SUMMARY OF PRIVATE SECTOR CONSULTATION AND FEEDBACK STATEMENT

Rule and Statement of Guidance on Market Conduct for Virtual Asset Service Providers

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	GENERAL COMMENTS			
1.	**8: Client Agreements** Should the Client Agreement section include a requirement or guidance for Regulated Entities to incorporate an indemnification clause that clearly outlines the circumstances under which either party may be held liable for losses, damages, or third-party claims?		Was Section 8 now Section 10 The Authority acknowledges the suggestion since it aligns with section 9 of VASPA (General Requirements for VASPs). A new guidance under 10.3 and 10.4 was added.	*New 10.3:* 10.3 Additionally, the Authority notes that all material terms must be fair, transparent, and clearly disclosed to Clients during the onboarding process and in the Client Agreement. This includes, but is not limited to: (a) terms relating to limitation of liability, indemnification, and the circumstances in which either party may be held liable for losses, damages, or third-party claims; and (b) any contractual right of a Regulated Entity to realise Clients' virtual assets, including the specific virtual assets subject to that right, the circumstances in which it may be exercised, and the actions the Regulated Entity may take when exercising it. *New 10.4* 10.4 Moreover, the Authority notes that terms relating to limitation of liability and indemnification should not be one-sided to an unreasonable extent. For example, indemnities for Client negligence may be acceptable, but not clauses exempting a

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				Regulated Entity from any illicit activity, including fraud or gross negligence.
2.	**9: Complaints Handling** 1. While Section 9 requires Regulated Entities to establish an effective complaints-handling framework that ensures fair and impartial treatment, it does not address the expected skills or qualifications of the individuals responsible for managing complaints. Would the Authority consider issuing guidance on the minimum competence, experience, or training requirements for those tasked with complaints adjudication within Regulated Entities? Such requirements are outlined in many EU countries, for example Ireland, where "Adjuticating complaints" is a Controlled Function no. 8 (CF8) and is a part of fitness and probity regime. 2. The section also refers to the obligation to keep complainants informed, but does not specify any timeframes. Would the Authority consider prescribing indicative timelines for acknowledging, investigating, and resolving complaints—similar to practices in some EU member states, where complaints are expected to be addressed within 20, 40, or 60 days, depending on complexity? Central Bank of Ireland may be used as example of very formal complaints framework. 3. Furthermore, Section 9 does not provide guidance on situations where a complaint is not upheld. In line with international best practices, would it be appropriate for the Authority to require Regulated Entities to inform complainants of their available options in such cases—for example, pursuing legal recourse or contacting an Ombudsman (where applicable)? Additionally, would the Authority consider setting a timeline after which a complaint is deemed unresolved by the Regulated Entity, thereby allowing the client to proceed with the next steps?		Was Section 9 now Section 11 The Authority acknowledges the suggestions regarding the potential inclusion of more specific guidance on: 1. The competence, experience or training requirements of complaint handlers or adjudicators within a Regulated Entity. CIMA points to section 6.10 of the RSOG, which offers guidance that employees responsible for handling operational activities on behalf of Regulated Entities should have the appropriate competence, knowledge, experience and professional standing. Further, this RSOG should be read in conjunction with the Regulatory Policy on Fitness and Propriety. 2. Prescribed timelines for keeping complaint handling. The Authority considers that section 11 of the RSOG embeds obligations and expectations regarding how the Regulated Entity handles complaints; notwithstanding that specific timelines have not been prescribed, depending on the complexity. 3. In situations where the complaint is not upheld, the Authority provides guidance for Regulated Entities in sections 11.10 and 11.12 regarding resolution and alternative resolution options, escalation processes, and communication, reasoning and principles where complaints are not upheld or unresolved by the Regulated Entity (where applicable). Furthermore, section 6 of the RSOG sets the tone for integrity, transparency, and fair treatment. The Authority expects that Regulated Entities act in the best interests of Clients when resolving complaints,	*Amendment to 11.10* *11.10* *A Regulated Entity should openly communicate the details of the status of the resolution to the complainant within a reasonable timeframe, such as:* *(a) the alternative resolution options, **whether or not the complaint is resolved in a manner that they are satisfied with**;* *(b) whether the complaint needs to be escalated for further enquiry; and* *(c) expected timeframe for the complaint to eventually be resolved.* *This is particularly more important in cases where the complaint is complex or uncommon in nature. Communication should remain consistent with any applicable legal restrictions.* *New guidance 11.12* *11.12* *If a Regulated Entity concludes that it is not upholding a complaint, it should communicate this to the complainant in writing, clearly stating the reason(s) for its decision in accordance with the Regulated Entity's relevant policies or evidence, to establish transparency and help the complainant understand the rationale.*

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			including informing them of any further steps that may be available upon closure.	
3.	**12: Trading on Own Account** The title of Section 12 - "Trading on Own Account" is narrower in scope than the provisions of the section which include market manipulation etc. We suggest the more appropriate name: "Trading Activities"		Was Section 12 now Section 14 The Authority acknowledges the suggestion to revise the title of Section 14. However, the existing title "Trading on Own Account" is intentionally specific and reflects the targeted scope of the section — namely, the conduct standards applicable when a Regulated Entity engages in proprietary trading, as a principal in the market. Accordingly, no amendment is proposed to the section heading at this time.	*No Amendment.*
4.	14: Virtual Asset Custodians Should there be a rule here with respect to the benefits gained from holding of "staking" of virtual assets? E.g. relating to VASPA S.10 (3)(c). E.g. if holding Vas brings about a benefit, how should this benefit be treated by the custodian? Disclosures? Should those benefits be kept or used on behalf of the UBO? Take instances where holding a token could allow voting rights, or staking returns. Perhaps the custodian should communicate and come to an agreement with the client on how these are treated.		Was Section 14 now Section 16 The Authority acknowledges the comments regarding the treatment of benefits arising from the custody of virtual assets, including staking rewards, airdrops, and governance rights. Under section 10(3)(c) of the VASPA, such benefits form part of the Client's interest unless otherwise agreed. To ensure transparency and legal certainty, the Authority will introduce a new Rule under Section 16 requiring custodians to disclose the nature of such benefits clearly, obtain the Client's consent on their treatment, and ensure that handling of such benefits is consistent with the terms of the custody agreement.	*New Rule* **16.5 A Virtual Asset Custodian must ensure that any economic, governance, or other benefits arising from the custody of a Client's virtual assets, including, but not limited to, staking rewards, airdrops, or voting rights, are treated in accordance with the terms agreed with the Client. The Virtual Asset Custodian must clearly disclose the nature of such benefits to the Client and obtain the Client's consent regarding their retention, application, or transfer.**
5.	The Industry recognizes the need to ensure high standards of prudential compliance for Registrants and Licensees and welcomes the introduction of the Market Conduct Rule. However, the inclusion of Section B - Additional Guidelines Relating to Virtual Asset Trading Platforms ("VATPs") and Virtual Asset Custodians is duplicative of Guidance ("TP and Custody Rule"). Section 7 of the TP and Custody Rule (and associated guidance) already include a comprehensive Business/Market Conduct regime. There are a number of disadvantages associated with duplicative rules including: 1. Regulatory Duplication and Complexity The introduction of duplicative requirements across multiple regulatory instruments increases complexity and creates confusion for regulated entities.		The Authority acknowledges the feedback and notes that some aspects of Section B may overlap with measures under the Rule and Statement of Guidance on Virtual Asset Custodians and Virtual Asset Trading Platforms (TP & Custody Rule). Upon review, the Authority considers it more effective and coherent to repeal the overlapping market conduct provisions from the TP & Custody Rule and bring them into this Market Conduct Rule and Statement of Guidance (RSOG). This consolidation will ensure that all market conduct requirements applicable to Regulated Entities, including Virtual Asset Trading Platforms and Virtual Asset Custodians, are housed within a single, comprehensive framework. The approach is expected	*Section B retained; overlapping provisions to be repealed from Custodians and Trading Platforms Rule and brought into the RSOG.*

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	When market participants are subject to parallel obligations under different rules—particularly where language or expectations are not fully aligned—it becomes difficult to determine which standards prevail or how to interpret conflicting obligations. This ambiguity increases legal and compliance risks and may inadvertently result in non-compliance despite best efforts. 2. Inconsistency Undermines Legal Certainty Where provisions conflict—whether in scope, terminology, or compliance thresholds—market participants are placed in an untenable position of having to choose between competing regulatory expectations. This undermines legal certainty and confidence in the jurisdiction's regulatory coherence, potentially deterring responsible operators from establishing or maintaining operations in the Cayman Islands and inadvertently eroding market confidence. 3. Inefficient Use of Supervisory Resources Conflicting or overlapping rules can also hinder the effective use of supervisory resources. Regulators may be forced to interpret and enforce duplicative provisions across multiple frameworks, which could lead to inconsistent enforcement actions or unnecessarily prolonged supervisory reviews. 4. Impact on Innovation and Market Growth The Cayman Islands has positioned itself as a jurisdiction that supports innovation in financial services, including the virtual asset sector. A clear, cohesive, and harmonized regulatory framework is essential to attract reputable businesses while ensuring robust market conduct standards. Fragmented or conflicting rules create friction and may discourage firms from launching or expanding services within the jurisdiction. 5. Dilution of Regulatory Objectives Overlapping requirements and/or inconsistencies may result in uneven application of standards. This in turn defeats the overall effectiveness of the regulatory measures in achieving the intended outcomes. We respectfully recommend that any new or modified rules/requirements for trading platforms and custodians be included through amendments to the TP and Custody Rule. This approach, would among other things, promote clarity, minimize the risk of inadvertent non-compliance and support effective supervision. We therefore respectfully suggest that Section B of the Market Conduct Rule should be excluded from the Rule.		to enhance regulatory clarity, consistency of interpretation, and supervisory efficiency, while upholding the Authority's objective of maintaining high standards of market integrity and client protection.	

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6.	**4. Scope of Application** **4.1.** This RSOG applies to Regulated Entities who have been authorised by the Authority to conduct virtual asset services pursuant to the Virtual Assets and Service Providers Act ("VASPA").	The term 'VASPA' is already defined at paragraph 1.2(b), so we recommend the wording of this paragraph be amended. **<u>Suggested wording:</u>** 4.1. This RSOG applies to Regulated Entities who have been authorized by the Authority to conduct virtual asset services pursuant to the VASPA.	The Authority acknowledges the observation that the term "VASPA" is already defined in paragraph 1.2(b). While the full reference in Rule 4.1 is not inconsistent with the RSOG's drafting approach, the Authority agrees that streamlining the reference would enhance clarity and avoid repetition.	*Amendment to 4.1* This RSOG applies to Regulated Entities who have been authorised by the Authority to conduct virtual asset services pursuant to the ~~Virtual Assets and Service Providers Act ("VASPA")~~.
7.	**4. Scope of Application** **4.3.** The Authority acknowledges that Regulated Entities that are part of a group may be subject to group-wide market conduct practices and that such Regulated Entities may rely on the group's policies in respect of certain market conduct matters. Where a Regulated Entity is part of a group, it may rely on the group market conduct framework provided that the Regulated Entity's Governing Body is satisfied that the framework is commensurate with the size, complexity, structure, nature of business and risk profile of the Regulated Entity's operations and that the framework meets the legal requirements in the Cayman Islands, including those outlined in this RSOG. Where gaps are identified, a tailored market conduct framework that complies with this RSOG and legal requirements in the Cayman Islands should be implemented.	Should the RSOG clarify whether the Authority expects notification or submission of the gap analysis or local adaptation plan if a group framework is relied upon?	The Authority acknowledges the request for clarity and points to the existing paragraph 4.3 Scope of Application, which outlines CIMA's expectations in this regard.	*No Amendment.*
8.	**5. Definitions** **5.1.9** "Regulated Entity" for the purpose of this RSOG means any legal person or arrangement that has been granted a license or registration or waiver in accordance with the VASPA.	An entity which has been granted a waiver in accordance with the VASPA is not a Regulated Entity. This definition could be clearer as per the below: **<u>Suggested wording:</u>** 5.1.9. "Regulated Entity" for the purpose of this RSOG means any legal person or arrangement that has been granted a license or	The Authority acknowledges the suggestion to revise the "Regulated Entity" definition under Rule 5.1.9. However, the Authority notes that under Section 4(c) of the VASPA, a Regulated Entity includes any person or legal arrangement that has been granted a waiver under Section 16 of the Act. As such, entities that have been granted a waiver are expressly included within the scope of this RSOG as provided in Section 4(c) of the VASPA.	*Amended* *Rule 5.1.9 changed to 5.1.11 which now reads:* *5.1.11. "Regulated Entity" for the purpose of this RSOG means any legal person or arrangement that has been granted a license or registration or waiver* ***in accordance with the VASP waiver.***

