An overview of the regulation of virtual assets in St. Kitts & Nevis

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1. Virtual asset laws and regulations in St. Kitts & Nevis

St. Kitts and Nevis has established a comprehensive legal framework to regulate virtual assets, ensuring alignment with international standards and promoting financial stability. The foundational Virtual Asset Act, 2020 (Act No. 1 of 2020) outlines the requirements for registration, compliance, and supervision of virtual asset service providers.

This act was further amended by the Virtual Assets (Amendment) Act, 2021 (Act No. 8 of 2021), which incorporated additional provisions to strengthen regulatory oversight and ensure compliance with international obligations related to anti-money laundering and counter-terrorism financing.

Further amendments include the Virtual Asset (Amendment of Schedule) Order, 2021 (SRO No. 47 of 2021), detailing specific requirements and procedures for virtual asset service providers, and the Virtual Asset (Forms) Regulations, 2022 (SRO No. 25 of 2022), prescribing necessary forms and documentation for applications, registrations, and compliance reporting.

In May 2024, the Virtual Asset (Amendment) Bill, 2024 was circulated in parliament still to be passed as a valid legislation, which will align the Virtual Asset Act with the latest Financial Action Task Force (FATF) standards, reinforcing the country's commitment to combating money laundering and terrorist financing.

These legislations read together and shall be referred to as St. Kitts and Nevis Virtual Assets Act for consistency and better understanding.

What is considered a virtual asset in St. Kitts & Nevis?

In St. Kitts and Nevis, a "virtual asset" is defined as "a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes and does not include digital representations of fiat currency or security" and encompasses various forms of digital assets, including cryptocurrencies like Bitcoin and Ethereum, as well as other digital tokens that hold value and are utilized in financial transactions. The Virtual Assets Act, No. 1 of 2020, regulates activities involving virtual assets.

This definition suggests that stablecoins, which are typically pegged to a fiat currency but traded digitally, might fall under the Act's scope if they are used for investment or payment purposes. NFTs, on the other hand, might be considered virtual assets if they have value and are transferable, though their unique and indivisible nature might place them in a gray area under this law. The entities seeking clarification shall approach the St. Kitts and Nevis FSRC, as the extent of regulation and reporting requirements are specific to the facts and the characteristics of specific non fungible token in question, as the case may be.

Who do such laws and regulations apply to?

The virtual asset laws and regulation applies to any person who whether before or after the commencement of St. Kitts and Nevis Virtual Assets Act, whoever offers or operates virtual asset business to residents of Saint Christopher and Nevis or from Saint Christopher and Nevis, therefore any business conducted having characteristics of virtual assets in their business transactions or underlying business model.

Under the Act, "virtual asset business" means the conduct of one or more of the following activities or operations for or on behalf of another person:

(i) exchange between a virtual asset and fiat currency;

(ii) exchange between one or more forms of virtual assets;

(iii) transfer of a virtual asset whether or not for value;

(iv) safekeeping or administration of a virtual asset or instruments enabling control over a virtual asset;

(v) participation in financial services related to a virtual asset issuer's offerings; participation in and provision of financial services related to an issue or sale of a virtual asset.

"virtual asset service provider" means a person authorized to carry on virtual asset business. An entity once recognized and registered by the FSRC in the jurisdiction.

Who are the relevant regulatory authorities in relation to virtual assets in St. Kitts & Nevis?

Before the registration and licensing of the Virtual asset business and service providers in the St. Kitts and Nevis, Financial Services Regulatory Commission is the point of contact for all entities seeking to get a financial services company registered in the jurisdiction. Once registered in the authority the entity is required to keep a good conduct, and the following authorities are having oversight over the entity and acts as primary authority for licensing, oversight, compliance, and enforcement of virtual asset service providers and their conduct and activities.

Financial Intelligence Unit (**FIU**), Monitors for AML/CFT compliance, collaborates with FSRC to detect suspicious transactions, and ensures virtual assets meet financial crime prevention standards.

Eastern Caribbean Central Bank (**ECCB**), Provides macroeconomic guidance, indirectly impacting virtual asset policies, and collaborates on issues affecting regional financial stability.

Tax Authority (Inland Revenue Department), Ensures tax compliance, collects taxes on virtual asset transactions, and provides guidance to VASPs on tax obligations and reporting.

What are the penalties for breaches of virtual asset laws and regulations in St. Kitts & Nevis?

In St. Kitts and Nevis, Virtual Assets Act, along with its amendments, outlines penalties for non-compliance with its provisions. Offenses include operating without proper registration, providing false information, and non-compliance with required reporting and operational standards. Penalties range from fines to imprisonment, designed to enforce adherence to virtual asset regulations and protect the integrity of the financial ecosystem. Below is a detailed table of the offenses, applicable sections, definitions, and penalties (specified in Eastern Caribbean Dollars, XCD, unless otherwise indicated).

