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Regulatory Update

Cayman – Q2 2025

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Quick Fire Updates

1. Phase 2 of VASP legislation in force

The phase two provisions of the [Virtual Asset \(Service Providers\) Act \(2024 Revision\) \(VASP Act\)](#) came into force on 1 April 2025 to introduce a licensing regime for virtual asset trading platform operators and virtual asset custodians.

The [Virtual Asset \(Service Providers\) \(Amendment\) Regulations, 2025 \(VASP Regulations\)](#) and certain provisions of the [Virtual Asset \(Service Providers\) \(Amendment\) Act, 2024 \(VASP Amendment Act\)](#) also came into force on 1 April 2025.

The [VASP Amendment Act](#) has further amended and clarified various provisions of the virtual asset service providers (VASP) regime by:

- revising the definition of 'operator' to better establish who exerts control and should be licensed under the VASP Act;
- adding a requirement for a VASP to have at least three directors (one of whom must be independent);
- bringing into force waiver provisions under the VASP Act that allow a supervised person to apply for a waiver from registration or licence where the entity meets the waiver requirements; and
- introducing a potential audit requirement for entities registered under the VASP Act, depending on the complexity and the size of the virtual asset services provided.

The VASP Regulations set out the fees for licensing under the VASP Act and provide that local companies wishing to engage in providing virtual asset services will be eligible for a 90% discount on licensing fees.

As relates to the licensing process under phase 2, existing VASP registrants providing virtual asset custody and trading platform services will have 90 days from 1 April 2025 to submit their application and are encouraged to undertake a gap analysis to consider how to prepare for the additional compliance requirements. Once a VASP registrant is licensed, the previous registration will be cancelled. New applicants will apply via the online REEFS platform.

It is envisioned that there will be a further phase three of the VASP framework which could include the innovation sandbox element of the VASP Act and a framework for issuances (eg, ICOs). There may also be further amendments in relation to tokenised funds.

A related [Supervisory Circular](#) was published by CIMA on 30 March 2025 which provides practical information to VASPs with respect to their obligations upon commencement, the licensing process for existing registrants and new applicants, waiver applications for entities licensed or registered by CIMA under another regulatory law, future expectations and fees.

[VASP FAQs](#) to provide further information or clarification are available on CIMA's website. CIMA also intend to publish guidance regarding the licensing and waiver regimes in due course.

2. Amendments to beneficial ownership legislation

The [Beneficial Ownership Transparency \(Amendment\) Act, 2025](#) came into force on 19 February 2025 to amend the Beneficial Ownership Transparency Act, 2023 (BOTA) by:

- clarifying the meaning of "beneficial owner" in relation to the circumstances under which a trustee or senior managing official will be identified as the contact person;
- exempting a company that is registered as a non-profit organisation from the provisions of BOTA;
- clarifying that the corporate services provider must establish and maintain a register in relation to the legal person that has engaged the corporate services provider, with related amendments to provide that 'adequate beneficial ownership information' is information that is sufficient to identify a registrable beneficial owner, the senior managing official or an identified trustee;
- providing that a corporate services provider engaged by a legal person must remove the relevant entry from the legal person's beneficial ownership register where the registrable beneficial owner, senior managing official or an identified trustee is no longer functioning in the respective role; and
- empowering the competent authority to provide search platform access to the Customs and Border Control Service.

The [Beneficial Ownership Transparency \(Amendment\) Regulations 2025](#) came into force on 27 February 2025 to amend the Beneficial Ownership Transparency Regulations, 2024 by:

- providing that where a registrable beneficial owner, the senior managing official or a trustee identified in accordance with BOTA is deceased, the legal person must provide the date of death in writing to its corporate services provider;
- including references (alongside a registrable beneficial owner) to the senior managing official or a trustee identified in accordance with BOTA in provisions relating to additional matters where an identified registrable beneficial owner's particulars are not confirmed;
- amending the provisions in relation to holding an interest in a legal person directly;
- clarifying the provisions relating to required particulars of certain persons as regards a senior managing official or trustee identified in accordance BOTA and persons considered as individuals under section 2(2) of BOTA;
- adding a fine for failure of the legal person to provide requested beneficial ownership information under section 12(8) of BOTA.

3. Additional beneficial ownership guidance

As detailed in our [Regulatory Update – Q1 2025](#):

- the [Beneficial Ownership Transparency \(Access Restriction\) Regulations, 2024 \(LIA Regulations\)](#) came into force on 9 December 2024; and
- the [Beneficial Ownership Transparency \(Legitimate Interest Access\) Regulations, 2024 \(AR Regulations\)](#) came into force on 28 February 2025.

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In order to provide further guidance on these regulations, the Cayman Islands Registry, as the competent authority for beneficial ownership, has published [Guidance on applying for access to beneficial ownership information on the basis of legitimate interest and for the protection from disclosure](#).

This guidance covers:

- applying for legitimate interest access under the LIA Regulations, including:
 - the supporting evidence required for such application
 - the specified beneficial ownership information available following a successful application
 - the procedure following an LIA application
- the right to seek protection under the AR Regulations, including:
 - applying for protection from disclosure
 - the procedure following an application for protection from disclosure
 - revocation of an application
- FAQs.