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		registration ~~or waiver~~ in accordance with the VASPA. It does not include entities granted a waiver in accordance with the VASPA.		
9.	**6. Integrity** **6.1.** Regulated Entities are expected to act with honesty and integrity. The relationship between a Regulated Entity and its Clients should be based on the utmost good faith and in the best interests of its Clients by always upholding and acting with the terms of the documentation governing their relationship and in accordance with applicable Acts and regulations.	Consider replacing the words "terms of the documentation" with the words "Client Agreement".	The Authority acknowledges the recommendation to replace the phrase "terms of the documentation" with "Client Agreement" in 6.1. The Authority notes that while the Client Agreement is central to the relationship between a Regulated Entity and its Client, the broader phrase "terms of the documentation" was intentionally used to capture all contractual and operational documents that may govern the client relationship. These may include but are not limited to the Client Agreement, onboarding disclosures, custodial terms, supplemental product terms, and risk acknowledgements. Restricting the language to "Client Agreement" alone could unintentionally narrow the scope of accountability and diminish the enforceability of other relevant governing documents.	*Added footnote* *'terms of documentation' is used in a broad context to refer to the Client Agreement as well as any contractual and operational documents that may govern the client relationship. These may include, but are not limited to, onboarding disclosures, promotional, offering documentation, custodial terms, supplemental product terms, and risk acknowledgements.*
10.	**6. Integrity** **6.2.** A Regulated Entity must establish, document and implement clear written policies and procedures that ensure it acts with due skill, care and diligence in the conduct of its business and fulfil the responsibilities that it has undertaken on behalf of its Clients.	Consider expanding the clause slightly to clarify that the policies and procedures should be proportionate to the nature, scale, and complexity of the VASP's business — consistent with 4.2 and 4.3. Suggest the following is inserted after the word procedure "proportionate to the nature, scale, and complexity of its operations,"	Authority acknowledges the recommendation to include proportionality in Rule 6.2. While this principle is already addressed under Section 4.2 of the RSOG, the Authority agreed that additional clarity to the Rule was warranted. Accordingly, Rule 6.2 has been amended to strengthen the obligation for Regulated Entities to act in the best interest of their Clients and to clearly outline the responsibilities undertaken on their behalf	*Amendment to the Rule* *6.2* *A Regulated Entity must establish, document, and implement clear written policies and procedures to ensure that it acts in the best interest of its Clients, and fulfil the responsibilities that it has undertaken on behalf of its Clients.*
11.	**6. Integrity** **6.4.** The Authority will consider the specific virtual asset services for which a Regulated Entity has been licensed or registered as the scope of approval. As such, the Authority expects Regulated Entities remain consistent with section 4 of the VASPA and do not carry out any specific virtual asset service activity(ies) outside the scope of approval licence or registration, regardless of	The second sentence is missing some text, as noted below. Wording added at end of provision to clarify that services of affiliated entities would only be within scope of the rule to the extent they are provided on behalf of a Regulated Entity.	Was 6.4, now 6.5 The Authority acknowledges the observation regarding the completeness of Rule 6.5 and reworded it for correctness.	*Amendment to the guidance:* 6.5 The Authority will consider whether the Regulated Entity is acting within its powers and the specific virtual asset services for which a Regulated Entity has been licensed or registered as the scope of activities authorised under its licence or registration; since, consistent with

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	whether such services are provided directly or through affiliated entities.	**Suggested wording:** 6.4. … As such, the Authority expects Regulated Entities remain consistent with section 4 of the VASPA and do not carry out any specific virtual asset service activity(is) outside the scope of the applicable approval, license or registration, regardless of whether such services are provided directly or through affiliated entities on behalf of the Regulated Entity.		Section 4 of the VASPA, Regulated Entities are prohibited from carrying out any specific virtual asset service activity(ies) outside the scope of their approved licence or registration, regardless of whether such services are provided directly or through affiliated entities on behalf of the Regulated Entity.
12.	**6. Integrity** **6.6**. A Regulated Entity should ensure that all communications with Clients are: (a) provided in writing or in a form that can be retained and referenced by the Client; (b) free of ambiguity, misleading language, or technical jargon not explained; and (c) tailored to the level of knowledge and sophistication of the Client to whom the communication is addressed.	1. Can authority kindly provide more guidance on point a – what form would be considered acceptable? Typically, communication with a client is performed via telephone, fax, email but also more commonly by Whatsapp, Telegram and chatbots built into the platform. 1a. Regarding telephone, does the authority expect VASPs to record all telephone conversations? 1b. Regarding Whatsapp and other similar communication apps, does the authority requires VASPs to record (e.g. screenshot and save) all communications sent to clients? 2. Regarding point c, can the Authority kindly provide more guidance around "level of knowledge and sophistication of the Client"	Was 6.6 now 9.3 This has been moved from Integrity to Marketing , Advertising , Communications and Promotions. The Authority acknowledges the request for further guidance on the application of section 6.6, particularly in relation to: (a) what form would be considered acceptable (b) Free of ambiguity Refer to section 10 of the Client onboarding and Clients agreements section, particularly 10.9,and 10.13 that guide on mode of communication and channels of communication required by the Authority. Clarification on Telephone Communications: The Authority has given guidance under 9.3 on communication and what it expects from the mode of communication chosen by the Regulated Entity. (b) Use of Technical Jargon Technical or industry-specific terms are not prohibited, but Regulated Entities must ensure that such language is either clearly explained or used only when appropriate to the Client's level of understanding. This is emphasised under 9.3 . (c) Tailoring to Client Sophistication The Authority does not require formal tests (e.g., quizzes) to assess Client knowledge. However, Regulated Entities should use reasonable, risk-based	*Amendment to guidance* *Now 9.3* 9.3 A Regulated Entity should establish that all communication and information provided to Clients: (a) is provided in writing or in a form that can be retained and referenced by the Client. The Authority notes that while typically, a Regulated Entity communicates with Clients via e-channels, digital channels or applications, the expectation is that the Regulated Entity implements policies and procedures to manage the integrity and auditability of its communication with Clients. This is particularly important to consider, in conjunction with Rule 10.5 and whether such communication impacts the Client Agreement; (b) uses plain language, is logically ordered, accurate, clear, free of ambiguity and misleading language, technical jargon or complex information that is not clearly explained; highlights important information;

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		– is it expected for VASPs to start conducting tests of knowledge, similar to UK or EU based asset managers, where the level of client's knowledge and sophistication is tested via a simple "quiz"? 3. Regarding point b, can Authority kindly provide more guidance on acceptable use of technical jargon – does it correspond for example to the level of sophistication of the client? In other words, would it be acceptable to use jargon with a sophisticated client, while not acceptable with a non-sophisticated client?	methods such as product complexity, client profile, or onboarding information to tailor communications appropriately. amendments to Rule 6.6 now 9.3.	(c) is sufficient for and presented in a way that is likely to be understood by the average Client in the group of Clients to whom it is directed, or by whom it is likely to be received; (d) does not disguise, diminish or obscure important items, statements or risk warnings; (e) uses a font size in the indication of relevant risks that is at least equal to the predominant font size used throughout the information provided, as well as a layout that ensures that such an indication is prominent; (f) is consistently presented in the same language throughout all forms of information and marketing materials that are provided to each Client, unless the Client has agreed to receive information in more than one language; (g) is up to date and relevant to the means of communication that the Client has agreed to; and (h) considers whether the omission of relevant facts would result in the information being unfair and unclear, or misleading.
13.	**6. Integrity** **Rule 6.7** A Regulated Entity must avoid unethical business practices and must not attempt to circumvent the requirements contained within this Rule and Statement of Guidance	Consider adding the word "or" after the word "not"	Was 6.7, now 17.1 The Authority acknowledges the suggested edits to Rule 6.7, now 17.1, and reworded it for clarity.	*Amendment to Rule* 17.1 A Regulated Entity must observe all requirements and expectations within this Rule and Statement of Guidance on an ongoing basis and must not circumvent or attempt to circumvent the requirements contained herein.

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14.	**6. Integrity** **Rule 6.8** A Regulated Entity must maintain the confidentiality of a Client's affairs unless disclosure is required or permitted under an applicable Act and regulations, or with the consent of the Client to whom the duty of confidentiality is owed.	The ability to disclose should not be limited to Acts or statutes and disclosure under both an Act and regulation should not be required. **Suggested wording:** 6.8. A Regulated Entity must maintain the confidentiality of a client's affairs unless disclosure is required or permitted under ~~an applicable Act and~~ regulations the laws or regulation of any jurisdiction applicable to the Regulated Entity, or with the consent of the Client to whom the duty of confidentiality is owed	Was 6.8, now 6.6 This Rule 6.8 is intended for the Regulated Entity to preserve its obligations while operating in or from within the Cayman Islands. Applicable Acts and regulations would inherently apply under various jurisdictions, including the Cayman Islands.	Amendment to Rule *6.6 A Regulated Entity must maintain the confidentiality of a Client's affairs and protect the privacy of the information obtained from Clients, unless disclosure is required or permitted under applicable Acts and regulations, or with the consent of such Client to whom the duty of confidentiality is owed.*
15.	**6.10 & 8.3** 6.10: A Regulated Entity shall identify and comply with the legal and regulatory requirements applicable to the administration of Client affairs in the jurisdiction(s) in which it conducts business or holds Client assets. 8.3: The written Client Agreement shall be shared between the Regulated Entity and the Client via various channels, including via email, a smart contract, or any other documented form of communication. The Authority expects that such Client Agreement is recorded, captured, or stored in a manner that ensures it can be accessed and verified by the Authority.	1) By using the word shall, does this become a Rule? 2) Given that these paragraphs are intended to be guidance, please consider replacing the use of the word "shall" with "may"- unless the same is intended to be a rule. The use of rulemaking wording may create confusion in interpretation and connotes a mandatory requirement	The Authority acknowledges the observation regarding the completeness of 6.10, now 6.8, and 8.3, now 10.9, and reworded them for correctness.	*Amendment to the Guidance* *6.8 A Regulated Entity should identify and comply with the legal and regulatory requirements applicable to the administration of Client affairs in the jurisdiction(s) in which it conducts business or holds Client assets.* *10.9 The written Client Agreement should be shared between the Regulated Entity and the Client via a suitable documented communication method, such as email, smart contract, or secure Client portal access. The Authority expects that such Client Agreement is recorded, captured, or stored in a manner that ensures it can be accessed and verified by the Authority.*
16.	**6. Integrity** **6.11** A Regulated Entity should maintain a documented compliance framework that identifies the relevant legal and regulatory obligations in each jurisdiction where it conducts business or holds Client assets. This may include internal jurisdictional checklists,	1) Can Authority provide more guidance around "documenting and maintaining a compliance framework" of each jurisdiction – would Authority expect VASPs to	Was 6.11 now 6.9 1) With regards to the question 'would Authority expect VASPs to create or hold a list of jurisdictions in which they administer Client affairs and conduct business or hold Client assets for the Authority to review?'.	*Amendment to the guidance note* 6.9 A Regulated Entity should maintain a documented compliance framework that identifies and tracks the relevant legal and regulatory obligations in each jurisdiction where

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	reliance on external legal counsel, or cross-border compliance protocols. Where necessary, the Regulated Entity should seek appropriate legal or professional advice to ensure it meets its fiduciary, custodial, and administrative responsibilities under applicable acts and regulations.	create or hold a list of jurisdictions in which they administer Client affairs and conduct business or hold Client assets for the Authority to review? 2) Consider inserting the words "and tracks" after the word "identifies"- This reinforces the idea of an evolving compliance process — not just a static record 3) Paragraph 6.11 requires a mandatory documented compliance framework of every relevant legal and regulatory obligation in every jurisdiction in which the Regulated Entity "conducts business or holds Client assets". This guidance should be applied proportionately taking into account the scale of a Regulated Entity's business activity in, and risk profile of, a given jurisdiction. paragraph is overly burdensome, particularly where the Regulated Entity's exposure to a jurisdiction is small. Incorporating a proportionate approach would be consistent with international practice and help ensure that the Cayman Islands has a well-tailored regime for international businesses. The lack of explicit proportionality causes it to exceed risk-based standards, would be likely to result in high external counsel costs on an ongoing basis and	Yes; the Authority expects the RE to document and maintain a cross-border compliance framework to ensure that RE's maintains its obligations under any jurisdiction that it is doing business. 2) Amended as recommended. 3) With respect to the final clause, the Authority agrees that not all Regulated Entities are subject to fiduciary, custodial, or administrative responsibilities. The revised wording will clarify that legal or professional advice should be sought where such responsibilities are applicable. The Authority does not propose a separate reference to proportionality in this Rule, as Section 4 of the RSOG already makes clear that the Rules and Guidance must be applied in a manner proportionate to the size, structure, nature, and complexity of a Regulated Entity. Furthermore, the Rule already includes the qualifier "where necessary", reinforcing this intent.	it conducts business or holds Client assets. This may include internal jurisdictional checklists, reliance on external legal counsel, cross-border compliance protocols, or other recognised industry resources. Where necessary, the Regulated Entity should seek appropriate legal or professional advice to establish that it meets any applicable fiduciary, custodial, or administrative responsibilities under relevant acts and regulations.

