



RULE

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

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List of Acronyms

AML	Anti-Money Laundering
CFT	Countering the Financing of Terrorism
CPF	Counter Proliferation Financing
MAA	Monetary Authority Act
VASP	Virtual Asset Service Provider
VASPA	Virtual Asset Service Provider Ac

Rule 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") *Rule on Cancellation of Licences, Registrations, or Waivers for Virtual Asset Service Providers* (hereinafter referred to as the "Rule").
- 1.2. The Rule should be read in conjunction with the following:
 - a) *Regulatory Procedure - 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/or regulatory measures issued by the Authority from time to time.

2. Interpretations

- 2.1. The following definitions are provided for the purpose of this Rule:
 - 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. **"VASP"** means a Virtual Asset Service Provider as defined under section 2 of the VASPA.
 - 2.1.4. **"Virtual Asset Service"** has the same meaning as defined in VASPA.
 - 2.1.5. All other terms used in this Rule shall have the same interpretations as contained in the VASPA, unless otherwise specified herein.

3. Statement of Objectives

- 3.1. To set out the Authority's rules on the requirements for Virtual Asset Service Providers ("VASP") with regards to the cancellation of licences, registrations, or waivers (together referred to as "cancellation"). Its objectives include, but are not limited to:
 - a) promoting compliance with the relevant regulatory obligations during the cancellation, including but not limited to those related to financial reporting, disclosures, and AML/CFT/CPF/Sanctions requirements;
 - b) ensuring client assets or services are adequately safeguarded during the cancellation process, including facilitating the proper transfer, return, or protection of client assets;

- c) supporting market integrity and protection of stakeholders' interests by requiring transparency and accountability; and
 - d) facilitating the orderly exit of VASPs in a manner that supports regulatory compliance and protects the interests of clients and other stakeholders.
- 3.2. The Rule is consistent with the Authority's statutory objectives as prescribed in the Monetary Authority Act ("MAA"), including but not limited to:
 - a) maintaining a sound financial system in the Cayman Islands;
 - b) acting in the best economic interest, and using the resources of the Islands in the most efficient and economical way;
 - c) promoting market confidence and consumer protection; and
 - d) protecting the reputation of the Cayman Islands through upholding international regulatory standards.

4. Statutory Authority

- 4.1. Section 34(1)(a) of the MAA provides that:

"After private sector consultation and consultation with the Minister charged with responsibility for Financial Services, the Authority may –

issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees, and any other persons to whom and to the extent that the regulatory laws may apply;".

5. Scope of Application

- 5.1. This Rule applies to all VASPs regulated by the Authority that:
- a) have chosen to cease the 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.
- 5.2. 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*.
- 5.3. 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. For the avoidance of doubt, this document applies to the acts or regulations to the extent that such provisions in those acts or regulations are in force.

6. Rules

- 6.1. A VASP intending to cease its Virtual Asset Service operations must notify the Authority in writing within 15 days of the date on which the decision to cease its Virtual Asset Service operations is made.
- 6.2. Where a VASP has not commenced virtual asset service business within one year of the date of the grant of the licence, registration, or waiver, it must notify the Authority in writing at least 15 days prior to the expiration of the one-year period if it anticipates it will not commence business within that timeframe. The notification must also state, where applicable, whether the VASP does not intend to commence business at all.
- 6.3. A VASP must ensure compliance with VASPA and any other applicable Acts, and provide any information reasonably required by the Authority to evaluate its compliance, including information relevant to the cessation of its Virtual Asset Service operations. In meeting these obligations, a VASP must adhere to the documentation and procedural steps outlined in the *Regulatory Procedure – Cancellation of Licences, Registrations, or Waivers of Virtual Asset Service Providers*, which provides a non-exhaustive list of documentation that may be requested, depending on the circumstances¹.
- 6.4. The VASP must ensure that all stakeholders are accurately informed of the cancellation in accordance with the *Regulatory Procedure—Cancellation of Licences, Registrations, or Waivers for Virtual Asset Service Providers*.
- 6.5. A VASP must take all necessary steps to protect and secure its clients' data and clients' assets (including virtual assets) in accordance with the relevant Acts and/or regulatory measures.
- 6.6. A VASP must comply with any conditions or restrictions imposed by the Authority to, among others, safeguard client interests (including data and assets) and ensure compliance with the relevant Acts.
- 6.7. A VASP must notify the Authority of any material changes, including those that may impact its regulatory good standing during the cancellation process. Such notification is expected within 15 days of the VASP becoming aware of the material change. Material changes may include, but are not limited to, significant financial events, legal proceedings, or changes in control.

7. Enforcement

- 7.1. Whenever there has been a breach of any of the above Rules, the Authority may impose penalties pursuant to section 34 of the MAA. In addition, the Authority's policies and procedures as contained in its enforcement manual, and any other powers provided by the VASPA and the MAA will apply.

¹ These may include, depending on the circumstances, affidavits, cessation plans, client asset reconciliation records, compliance confirmations, and liquidation documents, among others.



8. Effective Date

- 8.1. This Rule will come into effect on the date it is published in the Cayman Islands Gazette and applies to the provisions of the VASPA and related regulations to the extent that they are in force.



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