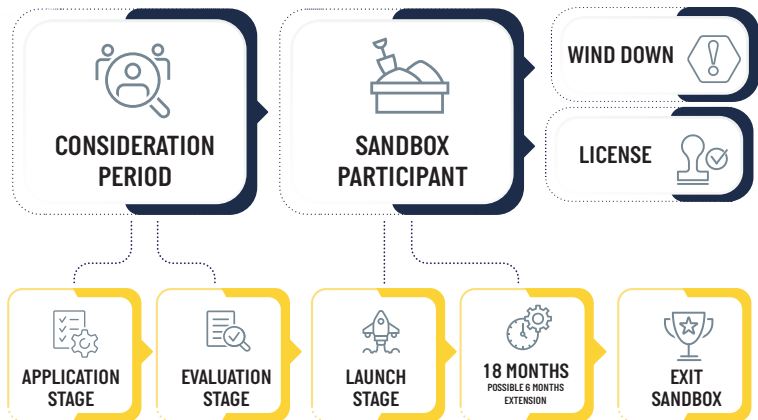
- Promote efficient development of new financial services solutions.
- Support businesses that want to leverage technology in an innovative way to deliver financial products or services.
- Provide clarity on the regulatory framework for businesses that use technology innovatively to provide financial products or services.
- Give the Commission the opportunity to understand various innovative products and services to determine the best approach to regulation.

The BVI Regulatory Sandbox is a unique program designed to support the growth and innovation of fintech companies. The Sandbox is open to a variety of entities, including BVI business companies, limited partnerships and foreign companies doing business in or wishing to do so in the BVI.



## REGULATORY SANDBOX LIFE CYCLE

The Regulatory Sandbox life cycle is comprised of five consecutive stages, starting with a consideration period and concluding with the exit stage. This process provides a structured approach for vehicles to launch, test, and refine their fintech business within the supportive environment of the BVI.



*Application may be refused*

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*The BVI is blazing a trail in the digital assets world – a leading destination for virtual assets. With a thoughtful and efficient regulatory framework and a community of experts available, it has become a highly sought-after jurisdiction for digital assets or innovations operating in this growing market.*

**Join us in the BVI,  
where virtual asset  
businesses are thriving  
and opportunities are  
endless.**



BVI Finance Limited, Road Town Tortola, British Virgin Islands  
E: [info@bvifinance.vg](mailto:info@bvifinance.vg)  
W: [bvifinance.vg](http://bvifinance.vg)