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		would deter firms from operating in the Cayman Islands. With respect to the last sentence of Paragraph 6.11, we note that not all Regulated Entities may be subject to fiduciary, custodial and administrative responsibilities. **<u>Suggested wording:</u>** 6.11. A Regulated Entity should maintain a documented compliance framework that identifies the ~~relevant~~ <u>material</u> legal and regulatory obligations in each jurisdiction where it conducts business or holds Client assets, <u>and is proportionate to the nature, size and complexity of its business.</u> This may include internal jurisdictional checklists, reliance on external legal counsel, crossborder compliance protocols, <u>or other recognized industry resources</u>. Where necessary, the Regulated Entity should seek appropriate legal or professional advice to ensure it meets ~~its~~ any applicable fiduciary, custodial, and administrative responsibilities under applicable acts and regulations		
17.	**6. Integrity** **Rule 6.12.** A Regulated Entity must ensure that any decisions made, or transactions entered into by a Client, on behalf of a Client, or in relation to the Client Agreement are:	1. With reference to point (b) of RSOG 6.12, could the Authority kindly provide further guidance on how "delay" is interpreted in this context?	Was 6.12 now 6.10 The Authority acknowledges the request for clarification on Rule 6.10(b) and (c), particularly regarding the interpretation of "without delay" and the phrase "status."	*Amendment to Rules* *..6.10(b) documented and actioned by the Regulated Entity in a timely and expeditious manner in accordance with the Client Agreement*

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	(a) within the scope of approval of the Regulated Entity; (b) documented and actioned by the Regulated Entity without delay and in an expeditious manner commensurate with the size, complexity, structure, nature of business and risk profile of its operations; and (c) properly authorised and handled by persons employed by the Regulated Entity or by the Regulated Entity's Agent with an appropriate level of knowledge, experience, and status.	Specifically, if a VASP enters into a contractual agreement or service level agreement (SLA) with a client stipulating that transactions will be processed within, for example, three business days, would such a timeframe be considered an acceptable benchmark by the Authority? In the event that a transaction is processed outside this timeframe, would the VASP be deemed to have processed it "with delay" and thus be in breach of RSOG 6.12(b)? More broadly, is the assessment of "delay" intended to be based on the contractual terms agreed between the VASP and the client, and would the Authority expect VASPs to formally define such timeframes in SLAs or similar agreements? 2. The requirement that transactions must be "handled by persons... with an appropriate level of knowledge, experience, and status" introduces important accountability standards. However, we kindly request clarification from the Authority on how "appropriate" should be interpreted in this context. Would the Authority expect VASPs to maintain formal job descriptions or competent matrices to demonstrate that Staff or	On Rule 6.10(b) and (c) have been amended for clarity.	*and commensurate with the size, complexity, structure, nature of business and risk profile of the Client operations; and* *…6.10(c)* properly authorised *and handled by persons employed by the Regulated Entity or by the Regulated Entity's Agent with an appropriate level of competence, knowledge, experience, and professional standing.*

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		Agents are suitably qualified? Additionally, in the case of automated processes or smart contract-based execution, what evidence would be considered sufficient to demonstrate that oversight is being exercised by personnel? 2. The meaning of "level of… status" is unclear and should be deleted, and the language should otherwise be consistent with that used in paragraph 6.15 Suggested wording: 6.12. A Regulated Entity must ensure that any decisions made, or transactions entered into by a client, on behalf of a client, or in relation to the Client Agreement are: … (c) properly authorized and handled by persons employed by the Regulated Entity or by the Regulated Entity's Agent with an appropriate level of knowledge, experience and status competence, knowledge, experience and professional standing.		
18.	6.15. Further, in respect of the Client, a Regulated Entity should ensure that employee responsible for authorising and handling Client transactions or any other operational activities on its behalf (including the execution of transactions in line with the Client Agreement or instruction) have the appropriate competence, knowledge, experience, professional standing.	**Suggested wording:** 6.15. Further, in respect of the Client, a Regulated Entity should ensure that employees responsible for authorizing and handling Client transactions or any other operational activities on its behalf (including the	The Authority acknowledges the suggested edits to 6.15 however this has been removed to maintain consistency withRule 6.10 (c)	

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		execution of transactions in line with the Client Agreement or instruction) have the appropriate competence, knowledge, experience, **and** professional standing.		
19.	**7. Marketing, Advertising, and Promotions** **Rule 7.1.** A Regulated Entity must ensure that all marketing, advertising, or promotional materials relating to Virtual Assets: (a) are fair, clear, and not misleading in both content and presentation; (b) are clearly identifiable as marketing or promotional in nature; (c) do not contain statements or visual elements that contradict the risks associated with Virtual Assets; and (d) do not mislead Clients about potential profitability, exaggerate claims, or make assurances of gains; (e) do not suggest that investments are safe, low risk, simple, or guaranteed, or create urgency based on speculative future value**.**	Suggested wording: (c) do not contain statements or visual elements that contradict the risks associated with Virtual Assets; ~~and~~ (d) do not mislead Clients about potential profitability, exaggerate claims, or make assurances of gains; **and** (e) do not suggest that investments are safe, low risk, simple, or guaranteed, or create urgency based on speculative future value	Was 7.1, now 9.1 The Authority acknowledges the suggested edits to Rule 9.1 and reworded for clarity.	*Amendment to Rule 9.1* 9.1 A Regulated Entity must ensure that all marketing, advertising, or promotional materials and information : (a) are fair, clear, and not misleading in both content and presentation; (b) are clearly identifiable as marketing or promotional in nature; (c) do not contain statements or visual elements that contradict the risks associated with Virtual Assets; (d) do not mislead Clients, deliberately or negligently, about the real or perceived benefits of any services carried out, or about potential profitability, exaggerate claims, or make assurances of gains; (e) do not mislead Clients about the safety, risk profile, simplicity, or guarantee, or create an urgency based on the speculative future value of an investment; or (f) create an urgency based on the speculative future value of an investment
20.	**7. Marketing, Advertising, and Promotions** **Rule 7.1.** A Regulated Entity must ensure that all marketing, advertising, or promotional materials relating to Virtual Assets: (e) do not suggest that investments are safe, low risk, simple, or guaranteed,	Is this standard wording which is applied to traditional securities disclosures? Is the Authority stating that all virtual asset services carry greater risk, and that no virtual asset	Was 7.1 now 9.1 The Authority agreed that clarification was warranted and amended Rule 7.1(e) to focus on preventing misleading claims, rather than implying that all virtual asset services are inherently high risk. To further support this, the Authority introduced additional guidance under Rule 9.1(e), allowing VASPs to describe lower-risk characteristics supported by established	*Amendment to this Rule 9.1(e)* *(e) do not mislead Clients about the safety, risk profile, simplicity, or guarantee, or create an urgency based on the speculative future value of an investment; or.* *New Guidance Note*

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	or create urgency based on speculative future value**.**	services could be "low risk"? There are some instances where some transactions could carry a lower level of risk in virtual asset services, especially where a service or technology has been tested and tried for many years. How would a VASP describe such a service?	technology, operational history, or validated experience, provided that such descriptions remain balanced and do not diminish disclosure of residual risks. These changes align with section 7 of the RSOG (Marketing, Advertising, and Promotion), section 9 of VASPA (general requirements), and section 6(3)(a) of the MAA (consumer protection).	***9.6: Where a virtual asset service or product carries a lower risk profile based on established technology or operational, or validated history, a Regulated Entity may describe such characteristics in its marketing, advertising or promotion, provided that it does so in a balanced manner that does not diminish disclosure of residual risks.***
21.	**7. Marketing, Advertising, and Promotions** **7.2.** A Regulated Entity should take practical steps to ensure that language used in any advertisement or promotional material is carefully chosen, avoiding misleading words such as "guaranteed", "confidential", "assured", "secret", or any similar terms.	Paragraph 7.2 includes a blacklist of words which stifles legitimate descriptions. We suggest the example words be removed as any of these could be used in a reasonable and fair context. EG "Any contact information provided will remain confidential and subject to applicable privacy laws." **<u>Suggested wording:</u>** 7.2. A Regulated Entity should take practical steps to ensure that language used or promotional material is carefully chosen, avoiding misleading words.	Was 7.2 now 9.2 The Authority acknowledges the comments. While it recognizes that different categories of Regulated Entities may have varying business models and risk profiles, the underlying principle remains consistent—marketing and promotional materials must be fair, clear, and not misleading. To align with other measures issued by the Authority and to ensure consistency with the Authority's Policy – Marketing Policies of Licensees, the wording has been refined to strike a balance between flexibility and clarity. The illustrative terms have been retained but qualified to apply only in context.	*Amendment to the guidance 9.2.* *9.2 A Regulated Entity should ensure that any advertising, marketing, or promotional materials and communications relating to its products or services are fair, clear, and not misleading. In particular, the Regulated Entity should take reasonable steps to ensure that language is carefully chosen and does not include misleading statements, promises, or terms, when read in context, (such as "guaranteed", "confidential", "assured", "secret", or similar expressions), whether relating to the scale of its regulated activities or to any other matter that the Regulated Entity does not reasonably believe to be true. The Regulated Entity should also have regard to the Authority's Policy on Marketing Policies of Licensees.*
22.	**7. Marketing, Advertising, and Promotions** **Rule 7.3 (d)** A Regulated Entity must ensure that its advertising and communication practices: ; (d) do not present or promote any services that it is not licensed to provide;	Language is missing from paragraph 7.3(d), as a Regulated Entity does not have to be licensed under VASPA to be able to provide virtual asset services (for example, Registrants). **<u>Suggested wording:</u>**	Was 7.3 (d), now 9.9(d) The Authority acknowledges the suggested edits to Rule 7.3(d), now 9.9(d), and reworded for clarity.	*Amendment to the Rule* 9.9 (d) do not present or promote any services that it is not licensed ***or registered*** or waived to provide;

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		7.3.(d) do not present or promote any services that it is not licensed or otherwise registered to provide;		
23.	**7. Marketing, Advertising, and Promotions** **Rule 7.3 (e)** A Regulated Entity must ensure that its advertising and communication practices: (e) disclose to its Clients and prospective Clients any foreseeable risk associated with the virtual assets services it is advertising to them; and	Consider including the word reasonable within this sub-paragraph as follows: **<u>Suggested wording:</u>** (e) disclose to its clients and prospective Clients any reasonably foreseeable risk associated with the virtual assets services it advertising to them;	Was 7.3 (e), now 9.9(e) The Authority acknowledges the suggestion to introduce the qualifier "reasonably" in Rule 7.3(e), now 9.9(e) and reworded for clarity.	*Amendment to the Rule* 9.9 (e) disclose to its ***Clients and prospective Clients any material risks that the Regulated Entity, acting with due care and diligence, ought to identify in connection with the virtual asset services it is advertising to them; and***
24.	**7. Marketing, Advertising, and Promotions** **Rule 7.3 (f)** A Regulated Entity must ensure that its advertising and communication practices: (f) as far as possible, do not place the Cayman Islands at risk of being brought into disrepute.	7.3(f)Consider revising to read "as far as possible, do not place the Cayman Islands reputation at risk" – using this wording aligns more closely with MAA 6(3)(a)	Was 7.3 (f), now 9.9(f) The Authority acknowledges the suggestion and has reworded Rule 7.3(f), now 9.9(f), for clarity.	*Amendment to Rule* Rule 9.9(f) do not place the reputation of the Cayman Islands at risk of being brought into disrepute.
25.	**7. Marketing, Advertising, and Promotions** **Rule 7.3 (f)** A Regulated Entity must ensure that its advertising and communication practices: (f) as far as possible, do not place the Cayman Islands at risk of being brought into disrepute.	How does "as far as possible" provide a litmus test in the event of non-compliance? The VASP would have to provide justification that preventing harm to the jurisdiction was not possible. The heading of the paragraph indicates that the VASP "must ensure that"… therefore you could remove "as far as possible" from (f) and therefore prevent any ambiguity. E.g. the VASP must ensure that advertising practices does not…	Was 7.3 (f), now 9.9 (f) The Authority agrees that removing the phrase "as far as possible" eliminates ambiguity regarding the standard of compliance and avoids creating a subjective defence in cases of non-compliance. The revised wording reflects a clear, objective obligation consistent with the legislative framework.	*Amendment to Rule* Rule 7.3 (f) changed to 9.9 (f), which now reads: *9.9 (f) do not place the reputation of the Cayman Islands at risk of being brought into disrepute.*

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26.	**7. Marketing, Advertising, and Promotions** **Rule 7.7** A regulated entity must not promote or advocate the acquisition of Virtual Assets ("VA") and/or use of any product and/or service related to any VA activities using credit or other interest accruing facilities, unless the subject Entity of the Marketing is regulated by CIMA to provide such credit or interest accruing facilities.	How does CIMA currently "allow" the use of credit for sale of VAs for a registrant or licensee? The use of credit is not a virtual asset service. Would this therefore be an additional activity which CIMA will authorize under registration or a licence? Is the process for applying for this approval clearly outlined?	The Authority acknowledges the industry's concern and confirms that it is not extending its regulatory scope to cover lending or credit services, which are outside the perimeter of the VASP Act. The Rule was intended only to address marketing and promotional conduct, not the settlement of transactions. To eliminate any ambiguity, the Rule has been removed.	*Rule 7.7 has been deleted.*
27.	**7. Marketing, Advertising, and Promotions** **Rule 7.7** A regulated entity must not promote or advocate the acquisition of Virtual Assets ("VA") and/or use of any product and/or service related to any VA activities using credit or other interest accruing facilities, unless the subject Entity of the Marketing is regulated by CIMA to provide such credit or interest accruing facilities.	The meaning and purpose of paragraph 7.7 are unclear. On one reading, paragraph 7.7 effectively bans any Virtual Asset-related marketing that refers to any "credit or other interest-accruing facilities". This is because paragraph 7.7 requires the "subject Entity of the Marketing" to be "regulated by CIMA" for the provision of such credit or other interest-accruing facilities. However, neither the VASP Act nor any other Cayman law regulates the provision of credit or other interest-accruing facilities; only licensed banks condition. VASPs do not meet the definition of a bank, and therefore do not qualify to be regulated under the Banks and Trust Companies Act. If the term "subject Entity of the Marketing" were interpreted to mean a thirdparty credit provider, rather than the VASP/Regulated Entity itself, paragraph	The Authority acknowledged the concern and clarified that Rule 7.7 was intended to address marketing and promotional conduct only, not how Clients fund transactions. To eliminate ambiguity and avoid unintended interpretations, the Rule has been removed.	*Rule removed*

