



2025 VASP Regulatory Forum Summary Highlights

November 2025

On 12 November 2025, the Cayman Islands Monetary Authority ("CIMA") hosted its VASP Regulatory Forum, bringing together industry stakeholders, compliance professionals, legal advisers, and emerging virtual asset service providers ("VASPs"). The session formed part of CIMA's ongoing commitment to transparency, industry engagement, and the strengthening of Cayman's regulatory framework as the jurisdiction moved from registration-only to licensing for VASPs, completing its transition to a full supervisory regime.

1 Welcome Remarks from CIMA CEO

In her welcome remarks, CEO, Cindy Scotland, OBE, reflected on the continued progress the Cayman Islands has made in strengthening its regulatory framework for virtual assets and ensuring alignment with evolving global standards. She noted that the jurisdiction's early adoption of a dedicated VASP framework positioned Cayman as a leader in responsible virtual asset oversight and highlighted the need for ongoing agility as the sector matures. Mrs. Scotland also outlined increasing institutional interest in tokenisation and the Government's broader digital strategy to support emerging technologies. She emphasised the Authority's recent enhancements under Phase Two of the VASP regime, as well as ongoing work toward Phase Three, which includes exploring a regulatory sandbox to foster innovation. Looking ahead to the upcoming FATF mutual evaluation, she underscored the importance of collaboration across government, industry, and regulators to demonstrate Cayman's commitment to robust AML and CFT standards. She closed by thanking stakeholders for their partnership and support.

2 Feature Address from the Hon. Premier and Minister of Financial Services and Commerce

The Honourable Premier and Minister of Financial Services and Commerce, André Ebanks, emphasised the significant opportunities for the Cayman Islands to further solidify its position within the global digital finance landscape. He noted that future considerations may incorporate a broader regulatory sandbox, not limited to virtual assets but extending to other sectors such as banking and other related financial services, allowing for controlled innovation while maintaining strong supervisory safeguards. As global regulatory expectations evolve and emerging technologies continue to reshape financial markets, the Premier underscored the importance of the Government's National Digital Transformation Strategy Taskforce in guiding the country through this period of accelerated change. He also highlighted the need for continued engagement with international standard-setting bodies to ensure the Cayman Islands remains a trusted, compliant, and competitive jurisdiction.

This strategic direction is especially relevant as the anticipated expansion of tokenisation and digital market infrastructure aligns naturally with Cayman's established fund sector, particularly amid the rapid digitisation of real-world assets. Beyond virtual assets, the Premier noted that areas such as digital identity, RegTech, and open finance present further opportunities to enhance efficiency, strengthen regulatory effectiveness, and support long-term economic resilience.

3 VASP Application Processing Under the 2025 Framework

The session opened with an overview of CIMA's expectations for applicants under the enhanced 2025 VASP framework. This process, central to ensuring the integrity of Cayman's virtual asset ecosystem, remains rigorous, structured, and anchored in global best practices.

Cayman's Phased Approach: A Reminder

The jurisdiction's virtual asset regime was implemented through a phased approach:

- Phase One focused on AML/CFT compliance and required VASPs to register with CIMA.
- Phase Two introduced licensing for virtual asset custodians and trading platforms, prudential standards, governance and conduct expectations, and expanded enforcement powers. With Phase Two in force, the VASP licensing gateway now functions comparably to other established regulated sectors in Cayman — ensuring only fit-and-proper, well-governed, operationally ready entities enter the market.

Application Quality: A Critical Determinant

CIMA emphasised that application completeness is one of the most significant indicators of an entity's readiness to engage with the regulator. Common issues observed include:

- Incomplete or generic business plans
- Lack of clarity on group structures and beneficial ownership
- Missing or outdated documentation
- Limited evidence of operational readiness
- Misalignment between stated activities and an assessment of whether those activities fall under other regulatory acts (particularly where activities may also require licensing under SIBA, Banks and Trust Companies Act, or Money Services Act)

The Authority strongly reiterated the need for applicants to:

- Engage with CIMA before submitting an application
- Obtain a formal legal opinion confirming whether registration or licensing is required and whether the proposed activities require regulation under other regulatory acts
- Use the latest templates and guidance for application checklist
- Be transparent about cross-border operations, group affiliations and regulatory concerns or issues in other jurisdictions
- Conduct internal reviews before submission to ensure completeness, consistency and accuracy

What Constitutes a Complete VASP Application?

