



# **REGULATORY PROCEDURE**

## **Cancellation of Licences, Registrations, or Waivers for Virtual Asset Service Providers**

**September 2025**

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## List of Acronyms

<b>AML</b>	Anti-Money Laundering
<b>AMLRs</b>	Anti-Money Laundering Regulations'
<b>CIMA</b>	Cayman Islands Monetary Authority
<b>CFT</b>	Countering the Financing of Terrorism
<b>MAA</b>	Monetary Authority Act
<b>SARs</b>	Suspicious Activity Reports
<b>VASPs</b>	Virtual Asset Service Providers
<b>VASPA</b>	Virtual Asset Service Providers Act

## Regulatory Procedure Cancellation of Licences, Registrations, or Waivers for Virtual Asset Service Providers

### 1. Introduction

- 1.1. This document establishes the Cayman Islands Monetary Authority's (the "Authority" or "CIMA") *Regulatory Procedure for Cancellation of Licences, Registrations, or Waivers for Virtual Asset Service Providers ("VASPs")*. The Procedure should be read in conjunction with the following:
- a) *Rule – Cancellation of Licences, Registrations, or Waivers for Virtual Asset Service Providers;*
  - b) Virtual Asset (Service Providers) Act ("VASPA"); and
  - c) any other relevant Acts and regulatory measures issued by the Authority from time to time.

### 2. Interpretations

- 2.1. The following definitions are provided for this Regulatory Procedure:
- 2.1.1. **"Cancel" or "Cancellation"** refers to the termination of a licence, registration, or waiver issued under VASPA, irrespective of the cause. This includes voluntary surrender, voluntary liquidation, or withdrawal of the licence, registration, or waiver.
  - 2.1.2. **"Stakeholders"** refers to VASP's clients, investors, or other concerned third parties (together referred to as "stakeholders").
  - 2.1.3. **"Operator"** is as defined under section 2 of the VASPA.
  - 2.1.4. **"Virtual Asset Service"** has the same meaning as contained in the VASPA.
  - 2.1.5. **"VASP"** means a Virtual Asset Service Provider as defined under section 2 of the VASPA.
  - 2.1.6. All other terms used in this Procedure shall have the same interpretations as contained in the VASPA, unless otherwise specified herein.

### 3. Statement of Objectives

- 3.1. To protect the interests of stakeholders, and to provide a clear framework by which VASPs are made aware of:
- a) the necessary steps and documentation required to confirm the cessation of business operations as a VASP, or ceasing only virtual asset activities while continuing other regulated operations;
  - b) the considerations and steps followed by the Authority to cancel a licence, registration, or waiver pursuant to the VASPA;

- c) the assurance or evidence required by the Authority that the VASP has not been or is not being wound up, transferred, merged, converted, or otherwise ceasing virtual asset service business operations as a licensed or registered VASP in a way that is prejudicial to stakeholders.
- 3.2. The measure is consistent with the Authority's statutory objectives as prescribed in the Monetary Authority Act ("MAA"), including:
  - a) promoting and maintaining a sound financial system in the Cayman Islands;
  - b) enhancing market confidence by ensuring transparent and orderly cancellation procedures;
  - c) protecting the reputation of the Cayman Islands as a well-regulated jurisdiction for virtual asset services by upholding international regulatory standards; and
  - d) safeguarding stakeholders' interests by ensuring the proper management of client assets and the resolution of financial or operational obligations during cancellation.

## 4. Scope of Application

- 4.1. This procedure applies to the VASPs that:
  - a) have chosen to cease provision of virtual asset services permanently and/or are winding down operations in the Cayman Islands;
  - b) have been registered, licensed, or granted a waiver by the Authority, but never initiated virtual asset service business activities or client interactions or transactions;
  - c) are discontinuing business in the Cayman Islands or relocating operations to another jurisdiction; or
  - d) are voluntarily seeking to cancel their licence, registration, or waiver pursuant to the provisions of the VASPA.
- 4.2. Involuntary cancellations, including those resulting from regulatory breaches or enforcement actions, are not covered under this measure and are addressed separately under the Authority's enforcement powers, vested in the MAA and associated regulations and published in the *Enforcement Manual – The Regulatory Handbook, Volume 2*.
- 4.3. References to any Act or regulation shall be construed as references to those provisions as commenced, amended, modified, re-enacted or replaced from time to time.