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		7.7 would remain unworkable for the following reasons: ● foreign entities which are not registered in the Cayman Islands cannot be regulated by CIMA and so paragraph 7.7 would exclude cross-border financing partnerships; and ● Cayman Islands banks seldom, if ever, provide services or any kind in connection with Virtual Assets. On every interpretation, the current wording of paragraph 7.7 limits the ability to either market and/or provide margin, staking and secured lending services, all of which are standard services provided by virtual asset trading platforms. Limiting the ability of Regulated Entities to provide these services would be a significant barrier to attracting and retaining virtual asset trading platforms in the Cayman Islands. We suggest that CIMA either delete paragraph 7.7 or clarify its meaning. If paragraph 7.7 is retained, and assuming its policy goal is simply to restrict the marketing of leverage to acquire Virtual Assets or "services related to VA activities", then we suggest that: ● the phrase "services related to VA activities" be defined, as its meaningis currently unclear; and		

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		• a carve-out from the restriction be included to permit the marketing of margin, staking and secured lending services, all of which are standard services provided by virtual asset trading platforms. As noted above, limiting the ability of Cayman Islands Regulated Entities to provide these services would be a significant barrier to attracting and retaining virtual asset trading platforms in the Cayman Islands To the extent that paragraph 7.7 may be directed at addressing the use of credit cards to purchase Virtual Assets, we note that some customers are likely forced to use credit cards to purchase Virtual Assets because, as noted above, Cayman Islands banks seldom, if ever, provide services of any kind in connection with Virtual Assets. In other words, customers are forced to use credit cards to purchase Virtual Assets because they have no other available means of doing so. This is an issue which should be resolved by requiring Cayman Islands banks to offer services in connection with Virtual Assets, and not by restricting the ability of Regulated Entities/VASPs from offering and marketing legitimate		

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		and services.		
28.	**8. Client Agreements** 8.1. A Regulated Entity must ensure that a written Client Agreement signed by all parties to the Agreement is in place before providing any virtual asset service.	1) Consider inserting the words "(including through electronic or digital means)" after the words "parties to the Agreement" 2) Would the Authority consider acknowledging that for certain low-risk, fully automated services, a digitally accepted terms-of-service may satisfy the "signed agreement" requirement, provided there is clear audit trail and disclosure? 3) Paragraph 8.1 mandates that all client agreements be signed by all parties to the agreement. This appears to require wet or scanned signatures, excluding industry-standard digital affirmative action (checkbox) creating unnecessary friction and delaying onboarding. Electronic acceptance is legally equivalent in most jurisdictions and provides an auditable record. Current industry standard involves clients accepting terms via digital affirmative action (checkbox) with digital record retention,	Was 8.1 now 10.5 The Authority acknowledges the feedback and supports a flexible, risk-based approach that aligns with digital business practices. The Authority confirms that "signed" in Rule 10.4 includes electronic or digital forms of consent or agreement, such as email, smart contract, or secure client portal access as guided by 10.8,10.11,10.12.	*Amendment to the Rule* 10.5 A Regulated Entity must ensure that a written Client Agreement is signed by all parties and in place before providing any virtual asset service(s) under the VASPA and must provide the Client with a copy of the executed Client Agreement.

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		without providing executed copies, while digital records provide adequate audit trails. **<u>Suggested wording:</u>** We suggest the following amendment which preserves consumer protection and reduces friction: 8.1. A Regulated Entity must ensure that a written Client Agreement ~~signed by all parties to the Agreement~~ <u>that has been accepted by all the parties</u> is in place before the provision of any virtual asset service 4) We note the requirement for a written Client Agreement "signed by all parties". As a fully online platform, our standard operating procedure, which is consistent with common industry practice for virtual asset service providers, involves a client accepting our comprehensive Terms and Conditions electronically. These are accepted through an active action by the client (e.g. clicking an "I agree" button) before they are able to action is logged in the client's records for audit purposes and is accessible by the Authority should it be required. This allows for efficiency, accessibility (as the client can access the terms from anywhere and		

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		any time on the platform) and allows for auditability. We respectfully request that the Rules be amended to allow for electronically accepted agreements that are not necessarily "signed" in the literal sense. This would align the regulation with digital business practices. **Proposed Wording:** A Regulated Entity must ensure that a Client Agreement accepted by all parties to the Agreement is in place before providing any virtual asset service		
29.	**8. Client Agreements** **Rule 8.2.** A Regulated Entity must specify the exact nature of the service(s) that it is providing to the Client in the Client Agreement.	Consider adding that any changes to the nature or scope of services after the agreement must be communicated and agreed upon in writing. This could help mitigate disputes arising from evolving service offerings.	Was 8.2, now 10.6 The Authority acknowledges the recommendation to clarify that changes in the nature or scope of services must be in writing. This Rule is in conjunction with Rule 10.18 and guidance 10.19, which requires *'A Regulated Entity must provide prior written notice of any amendments… '*. An amendment has been made to broaden the scope.	*Amendment to Rule 10.6* *10.6 A Regulated Entity must clearly specify in the Client Agreement the nature of each service or product it provides to the Client, as well as the capacity in which it acts in relation to any relevant transaction.*
30.	**8. Client Agreements** **8.3.** The written Client Agreement shall be shared between the Regulated Entity and the Client via various channels, including via email, a smart contract, or any other documented form of communication. The Authority expects that such Client Agreement is recorded, captured, or stored in a manner that ensures it can be accessed and verified by the Authority.	The phrase "via various channels" implies a requirement to distribute the Client Agreement through more than one delivery method. This introduces unnecessary operational burden and potential security risks (e.g., phishing vectors via email) without any corresponding consumer protection benefit. Furthermore, as further discussed below with respect to paragraph 8.4, secure portal access should be permitted to ensure that users always see the latest agreement in one location	The Authority acknowledges the comments regarding 8.3, now 10.9. The Authority has clarified that the wording of 8.3 now 10.9 "via various channels, including…"is illustrative, not prescriptive. It does not require multiple delivery methods. Rather, it accommodates different delivery mechanisms such as email, smart contracts, or any documented and verifiable method suitable to the Regulated Entity's operating model.	*Amendment to the guidance note* *10.9* The written Client Agreement should be shared between the Regulated Entity and the Client via a suitable documented communication method, such as email, smart contract, or secure Client portal access. The Authority expects that such Client Agreement is recorded, captured, or stored in a manner that ensures it can be accessed and verified by the Authority.

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		and that agreements are immediately available for audit or client download. **<u>Suggested wording:</u>** 8.3. The written Client Agreement shall be shared between the Regulated Entity and the Client. This may be via email, a smart contract, or any other documented form of communication, or made readily accessible (including available for download). The Authority expects that such Client Agreement is recorded, captured, or stored in a manner that ensures it can be accessed and Authority.		
31.	**8. Client Agreements** **Rule 8.4.** A Regulated Entity must send a copy of the Client Agreement executed to each Client after it has been entered into.	1) Consider specifying timing i.e. within a reasonable time after execution. 2) Paragraph 8.4 imposes a mandatory requirement to "send" a copy of the executed Client Agreement to each Client, which conflicts with standard digital This implies delivery by email or post, adding to costs and version-control risk, as well as transmission security risk, and is operationally burdensome and inconsistent with established fintech practices. Current industry standard involves clients accepting terms via digital affirmative action (checkbox) with digital record retention, without	The Authority acknowledges the suggestion and has addressed them as follows. 1. Specifying Timing: The Authority notes the comment. Rule 8.4 has been removed, as Rule 10.5 already requires a Client Agreement to be in place before a service is provided. 2. Send a copy: Addressed in Guidance 9.3, which recognises different forms of communication and permits information, including Client Agreements, to be provided in a form that can be retained and referenced by the Client, subject to appropriate integrity and auditability measures. 3. Electronic Accessibility of Agreements: This is addressed in Guidance 9.3, which supports making Client Agreements readily accessible through Various Communication Channels, subject to appropriate integrity and auditability controls.	*Amendment Rule Removed* New guidance 9.3 ***9.3 A Regulated Entity should establish that all communication and information provided to Clients:*** ***(a) is provided in writing or in a form that can be retained and referenced by the Client. The Authority notes that while typically, a Regulated Entity communicates with Client via e-channels, digital channels or applications, the expectation is that the Regulated Entity implements policies and procedures to manage the integrity and auditability of communication with Clients. This is particularly important to consider, in conjunction with Rule 10.5 and whether such***

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		providing executed copies, while digital records provide adequate audit trails. Furthermore, paragraph 8.4 requires that the agreements be "executed", which as noted above with respect to paragraph 8.2, imposes unnecessary friction. Secure portal access should be permitted to ensure that users always see the latest agreement in one location and that agreements are immediately available for audit or client download. We recommend the following amendment to reduce administrative burden and accept digital acceptance mechanisms with appropriate record-keeping as sufficient compliance: **Suggested wording:** 8.4. A Regulated Entity must send, **provide** or make readily accessible (including available for download) a copy of the Client Agreement ~~**executed**~~ to each Client after it has been entered into. 3) We are fully in support of providing customers with access to the terms / agreements that are applicable to them. Our current process ensures that clients are able to access the agreed upon terms on the platform itself. We the Rules be amended to		***communication impacts the Client Agreement; ……***

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		cater for the ability to provide a readily accessible electronic version of the agreement which is consistent with digital business practices. Proposed Wording: A Regulated Entity must make the Client Agreement readily available / accessible (either on the client portal or via email or other electronic means) after it has been accepted by all parties		
32.	**8. Client Agreements** **8.9.** **Some of the key risks associated with virtual assets, including, but not limited to:** **(a) potential loss of value in full or in part;** **(b) the irreversible or illiquid nature of certain transactions;** **(c) the absence of financial protection for Virtual Asset investors; and** **(d) the exposure to fraud, theft, manipulation, or cyber risks.** **This information should be presented in a clear, accurate, and easily understandable format across all Client-facing documentation, communications, and agreements.**	This does not read well (grammatical structure). The heading +a+b+c+d form a fragmented sentence. Suggest The key risks associated with virtual assets, including, but not limited to; A; b; c; and d; should be presented in a clear, accurate, and easily understandable format across all Client-facing documentation, communications, and agreements.	Was 8.9, now 10.2 The Authority acknowledges the observation regarding the grammatical structure of guidance note 10.2 and agrees that the current phrasing may read as a fragmented sentence. To improve clarity and align the introductory clause with the subsequent requirements, the guidance has been amended to present the list of risks as part of a coherent, integrated statement. The revised Guidance 10.2 now clearly sets out the applicable risks and the expectation that related disclosures be presented in a clear, accurate, and easily understandable format across all Client-facing documentation.	*Amendment to the guidance* *10.2 The key risks associated with virtual assets products and services, for which risk disclosures or warnings should be made to Clients, include, but are not limited to:* *(a) potential loss of value in full or in part or if the Client's invested capital is at risk;* *(b) risks relating to the use of leverage;* *(c) the irreversible or illiquid nature of certain transactions;* *(d) the absence of financial protection for Virtual Asset investors;* *(e) the exposure to fraud, theft, manipulation, or cyber risks;* *(f) volatile trading history; and* *(g) the risks associated with the transfer and storage of virtual assets, applicable where the Client wishes to deposit or withdraw virtual assets to or from a wallet address controlled by the Regulated Entity.* *These disclosures should be presented in a clear, accurate, and easily understandable format across all Client-facing documentation,*

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				communications, and agreements.
33.	**8. Client Agreements** **Rule 8.10.** A Regulated Entity must provide prior written notice of any amendments that it intends to make to the Client Agreement, allowing a reasonable opportunity for the Client to accept, reject, or terminate the Client Agreement, without any penalties. operations or liquidation date	Paragraph 8.10 requires that the Regulated Entity allow a client to terminate a Client Agreement "without any penalties" and provide "prior written notice of any amendments...allowing reasonable opportunity for the Client to accept, reject, or terminate...without penalties", which creates operational challenges for platform-based services. Individual acceptance/rejection processes for each amendment are operationally complex for platforms with large user bases and inconsistent with standard terms of service practices. It should be clarified that "penalties" does not include any obligations or liabilities owing to the Regulated Entity, because this could otherwise enable Clients to terminate the Client Agreement without closing positions. In addition, clarified that acceptance of terms may be by conduct (ie, continued use of the services), as this is in accordance with standard practice and standard involves posting updated terms with effective dates,	Rule 8.10, now 10.18, for clarity. Rule 10.18 has been amended for clarity, and new Guidance 10.19 introduced to confirm that continued use after notice constitutes acceptance, provided Clients have a fair opportunity to terminate	*Amendment to the Rule* Rule 10.18 A Regulated Entity must provide prior written disclosure of any amendments that it intends to make to the Client Agreement, and the manner in which the amendments can be made, and any associated or indirect costs, allowing a reasonable opportunity for the Client to accept, reject, or terminate the Client Agreement without any penalties, other than for the settlement of any outstanding obligations or liabilities under the Client Agreement***.*** ***New section guidance 10.19*** **10.19 Such amendments to the Client Agreement may include, but are not limited to, changes to fees, commissions, the structure of the business, conflicts of interest, changes in management, and control functions. Following the provision of such notice disclosure of any amendment to the Client, a Regulated Entity should clearly state that continued use of its virtual asset services will constitute acceptance of the amended terms of the Client Agreement. This approach reflects common commercial practice, provided Clients are given adequate notice and a fair opportunity to terminate without penalty.**