Section	Offense	Definition	Penalty
Section 16(1)(a)	False or Misleading Declaration	Making a false or misleading statement to gain or retain clients.	Fine up to XCD $100,000, imprisonment up to 5 years, or both.
Section 16(1)(b)	False Information in Registration	Making a false statement in a registration application.	Fine up to XCD $100,000, imprisonment up to 5 years, or both.
Section 16(1)(c)	Operating Without Registration	Conducting virtual asset business without being registered under the Act.	Fine up to XCD $100,000, imprisonment up to 5 years, or both.
Section 16(2)	General Breach of Act Provisions	Breaching any provision of the Act not otherwise specified with a penalty.	Fine up to XCD $50,000, imprisonment up to 2 years, or both.
Section 9A(6)	Failure to Comply with Escrow or Reporting Requirements	Not maintaining escrow for client funds or submitting quarterly reports as required.	Administrative penalty of XCD $5,000.
Section 13(6)	Non-compliance with Information Requests	Failing to provide requested information to the Authority.	Administrative penalty up to XCD $10,000, plus XCD $200 per day for ongoing non-compliance.
Section 15	Suspension or Revocation Due to Breach	Continuing operations despite revocation or suspension of registration.	Registration may be suspended or revoked by the Authority if in breach of Act provisions.
Section 14(5)	Late Payment of Registration Renewal	Failure to renew registration by January 31 incurs daily late fees.	Late fee of XCD $100 per day after January 31 until renewal, up to a maximum of three months.

There are different fines and penalties outlined in the St. Kitts and Nevis Virtual Assets Act. A person who operates a virtual asset business without being registered or who fails to comply with a requirement imposed by subsection (2) or subsection (3) of section 4 shall be liable to an administrative penalty of $5000. Where a registrant fails to comply with the provisions of subsection (1) or subsection (3) of section 12A, the registrant commits an offence and shall be liable upon conviction to a fine not exceeding one hundred thousand dollars. A person who contravenes the provisions of subsection (1) of section 13 shall be liable to an administrative penalty not exceeding ten thousand dollars ($10,000.00) and to a further penalty of two hundred dollars for each day that the contravention remains outstanding.

2. Regulation of virtual assets and offerings of virtual assets in St. Kitts & Nevis

Are virtual assets classified as 'investments' or other regulated financial instruments in St. Kitts & Nevis?

In the Federation of Saint Kitts and Nevis, virtual assets are not classified as 'investments' or other regulated financial instruments under traditional financial legislation. Instead, they are governed by the St. Kitts and Nevis Virtual Assets Act, which provides the regulatory framework for virtual asset businesses. This Act defines a virtual asset as "a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes and does not include digital representations of fiat currency or security" in Section 2 of the St. Kitts and Nevis Virtual Assets Act. While virtual assets can serve investment purposes, they are regulated separately from conventional financial instruments. In 2021, St. Kitts and Nevis Virtual Assets Act introduced amendment inserting Section 3A, stating that "a virtual asset is a regulated business for the purposes of the Proceeds of Crime Act."

In Saint Kitts and Nevis, financial investments and virtual assets fall under distinct regulatory frameworks tailored to their unique characteristics, purposes, and associated risks. Financial investments are typically governed by the St. Kitts and Nevis *Securities Act*, which includes traditional financial instruments such as stocks, bonds, and mutual funds. These instruments represent ownership stakes, debt obligations, or structured assets tied to physical entities, with an emphasis on protecting investors, ensuring fair trading, and maintaining financial market stability. Virtual assets, by contrast, are regulated by the St. Kitts and Nevis Virtual Assets Act, and its amendments, which define a virtual asset as a digital representation of value that may be traded or used for payment or investment purposes. Importantly, virtual assets do not encompass digital representations of fiat currency or securities, separating them from conventional financial instruments and their regulatory treatment.

The regulatory approach for financial investments in Saint Kitts and Nevis is primarily focused on investor protection, market transparency, and systemic financial stability. Regulations are designed to protect investors through disclosure requirements, regular audits, and other mechanisms that enhance market fairness. Virtual assets, however, are addressed differently; they are seen as a regulated business under the Saint Kitts and Nevis *Proceeds of Crime Act* which aligns them with anti-money laundering and counter-terrorism financing standards.

Financial investments generally represent ownership or debt obligations linked to tangible entities, which come with investor rights and obligations, while virtual assets do not provide ownership claims or financial obligations on traditional companies. Instead, virtual assets function as digital value tokens, traded on blockchain platforms and without intrinsic backing. This fundamental difference informs the regulatory approach, as financial investments are more heavily reliant on transparency and market stability, while virtual assets require unique safeguards, particularly around data security and fraud prevention.