## 5. General Conditions for Cancellation

- 5.1. *Good Standing*  
The Authority validates that the VASP seeking to cancel a licence, registration, or waiver is in good standing on the date of its cancellation. Good standing means that the VASP is up to date with filing all supervisory reports and fee payments; this includes audited financial statements or management accounts (as required); remediated all requirements imposed as a part of the Authority's

ongoing monitoring including examination or other supervisory activities that was conducted as applicable; resolved any outstanding regulatory obligations with the Authority; and the directors and UBO continue to remain fit and proper persons.

5.2. *AML and Sanctions Compliance*

To confirm that the VASP has satisfied all Anti-Money Laundering ("AML") and Countering the Financing of Terrorism ("CFT") requirements, the Authority verifies that the VASP has:

- 5.2.1. provided confirmation from its Compliance Officer or equivalent person attesting that all AML/CFT systems and procedures for compliance with the Anti-Money Laundering Regulations have been finalised, and no suspicious transactions remain under review. This may be submitted as either (a) a notarised or similarly certified document, or (b) a notarised affidavit signed by the Compliance Officer or equivalent person.
- 5.2.2. provided confirmation from its Compliance Officer or equivalent person that the VASP is in compliance with sanctions requirements, including that all transactions screening processes have been completed, any potential matches have been investigated and resolved, and no transactions involved a sanctioned person, entity or jurisdiction. This submission may be provided as either (a) a notarised or similarly certified document, or (b) a notarised affidavit signed by the Compliance Officer or equivalent person. The certification should confirm that no transaction involved a sanctioned person, entity, or jurisdiction and may be submitted in electronic or hard copy format, provided it is signed and verifiable.

5.3. *Stakeholder Communication*

The Authority reviews documentation provided by the VASP to demonstrate that all relevant stakeholders were informed of the cancellation. This may include, but is not limited to, copies of client notifications, instructions for asset withdrawals, and evidence of client services continuity, including access to any client assets held on behalf of clients.

- 5.3.1. The Authority may consider as valid documentation evidence verified by an independent third party in accordance with an agreed-upon procedure. This may include copies of formal notifications sent to clients or stakeholders, confirmation letters, logs of client correspondence, or other forms of verifiable documentation. Where applicable, confirmation that all relevant agreements or relationships have been cancelled and that there are no ongoing or outstanding obligations or liabilities to stakeholders should also be provided.
- 5.3.2. The Authority may request copies of final notices, client communications, and distribution confirmations to verify that all stakeholders were informed by the VASP of the cessation of business.
- 5.3.3. The Authority expects that stakeholder notifications occur in advance of cessation and that relevant supporting documents are submitted as part of the cancellation application. Additional follow-up may be requested where gaps in documentation are identified.

5.4. *Multiple Licences or Registrations*

If the VASP holds another licence or registration with the Authority, under another regulatory Act, and the activities conducted under that other regulatory Act are also ceasing, the Authority will substantiate that the necessary procedures have been followed. The VASP is expected to initiate cancellation procedures per the requirements of each applicable Act.

5.5. *Verification that no other unresolved regulatory matters exist.*

The Authority may seek to verify documentation to substantiate that the VASP has no other outstanding regulatory matters, which may include but are not limited to, the completion of AML Surveys, Travel Rule Reports, or on-site inspection reports, pending requests or changes in ownership or directors or senior officers.

## 6. **Core Information for Cancellation**

In the process for cancellation, the Authority assesses the VASP's submission of the following core information to the Authority, regardless of the VASP's reason for cancellation:

6.1. *Notification for Cancellation*

The Authority receives and reviews a formal letter of intention and any additional documentation prescribed by the Authority, for the cancellation of licence, registration, or waiver. The letter should include the following details:

- 6.1.1. a clear statement of intent to cancel the licence, registration, or waiver;
- 6.1.2. the effective date of the intended cessation of operations;
- 6.1.3. an explanation of the rationale for cancellation;
- 6.1.4. confirmation that all statutory, regulatory, and financial obligations have been fulfilled; and
- 6.1.5. a contact person for any further correspondence regarding the cancellation, who has direct knowledge of the cancellation process or is an authorised representative of the VASP.