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		requiring continued use as acceptance. Allowing a reasonable opportunity to terminate with reasonable notice periods (e.g., 30 days) with continued service usage constituting acceptance, provided clear opt-out mechanisms exist, ensures that safeguarded. **<u>Suggested wording:</u>** 8.10. A Regulated Entity must provide prior written notice of any amendments that it intends to make to the Client Agreement, allowing a reasonable opportunity for the Client to accept, reject, or terminate the Client Agreement without any penalties, <u>other than for the settlement of any outstanding obligations or liabilities under the Client Agreement. Following provision of such notice, a Regulated Entity may deem continued use of the Regulated Entity's virtual asset services to constitute acceptance of the amended terms of the Client Agreement</u>.		
34.	**8. Client Agreements** **Rule 8.11.** **Where the Regulated Entity has been granted discretion to act on behalf of Client, the Regulated Entity must ensure that:** **(a) it has obtained and documented all relevant information about the Client's**	This is for fiduciary / agent services… Should the actions taken on behalf of the client also be in the client's interests? If a fiduciary takes an action that it knows is not in the interest of the client (but is still in accordance with the client	Was 8.11, now 10.20 The Authority acknowledges the concern regarding alignment between contractual compliance and acting in a Client's best interests in the context of discretionary authority. The current requirement for "proper purpose" encompasses acting consistently with fiduciary or agency duties, which ordinarily include prioritising the Client's interests. However, to remove ambiguity and reinforce the intended	*Amendment to the Rule* *Rule 8.11 changed to 10.20, which now reads:* *10.20 The Regulated Entity must ensure that:* *(a) it has obtained and documented all relevant information about the Client's*

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	objectives, financial situation, risk tolerance, and any other factors necessary to make an informed and appropriate decision on the Client's behalf; **(b) the discretion or power is used for proper purpose in line with Client Agreement; and** **(c) there is documented evidence to record decisions made under the discretion.**	agreement), should the VASP take that action?	standard of conduct, the Authority agrees that the Rule may benefit from explicit reference to acting in the Client's best interests. This clarification would provide additional assurance of client protection and consistency with established fiduciary principles.	*objectives, financial situation, risk tolerance, knowledge, experience and the understanding of the risks involved; and any other factors necessary to make an informed and appropriate decision on the Client's behalf;* *(b) the products and services offered to each Client are suitable, having regard to the factors in (a) in the above;* *(c) the discretion or power given to it, is used for proper purpose, in the Client's best interests, and in line with the Client Agreement; and* *(d) there is documented evidence to record decisions made under discretion, where the Regulated Entity has been granted discretion to act on behalf of Client.*
35.	**8. Client Agreements** 8.13. A Regulated Entity should ensure that the Client Agreement includes clear information on the official channels of communication used between the Regulated Entity and the Client. This should include, but not limited to, the official email address, the VATP, or any other secure portal through which communications will be conducted. This guidance supports Client awareness, reduce confusion, and aimed to protect Clients from fraud, impersonation, scams or the likes.	Some language is missing in the third sentence of this paragraph. **<u>Suggested wording:</u>** 8.13. … This guidance supports Client awareness, reduces confusion, and aims to protect Clients from fraud, impersonation, scams or the likes.	Was 8.13, now 10.13 The Authority acknowledges the suggestion and has reworded 10.13 for clarity.	*Amendment to the guidance* 10.13 A Regulated Entity should also consider including within the Client Agreement the manner in which the Client may provide instructions for any transactions. Generally, it should be established that the Client Agreement includes clear and accurate information on the official Communication Channels used between the Regulated Entity and the Client. This guidance supports Client awareness, reduces confusion, and aims to protect Clients from fraud, impersonation, scams or similar threats.
36.	**9. Complaints Handling** 9.5. Pursuant to the Anti-Money Laundering Regulations, a Regulated Entity is mandated to keep records for a minimum of five (5) years, from the date of resolution. Where a longer retention period is necessary due to the nature of the complaint, legal risk, or internal policy, the Authority expects that Regulated Entities retain such records for up to seven (7) years or more, in line with international best practices and internal governance requirements.	It is not clear how the obligation to maintain records of certain kinds of complaints for seven years (as opposed to five years, being the industry standard requirement as specified in CIMA's Guidance on the Nature, Retention of Records, part 5.1) is anticipated to apply in practice. Please would the Authority provide guidance as to what kinds of complaints or associated	Was 9.5 now 11.7 The Authority acknowledges the comments regarding the record retention period. 11.7 aligns with Section 5.1 of the Statement of Guidance – Nature, Accessibility and Retention of Records (May 2022), which requires relevant entities to maintain records for a minimum of five (5) years from the transaction or resolution date. The Authority also notes that Section 5.2 of the same Guidance recognises circumstances under which records should be retained beyond five years, particularly in cases involving fiduciary relationships, legal risk, or internal policy.	*No Amendment*

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		risks are anticipated to warrant the longer retention period in-line with international best practices.	Accordingly, no amendment is proposed to 11.7.	
37.	**9. Complaints Handling** **9.7.** A Regulated Entity is expected to have procedures and systems in place to keep complainants informed about the progress of their complaint by proactively issuing updates to the complainant, in writing. These procedures and systems should include the mandatory acknowledgement of receipt of complaints, as well as specified timelines for providing progress updates, where applicable.	Would it be useful to specify recommended minimum frequencies or maximum intervals for complaint	Was 9.7, now 11.9 The Authority acknowledges the suggestion and has reworded 11.9 for clarity.	*Amendment to the guidance note* 11.9 A Regulated Entity is expected to maintain procedures and systems that keep complainants informed of the progress of their complaint through proactive written updates. These procedures and systems should, at a minimum, require written acknowledgement of receipt of a complaint and set clear expectations for update timelines that are appropriate to the nature and complexity of the complaint.
38.	**9. Complaints Handling** 9.8. A Regulated Entity should openly communicate the details of the status of the resolution to the complainant, such as: (a) the alternative resolution options; (b) whether the complaint needs to be escalated for further enquiry; and (c) the expected timeframe for the complaint to eventually be resolved. This is particularly more important in cases where the complaint is of a complex or uncommon in nature.	Paragraph 9.8 provides that a Regulated Entity should openly communicate continuous status updates regarding the resolution of complaints to complainants. This should be qualified to require that the Regulated Entity provide updates if requested to do so by a complainant and only were permitted to do so by applicable law. **Suggested wording:** 9.8. A Regulated Entity should, on request from a complainant and subject to any restrictions on disclosure imposed by applicable law, openly communicate, within a reasonable period of time, the details of the status of the resolution to the complainant, such as: (a) the alternative resolution options;	Was 9.8, now 11.10 The Authority acknowledges the suggestion and has reworded 11.10 for clarity.	*Amendment to the Guidance Note* 11.10 A Regulated Entity should openly communicate the details of the status of the resolution to the complainant within a reasonable timeframe, such as: (a) the alternative resolution options, irrespective of whether or not the complaint is resolved in a manner that they are satisfied with; (b) whether the complaint needs to be escalated for further enquiry; and (c) expected timeframe for the complaint to eventually be resolved. This is particularly more important in cases where the complaint is complex or uncommon in nature. Communication should remain consistent with any applicable legal restrictions.

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		(b) whether the complaint needs to be escalated for further enquiry; and (c) the expected timeframe for the complaint to eventually be resolved. This is particularly more important in cases where the complaint is of a complex or uncommon in nature.		
39.	**9. Complaints Handling** **9.9.** A Regulated Entity should confirm to the complainant in writing when a Complaint has been closed.	**Suggested wording:** The reference to "Complaint" should be a reference to "complaint".	Was 9.9, now 11.11 The Authority acknowledges the suggestion and has reworded 11.11 for clarity.	*Amendment to the guidance note 11.11* A Regulated Entity should confirm to the Complainant in writing when a ***complaint*** has been closed.
40.	**9. Complaints Handling** **9.10.** If a Regulated Entity concludes that it is not upholding a complaint, it should communicate this to the complainant in writing, clearly stating the reason(s) for its decision.	Should there be references to relevant policies or evidence, to ensure transparency and help the complainant understand the rationale?	Was 9.10, now 11.12 The Authority acknowledges the suggestion and has reworded 11.12 for clarity.	*Amended the guidance.* *11.12* If a Regulated Entity concludes that it is not upholding a complaint, it should communicate this to the complainant in writing, clearly stating the reason(s) for its decision **in accordance with the Regulated Entity's relevant policies or evidence, to ensure transparency and to help the complainant understand the rationale.**
41.	**10. Public Disclosures** **10.3.** A Regulated Entity should publicly disclose its licensing or registration status as authorised by the Authority.	Would it add value to specify how and where these disclosures should be made public (e.g., website, client portals, regulatory filings)	Was 10.3 now 12.3 The Authority notes the suggestion to specify where and how licensing or registration disclosures should be made public. While Guidance 12.3 requires Regulated Entities to publicly disclose their licensing or registration status, Rule 12.1 already provides that such Public Disclosures must be made "across all Communication Channels at the Regulated Entity's disposal as appropriate" and "presented in a manner that is clear, concise, and easy to understand." As defined in Section 5.1.5 of this RSOG, Communication Channels include, but are not limited to, a Regulated Entity's official website, social media platforms, print or television media, emailed broadcasts, newsletters, and other mediums used to convey information to Clients and the public.	*No amendment*

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			Accordingly, the Authority considers that the RSOG already provides sufficient flexibility and clarity on the means of disclosure, and no amendment to Guidance 10.3 is proposed	
42.	**10. Public Disclosures** **Rule 10.4.** A Regulated Entity must publish information related to its key corporate governance structures, including, but not limited to, the identification and details of the members of its Governing Body, key persons, and persons in controlled functions.	Paragraph 10.4 requires a Regulated Entity to publish information regarding "the members of its Governing Body, key persons and persons in controlled functions", which raises privacy and security concerns. The definition of "persons in controlled functions" is very vague and it is unclear what persons it would include which are not already included in the definition of "key persons". Personal information disclosure may create security risks for individuals and their families while potentially deterring qualified candidates from serving in key roles. Information regarding members of the Governing Body and key persons (as defined in paragraph 10.5) would be sufficient and appropriate. We seek clarification on whether full public disclosure of personal details is absolutely required, or would summary information (titles, roles, professional qualifications) be acceptable to meet transparency objectives while protecting individual privacy. More broadly, if the Cayman Islands becomes the only	Was 10.4 now 12.4 The Authority acknowledges the concerns regarding privacy and clarity. Rule 12.4 has been amended to confirm that disclosures extend to members of the Governing Body, Senior Management, and persons in control functions. The Rule does not require the disclosure of personal data such as home addresses or other sensitive personal information but is intended to provide clarity and enhance transparency of governance structures. Guidance has also been added to support consistent application.	*Amendment to the Rule* Rule 12.4 A Regulated Entity must publish information related to its key corporate governance structures, as well as the identification and details of the members of its Governing Body, Control Functions and Senior Management ***New section: guidance*** ***12.5: When disclosing information on governance structures, a Regulated Entity should do so in a manner consistent with applicable data privacy laws. Disclosure does not extend to personal data such as home addresses or other sensitive information. Instead, the Authority expects publication of information, including, but not limited to, the person's name, title/role, and professional standing. These disclosures assure competence, knowledge, and professionalism, consistent with the standards set out in Rule 6.10(c) on Integrity***.