The Authority outlined some key documents expected for both registration and licence applications which include:

- A detailed Business Plan, describing the business model, service offerings, risk profile, and implementation timelines.
- Transaction flow charts demonstrating end-to-end transaction mechanics, including onboarding, custody, trading, settlement, and reporting.
- A complete understanding of the ownership and management structure, key persons, UBO, affiliates, regulatory status in other jurisdictions and any penalties, fines, enforcement or regulatory action.
- A governance structure showing a minimum of three directors (with at least one independent director). For custody or trading platforms, at least one director must have technical expertise relevant to virtual asset operations.

- Financial projections and capital adequacy evidence demonstrating financial soundness and resilience including regulatory capital computations, stress testing, capital allocation, capital support, paid-up capital confirmation, and auditor appointment letters.
- Policies & procedures covering governance, AML/CFT, cybersecurity, wallet/key management, outsourcing, business continuity, disaster recovery, market conduct, and custody controls. These must reflect practical implementation, not just theory.

Additional Requirements for Custodians include:

- Insurance documentation
- Custody and reconciliation policies
- Proof of technical competence
- Client protection disclosures

Additional Requirements for Trading Platforms include:

- Details on listed assets
- Asset listing/delisting procedures
- Client agreements
- Proprietary trading frameworks
- Segregation of client funds
- Monitoring and surveillance mechanisms
- Proof of expertise

Top Tips for a Smooth Application Process

CIMA highlighted five practices that consistently distinguish high-quality applications:

- Submission of a complete and cohesive application package aligned with the 2025 checklist and relevant regulatory policy guidance.
- Ensuring full transparency of ownership and control across the group.
- Demonstrating genuine operational readiness, not just intentions.
- Providing current and complete fit-and-proper documentation.
- Maintaining open and early lines of communication with the Authority.

Broader Regulatory Considerations

VASPs operating across jurisdictions must provide:

- Assessment of jurisdiction-specific risks
- Details of foreign regulatory status and oversight
- Data protection and outsourcing arrangements

Given the high mobility of virtual asset businesses, transparency around offshore dependencies remains a priority focus.

Group Entity Structures

Applicants must disclose:

- Full group structure charts
- Intercompany dependencies

- Shared services arrangements
- Risks arising from affiliates operating in higher-risk jurisdictions
- Any foreign regulatory findings or penalties

Nexus with Other Acts

Applicants often underestimate cross-regulatory touchpoints. Entities must assess whether their activities also fall within other regulatory acts such as:

- Securities Investment Business Act (SIBA)
- Banks and Trust Companies Act
- Money Services Act

CIMA noted frequent misclassification in this area and advised firms to obtain independent legal analysis early.

Waivers Under the VASP Act

Waivers may be granted in limited circumstances, especially where a supervised entity is already sufficiently regulated under another regime and the virtual asset activity does not materially change the overall risk profile. Key considerations for granting waivers include:

- Whether the applicant is effectively supervised under another law
- Documentation satisfying the requirements for a waiver
- Ongoing obligations post-waiver

CIMA announced that a new regulatory measure will be published to clarify waiver criteria, submission requirements, and supervisory expectations.

4 Supervisory Updates

Prudential Oversight

Since 2023, the Authority has been conducting risk-based prudential supervisory procedures, including onsite inspections and ongoing targeted reviews, of VASPs. These activities have identified best practices and areas requiring improvement, which have been communicated directly to the VASPs through formal onsite inspection reports and Supervisory Meetings.

In addition, the Authority carried out a desk-based review of 11 VASPs between September 2024 and February 2025, and an anonymised report of the findings has been publicly available since November 2025.

Key reminders from the prudential supervisory procedures include the following expectations for Boards and senior management, who must demonstrate:

- Active oversight and accountability
- Robust governance frameworks
- Strong internal controls including segregation of duties and effective conflict of interest management
- Effective cybersecurity controls
- Documented BCP/DRP (tested with evidence)
- Segregation of client assets
- Enhanced virtual asset custody controls which align with the Rule and Statement of Guidance on Custody

Regulatory Filings

New and existing filings include:

- Quarterly prudential regulatory returns
- AML Annual Return
- VASP Travel Rule Return

Accuracy, timeliness, and completeness are essential.

AML/CFT Supervisory Approach

CIMA highlighted its risk-based AML/CFT supervision, which includes:

- Determining the scope, frequency, and intensity of both on-site and off-site supervision based on identified risks.
- Considering the risks of each regulated entity, along with findings from sectoral and national risk assessments.
- Using the STRIX AML Bespoke Tool to support ongoing risk profiling and guide supervisory activities.
- Conducting AML/CFT supervision through onsite inspections and off-site monitoring via periodic returns.
- Launching risk-based AML/CFT onsite inspections of VASPs in 2023 to assess their policies, procedures, systems, controls, and compliance with relevant laws and regulations.
- Continuing this risk-based supervision of VASPs from 2023 to the present to evaluate their adherence to AML/CFT obligations and regulatory requirements.

