



MEET THE REGULATOR FORUM

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Virtual Assets Service Providers Act

Presented By

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AGENDA

1. Statutory Requirements
2. Virtual Assets Services
3. Excluded Activity
4. Applications
5. Current Issues- Risk Management
6. Current Issues- Capital
7. Current Issues Professional Indemnity Insurance
8. Current Issues- Multiple Sector Business Lines
9. Current Issues- Corporate Compliance Officers
10. Current Issues- Proposed Auditors
11. Q&A



Statutory Requirement

- Virtual Assets Services Provider Act, 2022 (“VASPA”) was enacted on Feb 01, 2023.
- Transitional period concluded – 31st July 2023
- The VASPA provides for –
 - i. the registration and supervision of VASPs;
 - ii. Approval of provision of Virtual Assets Custody service; and
 - iii. Approval of provision of Virtual Assets Exchanges



Virtual Assets Services

- Exchange between virtual assets and fiat currencies;
- Exchange between one or more forms of virtual assets;
- Transfer of virtual assets;
- Safekeeping or administration of virtual assets; and
- Financial services related to an issuer's offer or sale of a virtual asset.



Excluded Activity

- Providing ancillary infrastructure;
- Software developers;
- Creating VA platforms;
- Operating a VA Network without the provision acting as a VASP to customers;
- Provision of closed loop, non-convertible items; and
- Acceptance of VA's a payment for goods and services.



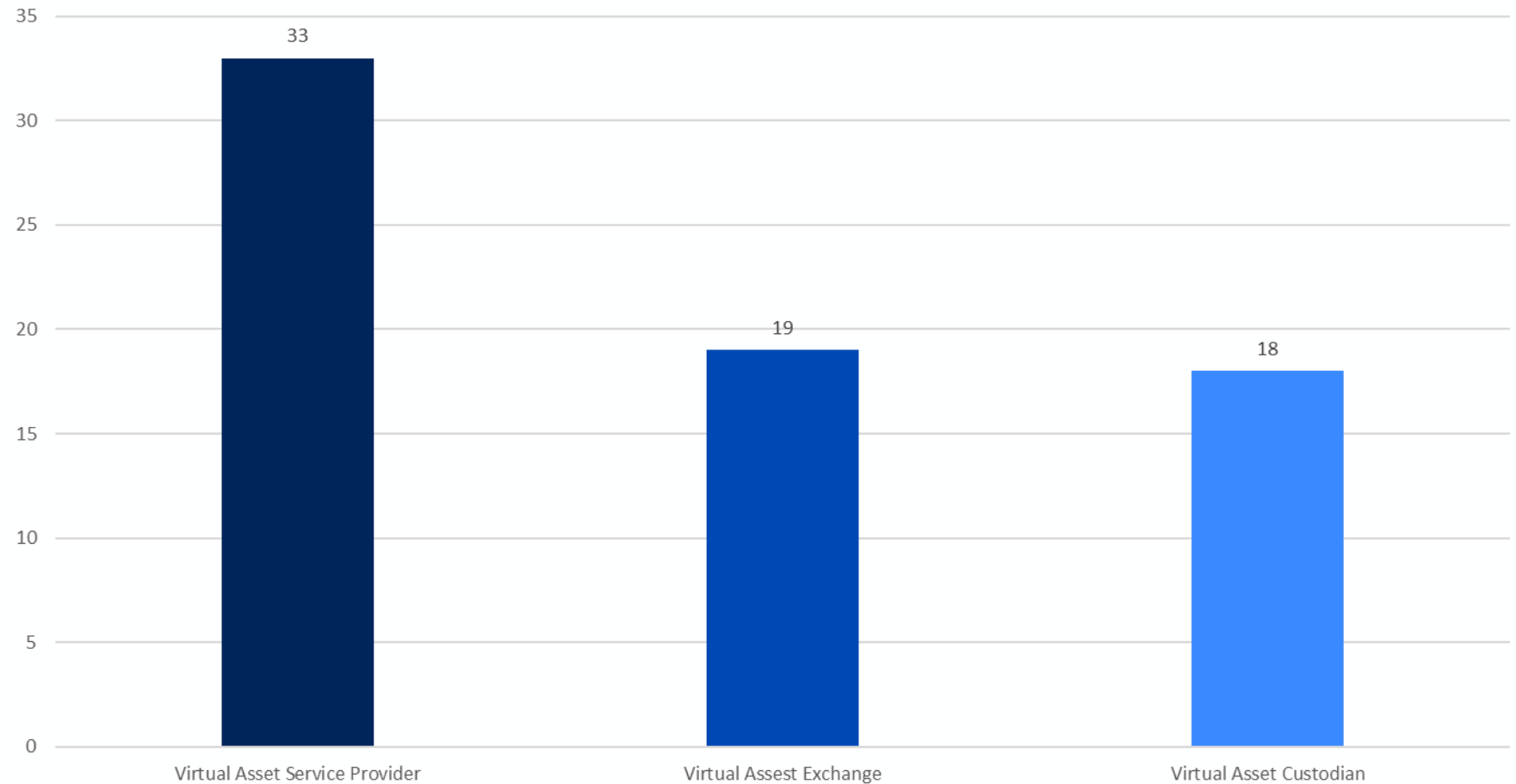
Excluded Activity

- Initial Coin offerings- Sale of a newly created virtual assets, to the public, in or from within the jurisdiction.