Due to the volatility and novel risks associated with virtual assets, service providers are required to implement robust cybersecurity and data protection systems to protect client information and assets. Financial investments, by contrast, are typically underpinned by long-established protections, including disclosure standards and reporting requirements aimed at safeguarding investor interests. The Saint Kitts and Nevis Financial Authority considers systemic risks when regulating these assets. Traditional financial investments are monitored for their potential to impact market stability, while virtual assets, often volatile and decentralized, are managed with a view toward protecting consumers from excessive risk exposure rather than maintaining market equilibrium.

Under the Saint Kitts and Nevis *Virtual Assets Act*, virtual asset businesses must conduct comprehensive risk assessments, appoint compliance officers, and report suspicious transactions. This level of scrutiny is more intensive compared to financial investments, which also face AML and CTF measures but are centered on transparency and financial reporting rather than the anonymity and cross-jurisdictional aspects inherent in virtual asset transactions.

Are stablecoins and NFTs regulated in St. Kitts & Nevis?

In Saint Kitts and Nevis, both stablecoins and non-fungible tokens are regulated under the country's virtual asset legislation. The Saint Kitts and Nevis *Virtual Asset Act*, defines a virtual asset as "a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes and does not include digital representations of fiat currency or security." This broad definition encompasses various digital assets, including stablecoins and NFTs.

Stablecoins are digital assets designed to maintain a stable value by being pegged to a reserve of assets, often fiat currencies. Under the Saint Kitts and Nevis *Virtual Asset Act*, stablecoins are considered virtual assets and are subject to the same regulatory requirements as other digital assets. This includes obligations related to anti-money laundering and counter-terrorism financing measures, as well as registration and compliance standards set forth by the Financial Services Regulatory Commission.

Non-Fungible Tokens are unique digital assets that represent ownership of a specific item or piece of content, such as art, music, or virtual real estate. Given their digital nature and the ability to be traded or transferred, NFTs fall under the definition of virtual assets in the Saint Kitts and Nevis Virtual Asset Act. Consequently, entities dealing with NFTs must adhere to the regulatory framework established for virtual assets, including registration with the FSRC and compliance with Saint Kitts and Nevis AML and CTF regulations.

It's important to note that while the Saint Kitts and Nevis *Virtual Asset Act* provides a general framework for regulating digital assets, specific guidelines or amendments may further clarify the treatment of various virtual assets, including stablecoins and NFTs. Entities engaging in activities involving these assets should consult the FSRC and stay informed about any updates to the regulatory framework to ensure full compliance.

Are decentralised finance (DeFi) activities (e.g. lending virtual assets) regulated in St. Kitts & Nevis?

In Saint Kitts and Nevis, decentralised finance (**DeFi**) activities, such as the lending of virtual assets, fall within a regulated framework primarily governed by the Saint Kitts and Nevis *Virtual Asset Act*, and further amended by the Saint Kitts and Nevis *Virtual Assets Amendments in 2021, 2022 and 2024*. The Act provides the essential regulatory infrastructure for entities engaging in virtual asset businesses within the jurisdiction, which includes activities that are traditionally associated with DeFi, including the exchange, transfer, and custody of virtual assets.

Under Section 2 of the Saint Kitts and Nevis *Virtual Asset Act*, the term "virtual asset business" is broadly defined to encompass "the conduct of one or more of the following activities or operations for or on behalf of another person," including the "exchange between one or more forms of virtual assets," the "transfer of a virtual asset whether or not for value," and the "provision of financial services related to an issue or sale of a virtual asset." This provision includes activities central to DeFi platforms, such as the lending or borrowing of digital assets, where virtual assets are transferred between parties either as collateral or as part of a lending arrangement.

DeFi activities, which often involve the transfer and management of substantial digital asset volumes, are subject to anti-money laundering and counter-terrorism financing obligations. Entity engaged in DeFi lending, as well as associated financial activities, is required to implement measures to detect, report, and prevent money laundering and the financing of terrorism. These obligations mandate comprehensive record-keeping, transactional transparency, and due diligence processes for users engaging with DeFi platforms, ensuring the oversight of both local and cross-border transactions.

An illustrative example of how these regulations affect DeFi lending is the application of the registration requirements in Section 4 of the Saint Kitts and Nevis *Virtual Asset Act*, which stipulates that any entity offering virtual asset business in or from Saint Kitts and Nevis must be registered with the Financial Services Regulatory Commission. In practical terms, a DeFi platform intending to provide virtual asset lending services to users in Saint Kitts and Nevis must apply for registration, submit detailed disclosures regarding its operations, and comply with stipulated financial and operational safeguards, as outlined in Section 6. This application process includes the provision of information on corporate structure, cybersecurity measures, and anti-money laundering policies, all of which are prerequisites for entities engaged in virtual asset services.