CIMA shared several recurring deficiencies identified during recent AML/CFT on-site inspections, including:

- Insufficient Board oversight of AML/CFT compliance.
- Poorly documented or outdated risk assessments.
- Inadequate assurance reviews and risk assessments of technological solutions relied upon for compliance.
- Weak customer due diligence and sanctions screening measures.
- Limited oversight of outsourced functions.
- Ineffective records management systems.

Policing the Perimeter

CIMA continues to strengthen its efforts to identify entities that may be conducting virtual asset business without registering with the Authority. Firms engaging in virtual asset activities without registering with CIMA may be subject to enforcement action.

5 Panel Discussion: Industry Trends & Regulatory Measures

During a panel discussion, the Authority outlined several key thematic trends:

Licensing Requirements Now Live

Virtual asset custody and trading platform businesses now require mandatory licensing under the VASP Act.

Tokenised Funds

Amendments are being considered to clarify the regulatory treatment of tokenised fund structures, especially around custody, valuation, and investor protections.

Stablecoin Issuers

Depending on structure, stablecoin issuers operating in or from Cayman may require registration or licensing.

Foundation Companies

Where a foundation company provides virtual asset services, it may fall within the VASP regime.

Operational Resilience

The October AWS outage underscored the need for resilient infrastructure. CIMA emphasised:

- Multi-region redundancy
- Tested BCP/DRP procedures
- Rapid failover capabilities

Investor Protection Reminder

Investors should assess volatility, regulatory status, and technological risk before engaging in virtual asset investments.

Recently Issued Regulatory Measures

CIMA updated the audience on recently issued measures:

- Regulatory Policy on Registration/Licensing of VASPs
- Rule & Procedure on Cancellation of Licences/Registrations
- Rule & Statement of Guidance on Virtual Asset Custodians and Trading Platforms
- Rule & Statement of Guidance on Market Conduct (RSOG) – expected to be finalised in Q4 2025

Consultation feedback highlighted the need for a proportionate and practical regulatory approach that protects clients without stifling innovation.

Tokenisation: Global Trends & IOSCO Findings

CIMA provided an update on global regulatory thinking around tokenisation, summarising work led by IOSCO.

State of Development

Tokenisation continues to grow steadily but remains a small percentage of financial markets.

Lifecycle Observations

- Issuance is increasingly digital; distribution still largely traditional
- Custody enhancements are emerging
- Settlement is faster on DLT but participants still currently favour traditional settlement rails
- Tokenised MMFs and bonds often rely on whitelisted or closed systems

Structural Challenges

- Interoperability
- Lack of high-quality settlement assets
- Dependence on DLT platforms, oracles, and smart contracts

Key Risks Identified

- Smart contract vulnerabilities
- Oracle failures
- Limited liquidity
- Unclear legal rights

The Financial Stability Board promulgates the principle of “same activity, same risks, same regulatory outcomes.”

6 FATF Mutual Evaluation Readiness Initiatives

CIMA outlined significant progress toward meeting FATF expectations:

- A renewed focus on effectiveness, assessing how well countries are implementing AML/CFT legislation, regulations, and policies.
- Ongoing updates to the National Risk Assessment.
- Enhancements to the AML/CFT supervisory framework.

Key areas of preparation:

- Regulated entities should be able to demonstrate the effectiveness of their documented policies, procedures, and controls by maintaining complete and accurate records.
- Governing bodies and staff must have a strong understanding of their AML/CFT obligations and receive appropriate, ongoing training.
- Entities should remain aware of the upcoming FATF inspection and actively participate in national pre-evaluation activities and risk assessments, including the National Risk Assessment.
- Risk assessments should be updated to include proliferation financing risks.
- Beneficial ownership information must be accurate, current, and readily accessible to the relevant authorities upon request.
- Appropriate record-keeping systems should be maintained to support compliance and oversight.
- Internal compliance frameworks should be strengthened, with regular independent, risk-based AML/CFT/CPF audits conducted, and any identified deficiencies promptly remediated.

The Authority extends its sincere thanks to our staff speakers, industry partners, and attendees for contributing to the success of this forum.

Click [here](#) to view our latest regulatory measures and guides for VASPs.