

Cayman Islands VASP Act vs. BVI Regime

Strategic Legal Comparison for Crypto and Digital Asset Businesses

Executive Summary

As the digital asset space matures, Virtual Asset Service Providers (VASPs) must navigate evolving regulatory environments—especially when choosing the right jurisdiction for licensing, structuring, or compliance light-touch operations. Two of the most prominent offshore jurisdictions—the Cayman Islands and the British Virgin Islands (BVI)—have taken divergent regulatory approaches to VASP registration and oversight.

This comparative analysis provides legal insight into both frameworks, based on the latest statutory developments as of mid-2025, and highlights key considerations for founders, fund managers, custodians, exchanges, and token issuers.

Table: Cayman Islands VASP Act vs. BVI Regime

Feature	Cayman Islands VASP Act	BVI (No Dedicated VASP Regime)
Regulatory Framework	Virtual Asset (Service Providers) Act, 2020	AML Amendment Act, Guidance Notes, FSC supervision
Regulator	Cayman Islands Monetary Authority (CIMA)	BVI Financial Services Commission (FSC)
Mandatory Licensing	Yes – tiered regime depending on activity	No dedicated license yet; subject to AML supervision
Scope of Regulated Activities	Custody, exchange, transfer, issuance, VASP tokens	Custody, exchange, issuance (case-by-case basis)
Token Issuers Covered?	Yes – especially if tokens are exchangeable	Only if tokens fall under investment/business laws
Custodial Wallet Providers	Explicitly covered	May be caught under AML/KYC laws
Registration Timeline	~3–6 months	Varies – 2–4 months (if required)
Economic Substance Requirement	Yes (if conducting core activities in Cayman)	Yes (if entity is tax resident or has local activity)

Feature	Cayman Islands VASP Act	BVI (No Dedicated VASP Regime)
Virtual Asset Trading Platforms	Require licensing + ongoing reporting	May require financial services license (case-by-case)
AML/KYC Obligations	Full FATF-aligned AML Regime (incl. Travel Rule)	FATF-compliant; limited enforcement historically
Annual Renewal/Reporting	Yes – including risk-based reporting to CIMA	Reporting based on license class, if any
Public Register of VASPs	Yes – partial disclosure via CIMA	No central VASP register
Technology Neutrality	Yes – covers NFTs, DeFi, stablecoins, DAOs	Unclear – no dedicated coverage
Penalty for Non-Compliance	Fines up to CI\$500,000 + imprisonment	General sanctions under FSC/FIA
Banking Access	Better with licensed VASP status	Challenging for high-volume exchanges
Perceived Flexibility	Medium – clear rules but regulatory-heavy	High – but legal ambiguity creates compliance risk
Preferred For	Institutional-grade custody, token platforms, large-scale exchanges	Early-stage DeFi projects, token issuance, VC-backed ventures

Jurisdictional Overview

Cayman Islands: Structured and Institutional-Friendly

The Cayman VASP Act, enacted in 2020 and updated through 2024, provides a tiered licensing regime:

- Registered VASPs: For lower-risk providers (e.g., developers, token issuers).
- Licensed VASPs: For exchanges, custodians, and platforms handling client funds.
- Includes clear Travel Rule implementation, detailed AML policies, and a CIMA registration portal.

HPT Legal Commentary:

For high-volume, regulated projects seeking institutional credibility, access to banking partners, and clear compliance roadmaps, Cayman is a solid choice—albeit with heavier reporting and cost overheads.

British Virgin Islands (BVI): Light Touch but Evolving

BVI does not yet have a dedicated VASP Act, but it enforces VASP-aligned regulation through amendments to its AML Code of Practice and sector-specific guidance by the FSC.



- VASPs may still need to register under AML obligations.
- Token launches, DAOs, or DeFi platforms may operate in a “gray zone” unless linked to regulated instruments or custody models.

HPT Legal Commentary:

- BVI remains attractive for early-stage projects seeking legal flexibility, low cost, and fast deployment. However, regulatory uncertainty poses risks for institutional expansion and banking onboarding, especially under EU and FATF reviews.

Legal & Strategic Considerations

You Should Choose	If You Are
Cayman Islands	An institutional custodian, regulated exchange, NFT or stablecoin platform
British Virgin Islands	A DeFi protocol, DAO, or early-stage token issuer seeking fast setup

HPT Services for Crypto Licensing Clients

- Legal structuring: Cayman/BVI + Holding Company (Belize/Nevis)
- Regulatory licensing: End-to-end VASP application support
- Substance setup: Directors, office, accounting
- Banking: EMI access, IBAN onboarding, crypto-friendly solutions
- Tax planning: Avoid CRS triggers; comply with global AML/CFT frameworks

The Bottom Line:

Choosing between Cayman and BVI is not just regulatory — it’s strategic.

Cayman is for scale and compliance. BVI is for agility and speed.

Let HPT Group help you build smart, compliant, and future-proof VASP structures across borders.