Section 9A, added by the Saint Kitts and Nevis *Virtual Assets Act* imposes fiduciary duties on registered entities that engage in virtual asset business. A DeFi platform operating in Saint Kitts and Nevis would therefore be required to place in escrow, with a registered trust company, assets that represent at least fifteen per cent of the total value of client funds held by the platform. This regulation is aimed at safeguarding client funds against insolvency risks that could arise from fluctuations in virtual asset values, which are inherent to DeFi lending arrangements where digital assets serve as collateral. This fiduciary requirement underscores the Act's emphasis on consumer protection and financial stability within the virtual asset landscape.

Section 10 of the Saint Kitts and Nevis *Virtual Asset Act* prescribes that any entity involved in the issuance or sale of virtual assets must submit a prospectus to the FSRC. While this may traditionally apply to initial coin offerings or token sales, it has implications for DeFi platforms issuing governance tokens or other digital instruments to users as part of their lending protocol. By ensuring that clients have access to detailed information about the virtual asset's structure, risks, and the issuer's financial status, this provision helps protect potential lenders or borrowers who might participate in DeFi platforms from risks associated with asymmetric information or fraudulent practices.

Are there any restrictions on issuing or publicly offering virtual assets in St. Kitts & Nevis?

In the jurisdiction of Saint Kitts and Nevis, the issuance and public offering of virtual assets are regulated under the provisions of the Saint Kitts and Nevis *Virtual Asset Act*, alongside its subsequent amendments. The regulatory requirements set forth in this Act aim to uphold transparency, protect prospective investors, and maintain the stability and integrity of the financial system. One of the foremost regulatory requirements for entities wishing to issue or publicly offer virtual assets is the submission and approval of a prospectus. According to Section 10 of the Act, any registrant engaging in the issuance or offering of virtual assets must submit a prospectus to the Financial Services Regulatory Commission at least fourteen days prior to its intended publication. This prospectus must be prepared in accordance with the detailed guidelines outlined in Schedule 3 of the Act, which specifies the inclusion of essential information about the registrant, the nature and functionality of the virtual asset, financial projections, and an assessment of risks. The approval of this document by the FSRC is mandatory before any public issuance or sale of virtual assets can proceed.

Once submitted, the FSRC undertakes a thorough review of the prospectus to ascertain that it meets the Act's stringent standards. Should the FSRC identify any gaps or insufficiencies in the information provided, it possesses the authority under Section 11 to request amendments to the prospectus, including additional disclosures it may consider necessary to protect prospective investors. Furthermore, the FSRC retains the right to suspend or cancel the issuance or offering of a virtual asset if such action is deemed in the public interest. This power serves as a safeguard against any potential misrepresentation or risks posed to investors and ensures that public offerings in the virtual asset space align with the principles of fairness and transparency.

In addition, the Act imposes strict liability on registrants for any misrepresentation or inaccurate information contained within the prospectus. Section 10(7) grants any individual who relied upon misleading information in the prospectus the right to withdraw from their purchase or subscription and, if they have suffered a loss, the ability to seek compensation. This aspect of the regulation reflects the legislative intent to protect investors and underscores the importance of accuracy and candour in the disclosures made by entities involved in virtual asset offerings.

The prospectus requirements and associated powers of the FSRC illustrate the regulatory framework's dual focus on both facilitating virtual asset innovation and safeguarding investors. For instance, a virtual asset service provider intending to issue tokens representing a digital asset must ensure that its prospectus includes comprehensive information on the asset's nature, risks, projected value, and the registrant's financial status. By doing so, the FSRC seeks to mitigate the risks often associated with virtual assets, such as price volatility and cybersecurity vulnerabilities, while providing potential investors with the information necessary to make informed decisions.

In conclusion, while the issuance and public offering of virtual assets are permissible under the law in Saint Kitts and Nevis, they are subject to rigorous oversight and compliance obligations under the Saint Kitts and Nevis *Virtual Asset Act*. The registration requirements, prospectus submission, approval process, and strict liability for misrepresentation collectively serve to protect investors, ensure transparency, and uphold the integrity of the virtual asset market. Entities engaged in such activities must closely adhere to these regulatory obligations and remain vigilant to any updates or amendments, ensuring compliance and alignment with the financial regulatory standards enforced by the FSRC in Saint Kitts and Nevis.

Are there any exemptions to the restrictions on issuing or publicly offering of virtual assets in St. Kitts & Nevis?