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		jurisdiction of its kind to require this level of public disclosure, it may influence regulated entities to establish operations in other jurisdictions. This kind of disparity between peer jurisdictions could become a factor in jurisdictional arbitrage, particularly for market participants that are sensitive to reputational concerns or key personnel privacy. **Suggested wording:** 10.4. A Regulated Entity must publish information related to its key corporate governance structures, including, but not limited to, the identification and details of the members of its Governing Body, and key persons, ~~and persons in controlled functions.~~ **Alternative approach: Allow disclosure of roles and qualifications without identifying information, or permit summary disclosures that meet transparency objectives while protecting individual privacy.**		
43.	**10. Public Disclosures** **10.5.** In relation to Rule 10.4 above: (a) Governing Body is as defined within this RSOG; (b) Key persons include senior management, such as the Chief Executive Officer, Chief Operating Officer and other executives with significant decision-making influence and/or authority; and (c) Persons in controlled functions refer to persons in key positions of responsibility.	Paragraph 10.5 defines the terms "Governing Body", "key persons" and "persons in controlled functions". If the suggested wording for paragraph 10.4 above is not adopted, we suggest the following updated definition of "persons functions", which is based on the definition "Control	The Authority acknowledges the suggested edits and has removed the guidance, as the relevant terms are already defined in the definitions section.	*guidance note removed*

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		Functions" in CIMA's Rule – Corporate Governance (April 2023) **<u>Suggested wording:</u>** 10.5. In relation to Rule 10.4 above: (a) Governing Body is as defined within this RSOG; (b) Key persons include senior management, such as the Chief Executive Officer, Chief Operating Officer and other executives with significant decision-making influence and/or authority; and (c) Persons in controlled functions refer to persons ~~in key positions of responsibility~~ <u>with a control function, being a properly authorized function serving a control or checks and balances function from a governance standpoint, and who carry out specific activities including strategy setting, risk management, compliance, actuarial matters, internal audit, and similar functions.</u>		
44.	**10. Public Disclosures** **10.6.** Pursuant to the relevant acts, a Regulated Entity is obligated to report any material changes in its operations to the Authority. In the same vein, the Regulated Entity should consider whether it may disclose the material changes in its operations to its Clients to avoid a breach of Rule 10.1 or 10.4 above.	1) Consider including a timeframe 2) Without a defined materiality threshold in paragraph 10.6, VASPs will feel compelled to error on the side of over-reporting immaterial changes to CIMA, which introduces the following risks: Dilution of signal: Over-reporting reduces the usefulness of reports and disclosures.	Was 10.6 Now 12.6: The Authority acknowledges the request for further clarity on the materiality threshold and timing for reporting operational changes. 12.6, as drafted, aligns with the Authority's risk-based supervisory approach, and the interpretation of "material changes" is further supported under guidance now 12.7. The Regulated Entity is urged to maintain compliance with section 9 of the VASPA Act regarding material changes to the Authority and the requirements under Rules 12.1 and 12.4 when such changes will affect its compliance with these Rules.	*Amendment to the guidance* *12.6: Pursuant to the relevant Acts, a Regulated Entity should report material changes in its operations to the Authority where such changes are reasonably expected to significantly impact Clients' interests, regulatory compliance, or the Regulated Entity's risk profile. In the same vein, the Regulated Entity should consider whether to disclose such material changes to its Clients to avoid a breach of Rules 12.1 or 12.4.*

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		Operational burden for both VASPs and CIMA: Imposes unnecessary legal and operational costs on VASPs, and may result in resource constraints for CIMA, hampering its focus on genuinely high-risk issues. The suggested wording provides a structured, risk-based framework for determining what counts as material while preserving the regulatory intent of CIMA being notified of impactful changes. It aligns with global norms used by financial supervisory bodies for materiality determinations **<u>Suggested wording:</u>** 10.6 Pursuant to the relevant ~~acts~~ <u>Acts</u>, a Regulated Entity is obligated to report any material changes in its operations to the Authority <u>where such changes are reasonably expected to have a significant impact on client interests, regulatory compliance, or the Regulated Entity's risk profile</u>. In the same vein, the Regulated Entity should consider whether it may disclose the material changes its clients to avoid a breach of Rule 10.1 or 10.4 above.	While there is no specific statutory timeframe prescribed under the VASPA or the MAA for such reporting, the Authority expects that Regulated Entities notify it of material changes The Authority acknowledges the suggested typo edits to 12.6 and reworded for clarity.	
45.	**10. Public Disclosures** **10.7.** Material changes in a Regulated Entity's operation include, but are not limited to, the following occurrences: (a) breaches of security or significant operational changes;	The following changes are suggested pursuant to our feedback noted above under paragraph 10.6. **<u>Suggested wording:</u>**	Was 10.7, now 12.7 The Authority acknowledges the suggested revisions to expand the definition of material changes. While the Authority agreed that additional clarity was beneficial, the existing structure of Guidance 12.7	*Amendments to guidance 12.7* 12.7 Material changes in a Regulated Entity's operation include, but are not limited to, the following occurrences:

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	(b) any significant alteration to a VASP's operations or structure; (c) offerings that could impact Clients, stakeholders, or regulatory compliance; (d) service disruptions; (e) modifications to terms of service or fees; and (f) shifts in ownership or management.	10.7 Material changes in a Regulated Entity's operation may include, but are not limited to, the following occurrences <u>where such events are reasonably expected to have a significant impact on client interests, regulatory compliance, or the Regulated Entity's risk profile</u>: (a) breaches of security or significant operational changes; (b) any significant alteration to a VASP's operations or structure; (c) offerings that could impact Clients, stakeholders, or regulatory compliance; (d) service disruptions; (e) modifications to terms of service or fees; and (f) shifts in ownership or management.	already supports a risk-based interpretation by Regulated Entities. Accordingly, Guidance 12.7 has been amended to include an additional example of the sale or cessation of operations, further assisting Regulated Entities in identifying material changes.	(a) breaches of security or significant operational changes; (b) any significant alteration to a VASP's operations or structure; (c) offerings that could impact Clients, stakeholders, or regulatory compliance; (d) service disruptions; (e) modifications to terms of service or fees; (f) shifts in ownership or management; and (g) sale or cessation of the Regulated Entity's operations.
46.	**11. Cross-Border Transactions** **11.5.** A Regulated Entity should ensure that its Clients receive real-time updates regarding the status of cross-border transactions. Any delays or issues affecting cross-border transfers should be communicated to the affected Client without delay**.**	1) Paragraph 11.5 requires that a Regulated Entity ensure that its clients "receive real-time updates regarding the status of cross-border transactions". This push-notifications for all international transactions, which are very burdensome on the Regulated Entity and are likely to be unwanted by many Clients. **<u>Suggested wording:</u>** 11.5. A Regulated Entity should ensure that its clients <u>receive real-time updates have timely access to material updates</u> regarding	Was 11.5 now 13.4 The Authority acknowledges the suggested edits to Section 13.4 and has reworded it for clarity.	*Amendment to the guidance note* 13.4. A Regulated Entity should establish that its Clients are informed in real time ***whenever material updates arise regarding the status of cross-border transactions.*** Any delays or issues affecting cross-border transactions should be communicated to the affected Client without delay.

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		the status of cross-border transactions 2) Consider replacing the word "transfer" with the word "transactions".		
47.	**12. Trading on Own Account** **Rule 12.2.** A Regulated Entity must implement and maintain effective systems, controls, and procedures to prevent market manipulation, insider trading, and other abusive trading practices in connection with its proprietary trading activities.	1) This section requires implementation and maintenance of effective systems, controls, and procedures to prevent market manipulation, insider trading, and other abusive trading practices but limits this requirement to trading practices in connection with proprietary trading activities. Is it the Authorities intention that Regulated Entities are not required to implement these systems, controls and procedures for client/counterparty trading practices? This is inconsistent with the requirements for Trading platforms in the TP and Custody Rule. 2) We strongly support the inclusion of Section 12.2, which mandates that a Regulated Entity "Implement and maintain effective systems, controls, and procedures to prevent market manipulation, insider trading, and other abusive trading practices in connection with its proprietary trading activities". This provision is	Was 12.2 now 14.2 Regulated Entity's are required to comply with the Rules under the TP and Custody, which should be read in conjunction with this RSOG. In relation to systems and controls to prevent market manipulation, insider training and other abusive trading practices, Regulate Entity's involved must comply with Rule 14.2 when involved in proprietary trading. Rule 14.2 is intentionally focused on proprietary trading in line with the structure of Section 14 of the RSOG. This Rule reflects the mandates under Section 10(1)(b) and (d) of the VASPA to promote fair market conduct and require robust internal controls to prevent abusive trading practices. Additional guidance in new 14.3 was included to provide a (non-exhaustive) list of elements that should form part of the Regulated Entity's systems, controls and procedures to support compliance with the Rule.	*No Amendment on Rule* New Section: *Guidance note 14.3* ***14.3 Such systems, controls, and procedures should apply to all proprietary trading activities, whether conducted on-platform or off-platform. The systems controls and procedures include, but are not limited to:*** *(a)* ***Real-time surveillance capable of detecting abusive practices such as spoofing, layering, wash trading, front-running, and insider trading;*** *(b)* ***Automated alerting tools and data retention systems to support forensic analysis;*** *(c)* ***Documented escalation protocols and internal reporting for suspicious or cancelled orders;*** *(d)* ***Regular internal reviews and, where appropriate, independent audits of the effectiveness of controls;*** *(e)* ***Governance arrangements that clearly assign accountability for surveillance and order handling;***

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		foundational to establishing a credible market conduct regime for VASPs and is aligned with international expectations for mitigating abuse in complex, technology-driven trading environments Indeed, we believe that strict controls and policies and procedures must be in place, as well as appropriate public disclosures, transparency and annual reviews assessing VASPs should also clearly identify and disclose to customers how they protect their clients against front running. If permitted, it must be accompanied by ring-fencing, chinese walls, full real-time trade reporting, and cross-venue surveillance to detect self-dealing, information leakage, or preferential execution. Automated alerting and audit capabilities must be mandatory; potentially also additional independence requirements and decoupling of functions. Given the distinct characteristics and risks of cryptoasset markets—particularly around fragmented liquidity, high-speed execution environments, and hybrid market structures—it is essential that these systems and controls extend to both on-platform and off-platform		*(f)* ***Information barriers and trade handling rules to ensure a clear separation between proprietary and Client-facing activities.*** ***Additionally the Authority expects these systems, controls and procedures to be commensurate with the Regulated Entity's size, complexity, and risk profile and to include appropriate audit trails and escalation mechanisms.***

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		proprietary trading activity. We recommend that CIMA explicitly reflect this in the final version of the rule, by adding the words "on and off platform" to the end of Section 12.2. In our view, effective systems and controls should be clearly understood to include automated trade surveillance tools capable of detecting the full spectrum of encountered in digital asset markets. These include spoofing, layering, wash trading, tooting and bashing, cross-product price manipulation, insider trading, and self-dealing—across both centralised and decentralised venues. We suggest that CIMA include the following expectations in its interpretative guidance of Section 12.2: ● Continuous monitoring of all orders and transactions, not limited to post-trade analysis; ● Automated surveillance systems with alert generation, behavioural analytics, and cross-venue mapping; ● Model calibration and regular backtesting to adapt detection to evolving market patterns; ● Surveillance systems designed to support deferred replay and forensic analysis of		

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		the order book; ● Full audit trail generation and data retention compliant with data protection requirements; ● Capability to operate effectively in algorithmic and high-frequency environments; ● Clear separation of client-facing and proprietary trading functions, supported by Chinese walls, ring-fencing, and surveillance oversight. In addition to technological expectations, we recommend that CIMA mandate that Regulated Entities undertake annual internal reviews and independent audits of their market abuse controls. These reviews should assess the design and effectiveness of procedures, and result in documented improvements where weaknesses are identified. Furthermore, we encourage the Authority to require reporting of suspicious orders or transactions, including those that have been cancelled or modified, where there is reason market abuse has occurred or is likely to occur. Such reporting should be timely and follow clear internal escalation protocols.		

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48.	**12. Trading on Own Account** **Rule 12.3.** Proprietary trading must not compromise Client trading conditions or create unfair advantages	1) Consider adding the word "trading" after the "unfair". 2) We strongly support the principle articulated in Section 12.3: "Proprietary trading must not compromise client trading conditions or create unfair advantages." This statement addresses a central concern in crypto market structure—namely, the conflict of interest that arises when a Virtual Asset Service Provider (VASP) executes both client and proprietary trades through shared infrastructure or internalised order flows. In our view, this provision should be further reinforced by explicitly identifying the types of controls and governance mechanisms required to uphold fair treatment of clients and prevent the misuse of information or execution priority. We recommend that CIMA require Regulated Entities engaging in proprietary trading alongside client activity to implement the following safeguards: First, order sequencing controls must be established to ensure that client orders are not delayed, deprioritised, or strategically ignored in favour of proprietary trades. All proprietary or client-	Was 12.3 now 14.4 1) The Authority acknowledges the observation regarding the completeness of now Rule 14.4 and reworded it for correctness. 2) On the broader point, the Authority concurs that proprietary trading by a Regulated Entity must be subject to robust governance, surveillance, and disclosure expectations particularly where client and proprietary trades are executed using shared infrastructure. The Authority recognises the potential for execution bias, or the perception of unfair treatment, and therefore affirms the intent of Rule 12.4 to uphold market integrity and client trust. Rather than embedding operational specifics into the rule, the Authority will address the concerns raised through two detailed guidance notes (14.5 and 14.6). These will clarify expected internal controls, surveillance practices, governance structures, and execution principles applicable to proprietary trading alongside client activity.	Amendment on Rule ***14.4:*** Proprietary trading must not compromise Client trading conditions or create unfair ***trading*** advantages.