APPLICATIONS

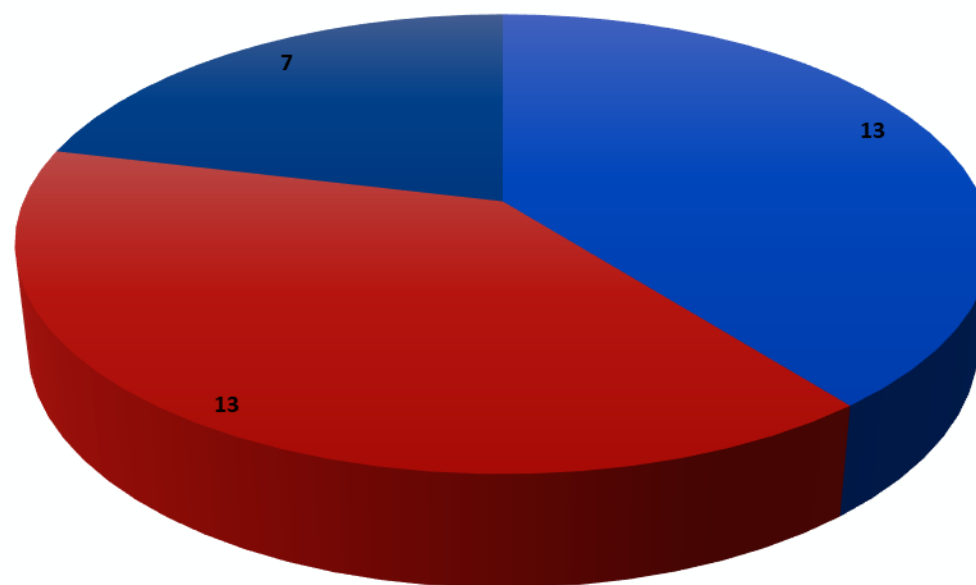
Application by Category





Applications

Virtual Asset Service Provider



■ Transfer of virtual assets

■ financial services related to an issuer's offer, sale of virtual assets

■ Both Transfer & Facilitating a sale



Operational Risk Management

Key concerns

- I. Submission of risk management policies only

Regulatory Expectations

- Detailed Risk assessments to be submitted
 - Liquidity Risk
 - Settlement Risk
 - Outsourcing Risk
 - non-regulated VASPs
 - Intra-group outsourcing



AML/ CFT

Key concerns

- I. Lack of details surrounding Applicants procedures for complying with Travel Rule;
- II. Group Manuals need to be specific to BVI Laws and Applicants; and
- III. Lack of ML/TF/PF risk assessments.

Regulatory Expectations

- VASPs deemed relevant persons as of Dec 1, 2022;
- Virtual Assets Transactions \$1,000 or more;
- Must have sufficient systems and procedures to comply with BVI laws relating to money laundering, terrorist financing and proliferation financing;
- Clear policies/ procedures for complying with the Travel Rule; and
- Submit risk assessment which identifies AML/CFT vulnerabilities and mitigation plans.



Capital

Key Concerns

- I. Low amounts of contributed capital;
- II. Contributed Capital being utilized as working capital; and
- III. Capital held in Virtual Assets (including stable coins).

Regulatory Expectation

- Should reflect the nature, size, complexity, structure and diversity of that business and its risk profile;
- Unencumbered contributed capital; and
- Held in a major sovereign currency
 - **Cannot be held in Virtual Assets**



Professional Indemnity Insurance

Key Concern

- I. No indication that PI Insurance has been obtained or will be obtained where approval is granted

Regulatory Expectation

- PI Insurance will be required to be in place prior to the start of business;
- Should reflect the nature, size, complexity, structure and diversity of that business and its risk profile; and
- Quotes for Applicants, from the identified provider should be submitted with Applications.



Multiple Sector Business Lines

Key Concern

- I. Market participants have been seeking clarification regarding whether an additional licence is needed if authorized under SIBA

Regulatory Expectations

- Authorisation must be sought under each Act that is applicable to the business line;
- No exemption is currently available where Applicants have already been licensed under other Regulatory Legislations



Compliance Officers

Key Concern

- I. Requests for appointment of Corporate Compliance Officers for VASPs

Regulatory Expectations

- Corporate Compliance Officer Vehicles generally not appropriate for VASPs;
- Compliance Officers must be able to demonstrate relevant and specific knowledge to be appointed to a VASP;
- Responsible for development and implementation of a compliance framework; and
- Framework must be designed to prevent risks of a VASP being used for ML, TF, PF among other risks.



Auditors

Key Concern

- I. Lack of sufficient information being submitted to support appointments

Regulatory Expectations

- a completed form B1 (this can be found in the Guidelines for the Approved Persons Regime)
- confirmation of whether or otherwise the partners/directors are member of a recognised professional accounting body. Names of each partner/director's respective body should be given;
- confirmation of whether or otherwise the auditor is required to be registered with any authority in its country of jurisdiction (regulatory or professional);
- confirmation of the person(s) who will be responsible for oversight of the Applicant's audit along with their relevant supporting documents (this should include a resume, references (professional, personal and a bank), and a police clearance certificate);
- a copy of the practicing certificate issued to the person(s) responsible for oversight of the audit;
- details of internal resources specifically involved in the auditor's audit services; and
- a letter from the proposed auditor which confirms their willingness to act on behalf of the Applicant.



Questions



A hand in a suit sleeve holds a pen, poised to sign a document. The background is a collage of images: a blue-tinted cityscape on the left, a red-tinted hillside with buildings in the center, and a white-tinted modern glass building at the bottom. Blue and red triangles are scattered across the composition.

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