In Saint Kitts and Nevis, the *Virtual Asset Act*, establishes the requirements governing the issuance and public offering of virtual assets to ensure transparency, investor protection, and market integrity. While the Act sets out comprehensive restrictions and requirements, certain provisions within the legislation afford the Financial Services Regulatory Commission discretionary powers to allow exemptions from these restrictions under specific circumstances. Such exemptions are primarily designed to balance regulatory control with the need to facilitate market development and innovation within the virtual asset space.

Section 11 of the Saint Kitts and Nevis *Virtual Asset Act* explicitly grants the FSRC authority to exempt certain information from a prospectus where the disclosure of this information may be deemed contrary to the public interest or prejudicial to the registrant. If the FSRC determines that the inclusion of particular information in a prospectus would unfairly harm the commercial interests of the issuer, it may waive the requirement to include that information, provided this exemption does not mislead or negatively impact the public's ability to assess the registrant's or virtual asset's financial standing and prospects. This provision reflects a nuanced approach, enabling the FSRC to tailor its requirements to the unique circumstances of each virtual asset offering, thereby avoiding unnecessary restrictions while upholding investor protection.

In addition to discretionary exemptions regarding prospectus content, the FSRC also holds the power to modify or suspend the standard issuance requirements if it is satisfied that such actions would not compromise the Act's objectives or investor interests. For example, in cases where a virtual asset issuer can demonstrate a compelling justification, such as a limited, private issuance intended solely for sophisticated investors or institutional clients who may not require the same level of regulatory oversight, the FSRC may consider exemptions from specific disclosure or procedural requirements. Such exemptions, however, would likely be accompanied by conditions or limitations to ensure that the issuance remains confined to qualified parties and does not expose the general public to undue risk.

As detailed in Section 11(2)(c), the FSRC is empowered to suspend or cancel an issue or offer for sale of a virtual asset if required to protect public interests. This measure implies that while exemptions may be granted, they are simultaneously subject to revocation if the FSRC perceives that continued issuance may harm market integrity or investor confidence.

Schedule 3 of the Saint Kitts and Nevis *Virtual Asset Act* outlines specific conditions under which a prospectus may be structured differently, allowing the FSRC latitude in determining the extent of information required based on the nature of the virtual asset offering. For instance, where a virtual asset is issued as part of a pilot programme or as an experimental financial product aimed at market testing, the FSRC may adjust the prospectus requirements to accommodate the unique aspects of such issuances, provided adequate safeguards are in place to protect participants. This flexibility within the prospectus requirements demonstrates the FSRC's commitment to fostering innovation in the virtual asset sector, while ensuring that investors are sufficiently informed of associated risks.

Saint Kitts and Nevis *Virtual Asset Act*, establishes a robust regulatory framework for the issuance and public offering of virtual assets in Saint Kitts and Nevis, it also grants the FSRC discretion to offer exemptions where justifiable. This discretion enables the Commission to consider the unique characteristics of individual issuances, thereby allowing flexibility where strict adherence to the Act may be overly burdensome or unnecessary, provided that investor protection and market stability are not compromised.

3. Regulation of VASPs in St. Kitts & Nevis

Are VASPs operating in St. Kitts & Nevis subject to regulation?

Yes, a person of providing a virtual assets custody service; oroperate a virtual asset exchange is subject to regulation. In Saint Kitts and Nevis, Virtual Asset Service Providers are subject to comprehensive regulation under the Saint Kitts and Nevis Virtual Asset Act, and its subsequent amendments. This legislative framework mandates that any entity engaging in virtual asset business within or from the jurisdiction must register with the Financial Services Regulatory Commission. The Act defines virtual asset business to include activities such as the exchange, transfer, or provision of financial services related to virtual assets. Registered VASPs are required to comply with stringent anti-money laundering and counter-terrorism financing obligations, implement robust

internal controls, and adhere to reporting requirements to ensure transparency and the integrity of financial operations. Non-compliance with these regulations can result in penalties, including fines and revocation of registration.

Are VASPs providing virtual asset services from offshore to persons in St. Kitts & Nevis subject to regulation in St. Kitts & Nevis?

Yes, in Saint Kitts and Nevis, the regulatory framework governing virtual asset service providers is primarily established by the Saint Kitts and Nevis *Virtual Asset Act*, and its subsequent amendments. This legislation mandates that any entity conducting virtual asset business "in or from" the jurisdiction must register with the Financial Services Regulatory Commission and comply with the Act's provisions.

The Act defines "virtual asset business" to include activities such as the exchange, transfer, or provision of financial services related to virtual assets. However, the Act does not explicitly address the regulation of VASPs that are domiciled offshore but provide services to individuals or entities within Saint Kitts and Nevis. This omission suggests that the primary regulatory focus is on entities operating within the jurisdiction or those conducting business from it.