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		driven—should be treated based on transparent execution logic, such as time-price priority. Second, the rule should explicitly prohibit front-running and insider trading, particularly where firms are in possession of non-public information about incoming client flows. These practices are antithetical to market integrity and erode investor confidence in both the venue and the jurisdiction. Third, we suggest that this rule be further aligned with best execution principles. While the application of such rules may differ in the virtual asset context, the core objective remains consistent: to ensure that clients receive the best possible outcome, based on factors such as price, speed, and execution certainty. This can be supported by requiring pre- and post-trade transparency for client and proprietary activity; the use of execution quality metrics, including fill rate, latency, and spread comparison, to monitor the fairness of execution; and internal reporting obligations. Where VASPs operate as both broker and principal, CIMA should also consider mandating:		

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		• Clear disclosure of the firm's proprietary trading activities, especially where these occur alongside client flows; • Regular internal reviews of order handling policies, with surveillance oversight to validate adherence to fair execution practices; The use of trade surveillance systems capable of flagging patterns suggestive of front-running, order discrimination, or other preferential practices. Ultimately, we believe that Section 12.3 will be most effective when paired with robust surveillance expectations, measurable execution standards, and clear disclosure will not only deter misconduct, but also reinforce the Cayman Islands' building a trusted and internationally aligned regulatory framework for virtual asset trading.		
49.	**12. Trading on Own Account** **12.4.** A Regulated Entity should ensure that its proprietary trading activities are subject to appropriate internal controls, including but not limited to: (a) information barriers between proprietary and Client-facing functions; (b) fair and non-preferential access to liquidity and order execution; and (c) monitoring to detect and prevent conflicts of interest or preferential treatment.	1) 12.4 (c)Consider adding the word "continuous" before the "monitoring". 2) Section 12.4 mentions "information barriers" and "non-preferential access" in the context of proprietary trading. Further elaboration or illustrative examples of best practice could enhance clarity.	Was 12.4 now 14.5 The Authority acknowledges and supports the feedback provided on Guidance Note 12.4. **1) Continuous Monitoring (14.5(c))** The suggestion to insert the term "continuous" before "monitoring" is accepted. This revision strengthens the supervisory expectation for ongoing oversight and aligns with international standards for effective surveillance and conduct risk mitigation. **2) Further Clarity on Internal Controls** The Authority agrees that additional elaboration on the internal control expectations would enhance regulatory clarity. To preserve the principles-based	*Amendment to the guidance note* 14.5 A Regulated Entity should establish that its proprietary trading activities are subject to appropriate internal controls, including but not limited to: (a) information barriers between proprietary and Client-facing functions; (b) fair and non-preferential access to liquidity and order execution; and (c) ***continuous*** monitoring to detect and prevent conflicts of interest or preferential treatment.

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	These controls help ensure that Client orders are not disadvantaged and that the Regulated Entity acts in accordance with the principle of market fairness.		nature of the RSOG, a new Guidance Note 14.6 has been introduced. This provision outlines minimum expectations related to governance, conflict management, execution fairness, and periodic control assessments, without prescribing rigid operational models.	These controls help to ensure that Client orders are not disadvantaged and that the Regulated Entity acts in accordance with the principle of market fairness *New section 14.6* ***14.6 A Regulated Entity should establish that the internal controls outlined in 12.5 are supported by documented policies and procedures, including but not limited to:*** ***(a) governance arrangements that establish accountability for oversight of proprietary and Client-facing activities;*** ***(b) clearly defined procedures to identify, manage, and escalate conflicts of interest;*** ***(c) control mechanisms to ensure order execution practices do not favour proprietary trades over Client orders; and*** ***(d) periodic assessment of the effectiveness of information barriers and access controls.***
50.	**12. Trading on Own Account** **Rule 12.5.** A Regulated Entity must not use Client data to gain an unfair advantage in trading activities, including its proprietary trading.	We fully support the provision in Section 12.5, which states: "A Regulated Entity must not use Client data to gain an unfair advantage in trading activities, including its proprietary trading." This principle is essential to maintaining market fairness, client trust, and the integrity of the trading environment, particularly in a vertically integrated cryptoasset firm where trading, custody, and execution functions often coexist.	Was 12.5 now 14.7 The Authority welcomes the strong support for this Rule. To enhance clarity and enforceability, the prohibition has been retained in Rule 14.7, with a new Guidance 14.8 and amendment to 14.9 setting out the operational safeguards expected of Regulated Entities.	*Amendment to the Rule* ***Rule 14.7 A Regulated Entity must not use Client data to gain an unfair advantage in trading activities, including its proprietary trading.*** *New Section: guidance 14.8* ***To prevent such misuse and remain consistent with the Authority's expectations for market conduct and Client protection, a Regulated Entity should implement appropriate safeguards, including but not limited to::***

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		To give effect to this provision, we recommend that CIMA go further by mandating specific operational, surveillance, and governance measures to prevent the misuse of sensitive client information. First, Regulated Entities should be required to implement strong information barriers between their trading, custody, and execution functions. These barriers must go beyond policy and be supported by: ● System-level access controls, ● Audit trails of internal data queries, and ● Forensic monitoring capabilities to detect and investigate unauthorized access. Second, we recommend the clear separation of functional responsibilities—particularly between proprietary trading and client-facing operations—alongside the independence of the trade surveillance function. Surveillance teams must have the authority, access, and neutrality to monitor all activity objectively, including the use of client data by internal trading desks. Third, CIMA should require firms to adopt internal policies restricting the use of client metadata—such as trade sizes, limit prices, trading		***(a) Information barriers between proprietary and client-facing functions, supported by system-level access controls and audit trails;*** (***b) Independent surveillance functions with the authority to monitor internal and third-party data access; and*** ***(c) Maintenance of auditable records of how Client data is accessed, used, and protected.*** ***All use of Client data must remain consistent with the Authority's expectations for market conduct and Client protection.*** Amendment to the guidance note 14.9 ***Client data includes, but is not limited to, a Client's trade history, open or historical bid/ask positions, order book interactions, trading frequency, behavioural patterns, and any other transaction-related data or metadata that could inform or influence a Regulated Entity's trading strategy. Such data must not be accessed or used by proprietary trading teams unless it has been sufficiently anonymised and aggregated, and only where:*** ***(a) Its use is demonstrably in the Client's best interest, such as for suitability assessments; or*** ***(b) The Client has provided explicit, informed consent.***

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		frequency, and behavioural patterns—except where such use is demonstrably in the client's best interest (e.g. risk profiling for suitability assessments). In any case, the use of such data for internal optimisation or analytics must be subject to explicit client consent and proper anonymisation protocols. We also recommend that firms be required to conduct regular internal audits of data documented enforcement of data segmentation and confidentiality protocols. These audits should include a review of surveillance effectiveness, staff access privileges, and controls around any third-party data processing relationships. International regulatory precedents support this approach. For example, the UK FCA's DP25/1 highlights concerns around proprietary trading entities gaining access to client the potential requirement for separation within corporate groups. Similarly, under the EU's MiCA Regulation (Title VI), crypto-asset service providers are explicitly prohibited from using inside information. Incorporating these safeguards into the Cayman Islands' framework will ensure that client		***All access to Client data must comply with the requirements set out in Rule 14.7.***

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		data is handled responsibly and not exploited to the detriment of market participants. It also sends a strong signal to the global regulatory community that CIMA is committed to high standards of conflict management, data governance, and surveillance oversight.		
51.	**13. Virtual Asset Trading Platforms** **13.3** A VATP should establish and maintain systems, policies, and procedures for the proper handling and protection of material non-public information (MNPI), including, where applicable, information related to whether a virtual asset will be admitted or listed for trading on its VATP. Material non-public information includes any non-public data that, if disclosed, could influence a decision to buy, sell, or hold a virtual asset. This includes but is not limited to information about planned listings, delisting's, major upgrades, partnerships, or technical vulnerabilities. The VATP should take proactive measures to prevent the leaking or misuse of such information.	**Suggested wording:** 1) The reference to "de-listing's" in the final sentence of this paragraph should be changed to "de-listings".	Was 13.3 and now 15.8 The Authority acknowledges the observation regarding the completeness of guidance in 13.3 now 15.8 and reworded it for correctness.	*Amendment to the guidance note* 15.8 A VATP should establish and maintain systems, policies, and procedures for the proper handling and protection of material non-public information ("MNPI"), including, where applicable, information related to whether a virtual asset will be admitted or listed for trading on its VATP. MNPI includes any non-public data that, if disclosed, could influence a decision to buy, sell, or hold a virtual asset. This includes, but is not limited to, information about planned listings, ***de-listings,*** major upgrades, partnerships, or technical vulnerabilities. The VATP should take proactive measures to prevent the leaking or misuse of such information.
52.	**13. Virtual Asset Trading Platforms** **Rule 13.4.** VATPs must ensure that live pricing information, including the bid-ask spreads and transaction fees, are displayed clearly on its VATP or any other medium that it uses for providing access to its virtual asset services.	It is recommended that VATPs should also provide pricing information that is updated in real time and allow customers to be directed to the pricing compilation original data source.	Was 13.4 now 15.9 The Authority acknowledges the recommendation to require real-time pricing and links to underlying data sources. The Rule has been strengthened by expanding the transparency requirements around pricing policies and price-discovery mechanisms, rather than mandating specific data-source links. Further guidance is illustrated in New Guidance 15.13.	*Amendment to the Rule* 15.9 VATPs must make their pricing policies, including information on price discovery mechanisms, such as live pricing, real-time bid-ask spreads, and transaction fees, easily accessible and publicly available and prominently and clearly displayed on their website, platform, or any other medium used to provide access to their virtual asset services. New Guidance 15.13

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				15.13 For the purposes of Rule 15.9 and 15.10 above, VATPs should ensure that pricing information is continuously updated to reflect prevailing market conditions in real time. Where feasible, VATPs should enable Clients to access or be redirected to the original source(s) or the breakdown of pricing components used to compile the displayed pricing data, such as interchange rates and fees for each product and service provided. To prevent price manipulation and any unfair trading practices, price discovery methods should therefore include pre-trade and post-trade transparency, relating to the bid and offer prices, the depth of trading interests on prices advertised on trading platforms, and volume and transaction times. Overall, these measures aim to enhance transparency and support Clients in making informed decisions
53.	**13. Virtual Asset Trading Platforms** **13.6.** The Authority expects that the VATPS ensures that the real-time order book displays only non-sensitive data, such as aggregated order volumes, across all Communication Channels, while protecting individual order details, user identities, and any other private or proprietary trading information from being exposed to unauthorized parties.	**Suggested wording:** The reference to "VATPS" in this paragraph should be changed to "VATPs".	Was 13.6, now 15.16 The Authority acknowledges the observation regarding the completeness of guidance in 13.6 (now 15.16) and reworded it for correctness.	*Amendment to the Guidance Note* 15.16 The Authority expects that the VATP***s*** establish that the real-time order book displays only non-sensitive data, such as aggregated order volumes, across all Communication Channels, while protecting individual order details, user identities, and any other private or proprietary trading information from being exposed to unauthorised parties.
54.	**13. Virtual Asset Trading Platforms** **Rule 13.7.** A VATPs must disclose fee structures, including all applicable charges, upfront before the execution of any transaction.	**Suggested wording:** The reference to "VATPs" in this paragraph should be changed to "VATP"	Was 13.7, now 15.14 The Authority acknowledges the observation regarding the completeness of Rule 13.7 (now 15.14) and reworded it for correctness.	*Amendment to the Rule* 15.14 A VATP must disclose fee structures, including all applicable charges, upfront before the execution of any transaction

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55.	**14. Virtual Asset Custodians** **Rule 14.1.** A Virtual Asset Custodian must ensure Client Assets are segregated from the Regulated Entity's own proprietary assets.	Please see general comment relating to duplication between Market Conduct Rule and TP and Custodian Rule above. 1) Paragraph 14.1 states that: A Virtual Asset Custodian must ensure Client Assets are segregated from the Regulated Entity's own proprietary assets. Paragraph 11.1 of the TP and Custodian Rule states: *A custodian or trading platform that provides virtual asset custody services* *reasonable steps to protect client assets and ensure that client* *assets are clearly identified and segregated from proprietary assets, as well* as *assets of its group entities; b) establish a custody policy with internal rules and procedures to ensure the safekeeping or the control of such virtual assets, or the means of access to the virtual assets; and c) ensure that virtual assets and fiat funds belonging to clients are protected from third party creditors.* The TP and Custodian Rule is a more robust and appropriate approach to segregation. It could be interpreted that the Authority has created a newer rule covering segregation that is intended to modify the existing approach in the TP and Custodian Rule.	Was 14.1 now 16.1 The Authority acknowledged the feedback and agreed that additional clarity was needed. The Rule was retained and expanded to cover segregation across group entities, with accompanying guidance clarifying expectations for shared wallet infrastructure, transaction-fee handling, and pooled orderbooks.	*Amendment to the Rule**.*** 16.1 A Virtual Asset Custodian must ensure that Client assets are clearly identified and segregated from the proprietary assets of the Regulated Entity as well as assets of its group entities. New Section 16.3 **16.3 For the purposes of Rule 16.1 and 16.2 above, reflect these arrangements in the Client Agreement. In addition, segregation should include clear operational and legal separation of Client assets from those of the Regulated Entity and its group entities. Where shared wallet infrastructure or global systems are used, the Regulated Entity should demonstrate that Client assets attributable to its Cayman operations are clearly identifiable, auditable, and not exposed to claims by creditors of the Regulated Entity. Transaction fees initially received into Client wallets should be swept into proprietary wallets on a frequent and auditable basis. Where a global pooled order book is used, the Regulated Entity should ensure that Clients are afforded fair access, competitive pricing, and appropriate disclosures in line with the Authority's expectations regarding market conduct and transparency.**