6.2. *Licence, Registration, or Waiver document*

The original licence, registration, or waiver document from the Authority that granted the licence, registration, or waiver to the applying VASP is to be returned. If the licence, registration, or waiver document is lost, a notarised affidavit is to be signed by the VASP's operators affirming the loss and to return it to the Authority if found. This requirement is not applicable where an electronic document was issued by the Authority (including any credentials relating to the VASP's change of name).

6.3. *Fees*

If there is a prescribed fee associated with the voluntary surrender of the VASP's licence, registration, or waiver, the Authority will confirm that the VASP made the full payment of such fee.

6.4. *Resolution*

A certified copy of the resolution or other formal documentation evidencing approval of the cessation of business by the VASP Board of Directors or equivalent governing body (and/or stakeholders, where applicable) and indicating the effective date of business cessation.

6.5. *Final Audit Report*

The Authority reviews the submission of a final audit report conducted by an auditor approved by the Authority, covering the period from the date of the last submitted audited financial statements to the final day of business operations (the "period"). Depending on the size, nature, and complexity of the entity, the Authority may accept alternative documentation in lieu of a final audit report. Where the VASP has not engaged an auditor, the Authority will specify the agreed-upon procedure to be conducted by an independent third party, on a case-by-case basis. This may include, but is not limited to: evidence confirming that the entity had no assets or liabilities as at the final day of business operations, and that no significant transactions occurred during the period.

6.6. The final audit report or management accounts include but are not limited to:

6.6.1. a reflection of all assets, liabilities, equity, income, and expenses up to the final day of business operations, verifying that client funds whether in fiat or virtual assets were appropriately handled, distributed, or transferred. Where client assets were converted to proprietary assets under contractual terms, the VASP must demonstrate that such treatment was lawful, disclosed, and managed in accordance with applicable regulatory and fiduciary obligations.

6.6.2. any final client transactions, settlements, asset transfers or disclosures, ensuring transparency in closing procedures.

6.6.3. for the final audit report, an independent auditor approved by CIMA conducts the audit to assess the accuracy and completeness of the financial statements, including financial activity up to the final day of business operations.

6.7. *Additional financial records*

The Authority may request additional information from the VASP, its auditors, or authorised representatives to substantiate any material inconsistencies or findings that are identified in the audited financial statements or management accounts submitted, particularly in relation to high-value transactions or unresolved client distributions.

6.8. *Evidence of Asset Reconciliation and Liability Resolution*

The Authority will assess the evidence that VASP has demonstrated the reconciliation of client assets and the resolution of financial liabilities. This evidence ensures the orderly cessation of operations and the protection of stakeholder interests. The submission may include the following:

6.8.1. a summary of client account closures, including transfers or returns of assets, with supporting documentation, which may include bank transfer records, blockchain transaction records etc.;

6.8.2. details of outstanding liabilities and the steps taken to resolve them; and



- 6.8.3. confirmation that no pending legal or financial claims exist. Where appropriate, taking into account the size, complexity, or nature of the VASP's business, the Authority may request supporting documentation such as legal confirmations or correspondence with relevant parties to substantiate this declaration.

## 7. Specific Requirements Based on the Reason for Cancellation

- 7.1. The Authority will consider a request to cancel to be complete when it receives the core requirements under **Section 6** above, along with any additional specific documentation relevant to the reason for the cancellation.
- 7.2. This section outlines the specific requirements that the Authority assesses based on the reason that the VASP is applying for a cancellation. This section of the Procedure lists some of the reasons for cancellation and the corresponding additional documentation that is required. Where the VASP is also licensed or registered under another regulatory Act, additional requirements under that Act may apply and must also be satisfied prior to cancellation.
- 7.3. *Ceasing to Carry on Business*  
In cases where the VASP's cancellation is due to the cessation of business, the Authority evaluates the VASP's submission of a cessation plan. This plan may be affirmed by an authorised representative of the VASP, such as a director, officer, or, where applicable, a liquidator. The main objective is to ensure that all the clients' assets of the VASP have been, or will be transferred or closed, with proper documentation. The Authority considers the following step-by-step elements of the cessation plan<sup>1</sup>.
- 7.3.1. explain the rationale behind the decision to cease providing virtual asset services, including relevant details, such as business decline, or strategic redirection etc;
- 7.3.2. confirm that all statutory and regulatory obligations, including annual filings and AML compliance, have been met;
- 7.3.3. confirm that all stakeholders have been notified of the cessation, including the timeline for closure and instructions for any actions required on their part;
- 7.3.4. verify that all outstanding virtual asset holdings or client assets been distributed or securely transferred. This includes a record of asset returns, transfers to other custodians, novation agreements, or direct client withdrawals with relevant supporting documentation. Where assets were novated to another entity, the Authority expects evidence that clients were informed, in a timely manner, and provided a choice;
- 7.3.5. confirm that there are no outstanding claims, complaints, disputes, investigations or financial obligations that would impede the cessation of business;