Given this context, offshore VASPs offering services to residents of Saint Kitts and Nevis are not explicitly required by the Act to register with the FSRC or adhere to its stipulations. Nonetheless, such providers should remain cognisant of international regulatory standards and best practices, particularly concerning anti-money laundering and counter-terrorism financing measures. Engaging with local legal counsel is advisable to ensure compliance with any applicable laws and to navigate the complexities of cross-border virtual asset services.

What are the main requirements for obtaining licensing / registration as a VASP in St. Kitts & Nevis?

In Saint Kitts and Nevis, Virtual Asset Service Providers seeking to obtain a license or registration must adhere to the requirements outlined in the Saint Kitts and Nevis *Virtual Asset Act* and its subsequent amendments. This regulatory framework, administered by the Financial Services Regulatory Commission, establishes rigorous standards to ensure that VASPs operate with transparency, stability, and integrity within the jurisdiction. Prospective VASPs are required to follow an application process detailed in Section 6 of the Act, which includes providing comprehensive documentation and evidence to substantiate the entity's ability to conduct virtual asset business responsibly.

A central requirement for obtaining registration as a VASP involves submitting an application on a prescribed form, which mandates extensive disclosure about the applicant's operations, corporate structure, and key personnel. The information required includes the name and address of the applicant, a statement detailing the scope and nature of the virtual asset business, the business's location, website address, and the jurisdictions in which it operates. Additionally, the application must include the names and addresses of the entity's directors, significant shareholders, and any beneficial owners. The Act places particular emphasis on transparency regarding management and ownership, thus seeking to ensure that only reputable and fit entities are licensed to operate within the sector. This requirement is specifically designed to enable the FSRC to assess whether the individuals and entities involved have the requisite qualifications, integrity, and experience to responsibly manage a virtual asset business.

Section 7 of the Act mandates that the FSRC evaluate each application based on the applicant's "fit and proper" status. This evaluation is thorough and includes assessments of the financial status and solvency of the applicant, the qualifications and experience of its management, and the integrity of its significant shareholders and beneficial owners. The FSRC is tasked with ensuring that applicants have a history of responsible conduct in business and financial dealings, as well as a commitment to ethical practices. For instance, any involvement in past fraudulent activities or breaches of financial regulations would adversely affect an applicant's prospects for registration. This stringent vetting process reflects the jurisdiction's commitment to safeguarding its virtual asset market from entities that might pose risks to investors or the broader financial system.

The FSRC also requires applicants to demonstrate compliance with robust anti-money laundering and counter-terrorism financing obligations. Section 9A of the Act stipulates that VASPs must institute comprehensive AML and CTF policies, appoint a compliance officer, and submit a risk assessment to the FSRC. This risk assessment must identify the potential vulnerabilities associated with the applicant's operations, including client profiles, transaction types, and geographic exposure. By mandating these AML and CTF controls, the FSRC ensures that licensed VASPs have the infrastructure necessary to detect and prevent financial crimes, thereby upholding both local and international standards in combating illicit financial activities within the virtual asset sector.

In addition to the internal compliance requirements, applicants must satisfy the financial and operational standards stipulated in the Act. As per Section 9A, entities are required to maintain an escrow account with a minimum amount equivalent to fifteen per cent of their total client holdings. This escrow requirement acts as a safeguard, ensuring that VASPs have sufficient reserves to cover potential client obligations and mitigate risks associated with the high volatility of virtual asset markets. Moreover, VASPs must submit quarterly reports on client account values, further enhancing transparency and providing the FSRC with oversight into the operational health of these entities. The necessity for an escrow account, alongside regular reporting, underscores the regulatory emphasis on financial prudence and customer protection.

The application must be accompanied by the prescribed application fee, as outlined in Schedule 1 of the Saint Kitts and Nevis Virtual Asset Act. Upon receiving an application, the FSRC will conduct a thorough review and may request additional information to aid in its determination. If the FSRC is satisfied with the application and the applicant's compliance with all statutory requirements, it will grant registration, allowing the VASP to operate for one year, renewable upon fulfilling the annual registration fee and associated conditions. This renewable registration model ensures ongoing regulatory oversight, allowing the FSRC to monitor the entity's compliance and operational stability on a continuous basis.

According to SRO 47 of 2021, under Schedule 1 of the Virtual Asset Act, the fees to be charged are as follows:

Application Fee: $54,000.00

Registration Fee: $135,000.00

What are the main ongoing requirements for VASPs regulated in St. Kitts & Nevis?

As per Section 9 of the Saint Kitts and Nevis Virtual Asset Act, the Authority requires registrants to retain assets in Saint Christopher and Nevis to discharge financial obligations to clients of the registrant equivalent to the obligations of the registrant. Registrants MUST also provide the Authority notice of any change in their business and implement and maintain measures to prevent money laundering and terrorist financing affecting their business operations. Additionally, registrants must set up procedures to ensure that accounting records and business operations systems are compliant with the Financial Services Regulatory Commission Act.