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		For example, the proposed Market Conduct Rule does not require that client assets be segregated from the assets of the Regulated Entities group entities. This creates regulatory uncertainty as to whether client assets are required to be segregated from the assets of affiliated entities of a Regulated Entity. We recommend that Paragraph 14.1 be deleted as it only applies to Custodians and conflicts with Paragraph 11.1 of the TP and Custodian Rule. We fully endorse the principle of segregating client assets from VALR's proprietary assets. We seek clarification on three aspects: 1) Generally, virtual asset trading platforms will receive fees earned on transactions into the wallets that hold client assets. These fees are then swept into wallets holding proprietary assets on a regular basis (daily as an example) to ensure segregation. We assume that this is a practice that is acceptable to CIMA? 2) Does CIMA expect global virtual asset trading platforms to have different wallet infrastructure for their Cayman entities? In other words, does a global virtual asset trading platform require a BTC wallet in the Caymans as well as a separate BTC wallet for its		

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		global operations? Ideally, a single wallet infrastructure would be VALR's preference as it reduces costs, reduces engineering capacity constraints and increases monitoring efficiency. 3) Spinning off from the above, is a global pooled orderbook model acceptable to CIMA? In other words, is it acceptable that the same BTC/USDT orderbook is shown to customers signed up with the Caymans as well as signed up with a different VALR entity? Ideally, a global pooled orderbook model would be VALR's preference. This is to ensure that customers are given the best and safest experience on the platform, with mitigated liquidity risk, competitive pricing, reduced slippage, best execution and enhanced resiliency. We greatly appreciate your consideration of the above queries.		
56.	**Rule 14.2.** A Virtual Asset Custodian must implement robust security measures to protect Client funds.	**<u>1) Suggested wording:</u>** The reference to "funds" in this paragraph should be changed to "Assets". 2) Section 14.2 does not provide clear guidance as to what is considered robust security measures i.e. is it required to be SOC 1 / 2 accredited, have quarterly penetration testing done, have the equivalent of an annual CCSS Audit (Crypto Currency Security Standard Audit)	Was 14.2 now 16.6 The Authority acknowledges the comments on Rule 14.2 now 16.6, including the recommendation to replace the term "funds" with "assets" and the request for clarity on what constitutes "robust security measures." The Authority agrees that "assets" more accurately reflects custodial responsibilities and has amended the Rule accordingly. Rather than prescribe rigid standards (e.g., SOC 2 or CCSS), the Authority has introduced Guidance 16.7 setting out core elements expected of a robust security framework. This approach maintains flexibility, accommodates evolving best practices, and ensures alignment with international standards.	*Amendment to the Rule* ***16.6.*** A Virtual Asset Custodian must implement robust security measures to protect Client ***assets.*** New Section 16.7 ***For the purposes of Rule 16.6, robust security measures include the following, inter alia:*** • ***Multi-factor authentication and access controls;***

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		3)Consider inserting the words "and assets" after the word "funds"		• ***Secure key management protocols (e.g., management of public and private keys or other related methods by which virtual assets are held, or multi-signature or hardware security modules*** • ***Ongoing threat monitoring and intrusion detection;*** • ***Periodic penetration testing and independent third-party security assessments;*** • ***Business continuity and incident response plans.*** ***The Regulated Entity should maintain internal documentation to support the effectiveness of these measures such as audits and relevant accreditations and should make such documentation available to the Authority upon request.***
57.	**14.5.** A Virtual Asset Custodian should provide the Client with clear and accurate information on the nature of the storage methods, whether the assets are stored in 'hot wallets', 'cold wallets', or other forms of secure storage, and the associated benefits, risks, and security features of each method.	1) Consider mandating periodic updates (e.g., quarterly or annually) or disclosures if there is any change in storage methodology, especially when it introduces greater risk (e.g., increased reliance on hot wallets). 2) Consider requiring notificaton if there are changes - "Clients must be promptly notified of any material change in the custodian's storage methods or infrastructure	Was 14.5 now 16.10 The Authority acknowledges the comments on Guidance 14.5 now 16.10 regarding client disclosure of storage methods. In line with its mandate under section 10(1)(d) of the VASPA – Requirements for Safekeeping of Assets etc., the Authority agrees that stronger disclosure requirements will enhance client awareness and protection. The guidance has therefore been amended to **require** quarterly updates and prompt notification of any material change to storage methods or infrastructure, particularly where risk profiles may be affected.	*Amendment to the guidance note* *16.10:* A Virtual Asset Custodian should provide Clients with clear information on storage methods (e.g., hot, cold, or other secure storage) and the associated benefits, risks, and security features. The Custodian should: (a) provide at least quarterly an update summarising its current storage posture (including indicative allocation across storage methods) and confirm whether there have been material changes since the prior update (a "no material changes"

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				statement is acceptable where applicable); and (b) Promptly notify Clients of any material change to storage methods or infrastructure when it occurs, particularly where risk may increase.
58.	**Rule 14.6.** A Virtual Asset Custodian must report any breaches or unauthorised access to custody systems to the Authority and the specific affected Clients without delay.	1) Paragraph 14.6 requires that a Virtual Asset Custodian "report any breaches or unauthorized access to custody systems to the Authority and the specific affected Clients without delay". This timeframe is vague and may not allow time Custodian to investigate the matter sufficiently to determine its materiality or cause. Premature disclosure risks inaccurate information, panic withdrawals, and compromised investigations. Global norms allow longer notice windows (e.g., GDPR). **<u>Suggested wording:</u>** We suggest the following amendments to paragraph 14.6 to introduce a clear, realistic timeline, a materiality threshold, and a carve out for law enforcement: 14.6. A Virtual Asset Custodian must report any <u>material</u> breaches or unauthorized access to custody systems to the Authority <u>within 24 hours of detection</u>, and to the specific affected Clients without delay, <u>and in any event</u>	Was 14.6, now 16.11 The Authority acknowledged the feedback and agreed that clearer parameters were needed. The Rule was amended to establish materiality and reporting requirements, while the accompanying guidance clarifies timelines, client notification, and coordination with authorities	*amendment to the Rule* *16.11 A Virtual Asset Custodian must report any breaches or unauthorised access to custody systems to the Authority and the affected Clients* New Section 16.12 ***For the purposes of Rule 16.12, a Regulated Entity shall report any material breach or unauthorised access to its custody systems in a timely manner that upholds client protection, facilitates effective regulatory oversight, and preserves market integrity.*** ***a) Notification to the Authority: A Regulated Entity should notify the Authority no later than 72 hours after discovery of a material incident, as prescribed under the Authority's Rule and Statement of Guidance on Cybersecurity for Regulated Entities.*** ***b) Notification to Clients: In the same vein, affected Clients should be notified promptly after notification to the Authority, once the nature and impact of the breach have been reasonably assessed, and***

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		within 72 hours, subject to any lawful instructions from Governmental, regulatory or investigative authorities. 2) Could the Authority kindly provide further guidance on how "without delay" is interpreted in this context? Similar types of legislation imposes timeframes for reporting of unauthorized access or breaches.		***in any event no later than 72 hours from detection, unless otherwise directed by investigative or regulatory authorities.*** c) ***Recordkeeping: All incidents, whether material or not, must be documented internally, including the timeline of detection, actions taken, and any reasons for delay in reporting. These records must be made available to the Authority upon request.***
59.	**Rule 14.7** A Virtual Asset Custodian must ensure timely and consistent reconciliation of Client asset balances at suitable intervals and provide Clients with verification mechanisms.	Consider describing what "verification mechanism" entails?	Was 14.7, now 16.13 The Authority acknowledges the request for clarification on the term "verification mechanism." In response, Rule 14.14, now 16.13, has been amended and new Guidance 16.15 introduced to clarify the Authority's expectations. These changes provide greater clarity on secure and auditable verification practices while maintaining a principles-based approach.	*Amendment to Rule 16.13* 16.13 A Virtual Asset Custodian must ensure the timely and consistent reconciliation of Client asset balances at suitable, frequent intervals to ensure that Clients' account balances or positions are accurate. The Virtual Asset Custodian must also provide Clients with applicable mechanisms to verify their balances or positions. New section 16.15 ***16.15 Reconciliation and verification mechanisms may be automated, comprising a secure and auditable process that enables a Client to confirm the existence and accuracy of their custodied asset balances, which are applied to correct wallet addresses without undue delay, without compromising the security or confidentiality of other Clients. Acceptable mechanisms may include, but are not limited to:***

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				(a) Secure Client account statements or read-only portals; and ***(b) Access to On-chain or tagged wallet addresses.***
60.	**Rule 14.8.** A Virtual Asset Custodian must maintain an insurance policy that adequately covers potential losses from theft, fraud, or cybersecurity breaches related to the provision of virtual asset custody services.	1) Paragraph 14.8 requires that a Virtual Asset Custodian maintain insurance that "adequately covers potential losses from theft, fraud, or cybersecurity breaches". Insurance for such things is scarce and premiums can be prohibitive. **<u>Suggested wording:</u>** We suggest the following amendments to paragraph 14.8, which are in-line with standard contractual terms where insurance is required: 14.8. A Virtual Asset Custodian must maintain, <u>to the extent available on commercially reasonable terms</u>, an <u>appropriate</u> insurance policy that adequately covers potential losses from theft, fraud, or cybersecurity breaches related to the provision of virtual asset custody services. 2) We understand and appreciate the intention to mitigate the risk of potential loss from theft, fraud, or cybersecurity breaches in this clause. From practical experience in other jurisdictions (Dubai and South Africa as examples) it is important to	Was 14.8 now moved to 8.1 The Authority acknowledges the concerns raised regarding the availability and cost of insurance coverage for virtual asset custody services. In response, the Rule has been amended, and new Guidance 8.2 and 8.3 have been introduced to clarify expected coverage and outline when alternative risk-mitigation measures may be permitted	***Amendment to the Rule*** 8.1 Where applicable, a Regulated Entity must maintain insurance protections to the satisfaction of the Authority, including the following: (a) professional liability of senior officers; (b) theft or loss of Client assets held in custody; (c) business interruption; and (d) cyber security. ***New sections*** ***Guidance 8.2*** 8.2 Insurance coverage carries an added layer of security, ensuring that Clients are safeguarded against potential losses and can trust the Regulated Entity to act responsibly and transparently. The level of insurance cover that a Regulated Entity holds should be based on the products and services that it offers and its scale of operations. Consideration should be given to the following risks: (a) loss or theft of virtual assets belonging to Clients; (b) loss of documents; (c) misrepresentations or misleading statements made; (d) acts, errors, or omissions resulting in a breach of: (i) legal and regulatory obligations; (ii) the duty to act honestly, fairly, and professionally towards Clients; and

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		highlight that it is extremely difficult to obtain insurance coverage for virtual asset custody services. This is due to a number of factors such as the nascent nature of the industry as well as the unique risks that the industry poses. Insurance companies that are willing to offer such coverage do so with significant exclusions and most premiums. These premiums make it economically unviable for virtual asset trading platforms to operate and hinders growth in the area due to the high barrier to entry (as can be seen from a jurisdiction like Dubai where there are very few fully operational virtual asset trading platforms). We respectfully request that this requirement be re-evaluated with potential alternative risk mitigation strategies such as: ● Regular auditing ● Clear risk disclosures ● Self-insurance ● Potential phased implementation which would allow the insurance market to mature. We are committed to working collaboratively with CIMA to develop regulations that foster a secure and innovative virtual asset environment.		(iii) confidentiality obligations; and (e) failure to establish, implement and maintain appropriate procedures to prevent conflicts of interest. *New Guidance 8.3* *8.3 Where a Regulated Entity is unable to obtain such insurance coverage, it should notify the Authority and provide reasonable evidence of unavailability. In such cases, the Authority may permit the use of alternative risk mitigation measures, taking into account the nature, scale, complexity, and risk profile of the custody services provided. These may include alternatives such as:* *(a) Regular independent audits;* *(b) Enhanced cybersecurity and operational safeguards; and* *(c) Self-funded reserves or risk-based capital (as a form of self-insurance).* *All alternative measures would be subject to the approval of the Authority, in advance, and should offer a level of protection broadly equivalent to that of insurance. This exception is not intended to serve as a default alternative to insurance but as a limited accommodation in exceptional cases. Furthermore, the Authority may subject the Regulated Entity to review any self-insurance cover on at least an annual basis, considering the proportionality principle.*

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61.	**Rule 14.7 & 14.8** 14.7. A Virtual Asset Custodian must ensure timely and consistent reconciliation of Client asset balances at suitable intervals and provide Clients with verification mechanisms. 14.8. A Virtual Asset Custodian must maintain an insurance policy that adequately covers potential losses from theft, fraud, or cybersecurity breaches related to the provision of virtual asset custody services.	These sections read together with the VASP Act might cause confusion as there is duplication between the RSOG and VASPA, recommend to only address these items in one or the other	The Authority acknowledges the comment regarding duplication between the Market Conduct RSOG and the Custodian and Trading Platform Rule and Statement of Guidance. This duplication has been addressed through the repeal of the corresponding measures and their consolidation into this Market Conduct RSOG. The reconciliation and verification requirements, together with the insurance measures, have therefore been retained and clarified within this RSOG to ensure a single, consistent framework for Virtual Asset Custodians.	*Refer to the above cell that represents 14.7 & 14.8*