4. Industry Advisory: defence Against Money Laundering (DAML) / Consent Regime

The Cayman Islands Financial Reporting Authority (FRA) released an [Industry Advisory](#) on 13 January 2025 regarding the new DAML/Consent regime in place from 2 January 2025 in relation to suspicious activity reports (SARs) under sections 133, 134 and 135 of the Proceeds of Crime Act (2025 Revision).

The FRA anticipates the issuance of regulations later in the year in relation to the DAML/Consent regime and, in the interim, the Industry Advisory acts as guidance to SAR filers on how to make a DAML/Consent request and how the regime will operate.

5. CRS lists of reportable and participating jurisdictions

The common reporting standard lists of reportable and participating jurisdictions were published in the [Cayman Islands Gazette](#) on 31 March 2025 with the following effect:

- **List of Participating Jurisdictions:** Armenia, Georgia, Kazakhstan, Moldova and Ukraine have been added
- **List of Reportable Jurisdictions:**
 - Saint Kitts and Nevis has been added for reports due in 2025 and onwards
 - Cameroon and Mongolia have been added for reports due in 2026 onwards.
 - Tunisia is now included under reports due in 2026 onwards instead of 2025 onwards.

6. Trade and Business Licensing (Amendment of Schedule 1) Regulations, 2025

The [Trade and Business Licensing \(Amendment of Schedule 1\) Regulations, 2025](#) came into force on 27 February 2025. Schedule 1 of the Trade and Business Licensing Act (2021 Revision) has been amended to provide that the non-refundable application fee of CI\$75 relates to each year of the period specified in the relevant licence in accordance with the licence application.

The licence and renewal fees were also amended to provide that they are payable at the time of the grant of the licence for each year of the period that is to be specified in the relevant licence/renewed licence.

7. 2025 Revision laws

The Cayman Legislature has published consolidated 2025 revisions of the following financial services legislation:

- [Anti-Money Laundering Regulations \(2025 Revision\)](#)
- [Banks and Trust Companies Act \(2025 Revision\)](#)
- [Companies Act \(2025 Revision\)](#)
- [Companies Management Act \(2025 Revision\)](#)
- [Criminal Justice \(International Cooperation\) Act \(2025 Revision\)](#)
- [Exempted Limited Partnership Act \(2025 Revision\)](#)
- [Exempted Limited Partnership Regulations \(2025 Revision\)](#)
- [Foundation Companies Act \(2025 Revision\)](#)
- [Limited Liability Companies Act \(2025 Revision\)](#)
- [Limited Liability Companies \(Fees\) Regulations \(2025 Revision\)](#)
- [Local Companies \(Control\) Act \(2025 Revision\)](#)
- [Monetary Authority \(Administrative Fines\) Regulations \(2025 Revision\)](#)
- [Mutual Funds Act \(2025 Revision\)](#)
- [Partnership Act \(2025 Revision\)](#)
- [Private Funds Act \(2025 Revision\)](#)
- [Proceeds of Crime Act \(2025 Revision\)](#)

8. Misuse of Drugs (Amendment) Act, 2024

The [Misuse of Drugs \(Amendment\) Act, 2024](#) came into force on 10 January 2025, to enhance the legislative framework for combatting illicit trafficking activities conducted by air; provide for reciprocal enforcement powers in relation to aircraft suspected of being involved in illicit trafficking activities and designate officers of the Cayman Islands Coast Guard as enforcement officers under the Misuse of Drugs Act (2017 Revision).

9. OECD Harmful Tax Practices Peer Review

The Organisation for Economic Co-operation and Development (OECD) has released the [Harmful Tax Practices - Peer Review results](#) as of January 2025, following the fourth annual monitoring process of the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions. The Cayman Islands has received the optimum result of "no issues identified" for effectiveness in practice for the year 2023.

10. Mourant Guides and Updates

Mourant has uploaded the following Cayman Updates and Guides to our website over the last quarter:

- [Top 'take-aways' from the 2025 Mourant Cayman Regulatory Conference](#)
- [Cayman Islands beneficial ownership regime – Steps guide](#)
- [The Cayman Islands beneficial ownership regime](#)
- [Cayman Islands exempted companies](#)

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- Cayman Islands limited liability companies
- Cayman Islands exempted limited partnerships
- Cayman Islands Segregated portfolio companies
- Cayman Islands third party rights legislation
- Cayman Islands: Private Trust Companies
- Cayman Islands: Foundation Companies
- Cayman Islands: Trusts
- Recent developments in Cayman's international transparency frameworks
- Continuing obligations of Cayman Islands mutual funds
- Continuing obligations of Cayman Islands private funds – Exempted limited partnerships
- Mutual funds in the Cayman Islands
- Private funds in the Cayman Islands
- 2024 Fund Finance Transactions Report - Cayman & US deals
- Insolvency Practitioners' Roles and Responsibilities - Jurisdictional Insights - Cayman Islands

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