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<sup>1</sup> This plan may be submitted as part of the letter of intention under Section 6.1 or as a separate document, provided it addresses all the elements set out in Section 7.3.

- 7.3.6. specify the intended status of the legal entity post-cessation of the virtual asset services, such as continuing operations in a different capacity, remaining dormant, or seeking strike-off from the General Registry in the Cayman Islands; and
- 7.3.7. where the VASP anticipates a voluntary wind-down, include a statutory declaration of solvency, confirming that sufficient resources are available to support an orderly and timely winding down of the entity.

7.4. *Voluntary Liquidation*

In a case where the VASP opts to conduct a voluntary liquidation process and appoints a third-party liquidator, the Authority reviews the following additional oversight documentation, to promote asset protection and orderly closure:

- 7.4.1. a copy of the official notice of liquidation, filed with the Registrar of Companies in the Cayman Islands, should be submitted to the Authority within 15 days of the decision to initiate the liquidation process. This notice confirms the liquidation status and provides the initial date of the liquidation process.
- 7.4.2. a written and notarised statement by the appointed liquidator consenting to act as the liquidator for the VASP, including a stamp affixed by the relevant Registrar to confirm the liquidator's authority and compliance with Cayman Islands law.
- 7.4.3. a notarised affidavit from the liquidator comprising of the following verifications:
  - 7.4.3.1. the circumstances leading to the liquidation, such as financial difficulties, a strategic decision by stakeholders, or market conditions affecting viability or otherwise;
  - 7.4.3.2. that all client and stakeholder assets have been distributed correctly and in line with the VASP's contractual and fiduciary obligations;
  - 7.4.3.3. the records of final distributions, include but not limited to bank confirmations, blockchain transaction records or wallet transfer proofs or any other verifiable documentation specific to crypto-asset transactions, as evidence of settlement; and
  - 7.4.3.3. that during the liquidation process, no fraud, mismanagement, or financial irregularities were identified; or, if any such instances occurred, a report is provided outlining the issues and corrective actions taken during the liquidation process.
- 7.4.4. where the VASP holds complex or illiquid assets on its balance sheet, voluntary liquidation is expected to be carried out with oversight by a qualified liquidator as defined in the Insolvency Practitioner Regulations. The Authority will review relevant documentation to confirm the appointment and qualifications of the liquidator in accordance with applicable legal requirements.

7.5. *Court-Supervised or Court-Appointed Liquidation*

In a case where the VASP is undergoing a court-supervised or court-appointed liquidation, the Authority evaluates the following submissions:

- 7.5.1. a certified copy of the court-issued winding-up order from the Grand Court of the Cayman Islands (the "Court"). This document is substituted for the core requirement related to fee payments in **Subsection 6.3** above.
- 7.5.2. certified copies of each of the liquidator(s) filings of periodic reports with the Court detailing progress on the liquidation and adherence to statutory duties. The Authority also evaluates the following information within these reports:
  - 7.5.2.1. the progress or updates on the distribution of client assets and the management of liabilities; and
  - 7.5.2.2. confirmation that the liquidation process aligns with the court's instructions, including any court-mandated distributions or settlements.