In Saint Kitts and Nevis, Virtual Asset Service Providers have ongoing responsibilities designed to keep their operations safe, transparent, and in line with regulatory expectations. These requirements, set out in the Saint Kitts and Nevis *Virtual Asset Act*, and updated by subsequent amendments, ensure that VASPs run in a way that protects customers and supports the credibility of the virtual asset market in the country.

A core part of operating as a VASP is following anti-money laundering and counter-terrorism financing rules. These regulations mean that VASPs must check the identities of their clients, keep a lookout for suspicious transactions, and report any concerns to the authorities. By keeping tight controls on the funds that move through their platforms, VASPs help to prevent illegal activities like money laundering. With the *Virtual Asset (Amendment) Act, 2021* tying these services to the *Proceeds of Crime Act*, Saint Kitts and Nevis sets high standards that these digital services must meet to reduce risks to the financial system.

In addition to meeting compliance standards, VASPs are required to keep financial reserves that can back up their clients' funds. According to Section 9A of the amended Act, VASPs must place a portion of client funds—at least fifteen per cent—into an escrow account with a trusted third party. This measure ensures that, even in volatile times, VASPs have sufficient funds on hand to meet client demands. It's a safeguard for customers, adding an extra layer of protection in case there's a sudden need for withdrawals or other financial obligations.

VASPs are also required to report regularly to the Financial Services Regulatory Commission. Every three months, they must provide a report that includes the number of accounts they manage, the value of those accounts, and details of the funds held in escrow. This quarterly reporting requirement ensures the FSRC has a clear view of each VASP's financial health and how well it is managing client funds. For clients and the regulatory body alike, this transparency helps build trust and holds VASPs accountable for their ongoing financial stability.

Another essential role within every VASP is that of the compliance officer, a person who is responsible for making sure the company follows all relevant laws and regulations. The officer acts as a bridge between the VASP and the FSRC, overseeing day-to-day compliance, tracking risks, and making sure reports are filed accurately and on time. They also ensure that the company's internal policies stay up-to-date with any new regulatory requirements, helping to maintain a compliant and trustworthy operation.

As the business of virtual assets is inherently digital, cybersecurity measures are critical for VASPs. Although the Act doesn't lay out specific cybersecurity protocols, it's clear that VASPs are expected to protect client information and digital wallets against cyber threats. By securing their platforms from potential breaches, VASPs not only protect their customers but also the integrity of their own operations, as clients need to feel safe when trusting their assets to these platforms.

Each VASP must renew its registration with the FSRC annually. This process involves paying a renewal fee and proving that the company remains in good standing and compliant with regulatory expectations. This yearly review is a checkpoint, allowing the FSRC to make sure that every licensed VASP remains a reliable and responsible participant in the market. Should a VASP fail to renew its registration or meet any of these ongoing requirements, it risks suspension or even the loss of its license.

Together, these ongoing requirements create a secure environment for VASPs to operate in Saint Kitts and Nevis. The regulations don't just protect the companies themselves; they help build a market where customers feel safe and can trust that their assets are managed responsibly. For the virtual asset industry in Saint Kitts and Nevis, these standards ensure stability and maintain the trust of clients, investors, and regulatory authorities alike.

Category	Requirement	Description
Compliance and Risk Management	Anti-Money Laundering (**AML**) and Counter-Terrorism Financing (**CTF**) Compliance	VASPs must conduct thorough customer due diligence, monitor for suspicious transactions, and report any unusual activity to authorities, preventing illicit use of the platform.
Compliance and Risk Management	Appointment of Compliance Officer	Each VASP must appoint a compliance officer who oversees regulatory adherence, manages internal controls, and ensures accurate reporting to regulatory bodies
Financial Security	Financial Reserves in Escrow	VASPs are required to hold an escrow account containing at least fifteen per cent of client funds to ensure liquidity and meet financial obligations, especially in volatile markets.
Reporting and Transparency	Quarterly Reporting to the FSRC	VASPs must submit quarterly reports to the FSRC, detailing account numbers, asset values, and escrow holdings to ensure financial health and transparency.
Reporting and Transparency	Annual Renewal of Registration	VASPs are required to renew their registration annually by paying a renewal fee and confirming compliance with regulatory standards, maintaining FSRC accountability.
Operational Integrity	Cybersecurity Measures	VASPs must implement strong cybersecurity protocols to safeguard client data, secure digital wallets, and prevent cyber threats, ensuring a secure environment.

What are the main restrictions on VASPs in St. Kitts & Nevis?