7.6. *Transfer to Another Jurisdiction*

In cases of cancellation of a licence, registration, or waiver for a VASP due to transfer of the VASP's operations to another jurisdiction, the Authority assesses a number of documents from the VASP including, but not limited to:

- 7.6.1. a notarised affidavit from the VASP, which comprises of comprehensive explanations of the following:
  - 7.6.1.1. a clear rationale for the relocation, such as strategic expansion, regulatory benefits, or client demand;
  - 7.6.1.2. the specific destination jurisdiction where the VASP will operate post-transfer; and
  - 7.6.1.3. affirmation that the VASP has complied with regulatory requirements in the Cayman Islands up to the transfer date and has initiated steps to meet the legal obligations in the new jurisdiction, including any preliminary approvals or registrations, as required.
- 7.6.2. documentation evidencing progress toward conditional or full regulatory approval from the other regulatory authority in the new jurisdiction, confirming that the VASP is eligible to operate under that jurisdiction's laws, where applicable. This can include:
  - 7.6.2.1. official documentation from the new regulator granting approval or in-principle consent for the VASP's operations; and
  - 7.6.2.2. a summary of any outstanding conditions or requirements the VASP is required to fulfil to comply with the laws in the new jurisdiction.

7.7. *Virtual Asset Service Providers that never carried on business*

If a licensed, registered, or waiver holding VASP is seeking to cancel but has never carried out any business over the life of its licence, registration, or waiver the Authority evaluates both internal and external confirmation of non-operation through the following documentation:

7.7.1. a notarised affidavit from the VASP's Board of Directors or equivalent governing body explaining why the business was not commenced, including any external or internal factors that contributed to the decision, and the following confirmations:

7.7.1.1. no transactions were conducted, or no client accounts were opened under the VASP's registration; and

7.7.1.2. no client agreements were entered into, no client funds were collected or retained, or if any client funds were collected, they were returned in full before the notice for cancellation.

7.7.2. a notarised affidavit prepared and signed by at least two Directors or a party acceptable to the Authority. The affidavit confirms that the VASP has never carried on business and includes evidential documents supporting the verification of the following:

7.7.2.1. that no transactions were executed or processed; and

7.7.2.2. that any initial client deposits or subscriptions, if collected, were returned promptly.

7.8. *Does Not Meet the Definition of a VASP*

7.8.1. If an entity no longer meets the definition of a VASP under the VASPA, the Authority may consider and review the relevant documentation to ascertain whether all regulatory requirements for cancellation are in order, including confirmation that the change in business model has been communicated to the Authority and any necessary approvals or acknowledgments have been received.

7.8.2. If an entity no longer meets the definition of a VASP under the VASPA (for example, because of a restructuring or a change in its business model) the Authority assesses the following documentation:

7.8.2.1. a notarised affidavit from the entity comprising the following details:

7.8.2.1.1. the rationale that renders the entity outside of the VASP definition under the VASPA; and

7.8.2.1.2. confirmation of the date of cessation of virtual asset services.

7.8.2.2. A statement from the VASP confirming that all client assets have been managed according to compliance with AML/CFT standards and other regulatory requirements, including:

7.8.2.2.1. confirmation that client assets were returned or transferred to another compliant entity; and

7.8.2.2.2. assurance that all outstanding regulatory and financial obligations have been met.

7.8.3. In cases where the definition of a VASP has changed due to amendments to the VASPA, the Authority will assess whether the entity's activities fall within the updated definition. If not, the Authority will follow the same documentation requirements outlined in **Section 7.8.2** to ensure compliance and orderly cancellation.

7.9. *Lapse of a licence or registration due to the non-payment of the applicable renewal fees*

7.9.1. In cases where the VASP's licence or registration lapses due to the non-payment of renewal fees and associated surcharges, the Authority will consider a statement from the VASP clearly explaining the causes for such non-payment.

7.9.2. The Authority may also consider the provisions set out under section 5 (5) to (7) of the VASPA to waive any additional fees for good cause.

## **8. Additional Key Considerations and Information**

8.1. In assessing whether the VASP has no remaining obligations at the time of the request for the cancellation of a licence, registration, or waiver, the Authority may request additional prescribed information to complete the evaluation and grant approval on a case-by-case basis.

## **9. Public Notice**

9.1. The Authority may publish a public notice in the Cayman Islands Gazette announcing the cancellation of a licence, registration, or waiver.



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