In Saint Kitts and Nevis, Virtual Asset Service Providers are subject to a comprehensive regulatory framework designed to ensure the integrity of the financial system and protect consumers. The primary legislation governing VASPs is the Saint Kitts and Nevis Virtual Asset Act, No. 1 of 2020, along with its subsequent amendments. This Act outlines several key restrictions and obligations that VASPs must adhere to in order to operate within the jurisdiction.

Mandatory Registration and Licensing

VASPs are required to register with the Financial Services Regulatory Commission before commencing operations. Operating without proper registration is prohibited and may result in legal penalties. The registration process involves a thorough assessment of the applicant's business model, financial stability, and the fitness and propriety of its directors and significant shareholders.

Compliance with Anti-Money Laundering and Counter-Terrorism Financing Regulations

VASPs must implement robust AML and CTF policies to prevent their platforms from being used for illicit activities. This includes conducting customer due diligence, monitoring transactions for suspicious activities, and reporting any such activities to the relevant authorities. The Saint Kitts and Nevis Virtual Asset Act, emphasises that virtual assets are considered regulated businesses for the purposes of the Proceeds of Crime Act, thereby subjecting VASPs to stringent AML and CTF obligations.

Maintenance of Financial Reserves

To safeguard client interests, VASPs are required to maintain financial reserves equivalent to a specified percentage of their obligations to clients. Section 9A of the Virtual Asset (Amendment) Act, 2021 stipulates that VASPs are required to place in escrow, with a registered trust company, assets representing at least fifteen percent of the total value of client funds held. This measure ensures that VASPs have sufficient liquidity to meet their financial commitments to clients.

Quarterly Reporting Obligations

VASPs are obligated to submit quarterly reports to the FSRC. These reports must include the number of accounts held, the value of these accounts, and a statement of assets held in escrow. This requirement, outlined in Section 9A of the Virtual Asset (Amendment) Act, 2021, facilitates ongoing regulatory oversight and ensures that VASPs maintain transparency in their operations.

Appointment of Compliance Officers

VASPs must appoint qualified compliance officers responsible for ensuring adherence to all regulatory requirements, including AML and CTF obligations. The compliance officer plays a crucial role in implementing internal controls, conducting risk assessments, and serving as a liaison with regulatory authorities. This appointment is a key component of the internal governance structure mandated by the regulatory framework.

Adherence to Cybersecurity Standards

Given the digital nature of virtual assets, VASPs are required to implement cybersecurity measures to protect against data breaches and cyber threats. This includes securing client data, safeguarding digital wallets, and ensuring the integrity of transaction processes. While specific cybersecurity requirements are not detailed in the Act, adherence to best practices in cybersecurity is implied as part of the overall obligation to protect client interests.

Restrictions on Issuance and Public Offering of Virtual Assets

VASPs are prohibited from issuing or offering virtual assets to the public without prior approval from the FSRC. This includes the requirement to submit a detailed prospectus outlining the nature of the virtual asset, the terms of the offering, and any associated risks. The FSRC has the authority to approve, reject, or require modifications to the prospectus to ensure that potential investors are adequately informed and protected.

Category	Restriction	Description
Registration Requirement	Mandatory Licensing and Registration	VASPs must register with the Financial Services Regulatory Commission (**FSRC**) before starting operations. Operating without proper registration is prohibited and may lead to penalties.
Compliance Obligations	Anti-Money Laundering (**AML**) and Counter-Terrorism Financing (**CTF**) Compliance	VASPs are required to implement AML and CTF policies, including customer due diligence, transaction monitoring, and reporting any suspicious activity to the authorities.
Financial Security	Maintenance of Financial Reserves	VASPs must keep at least fifteen percent of client funds in escrow to ensure sufficient liquidity to meet financial obligations. This reserve must be held with a registered trust company.
Transparency Requirements	Quarterly Reporting Obligations	VASPs are required to submit quarterly reports to the FSRC, detailing account values, escrow holdings, and operational health. This reporting ensures ongoing regulatory oversight.
Internal Governance	Appointment of Compliance Officers	VASPs must appoint a compliance officer responsible for regulatory adherence, internal controls, and communication with regulatory authorities. This officer is key to ensuring compliance.
Cybersecurity Standards	Adherence to Cybersecurity Best Practices	VASPs are expected to implement strong cybersecurity protocols to protect client data, digital wallets, and transaction integrity. Cybersecurity best practices are necessary to protect against breaches.
Issuance Restrictions	Restrictions on Issuance and Public Offering of Virtual Assets	VASPs are prohibited from issuing or publicly offering virtual assets without FSRC approval. A detailed prospectus must be submitted, outlining the asset's nature, terms, and risks, to protect investors.

VASPs in St. Kitts & Nevis are subject to several restrictions under the Act. These include the following:

What are the main information that VASPs have to make available to its customers?

In Saint Kitts and Nevis, Virtual Asset Service Providers are required to present a range of essential information to their customers to ensure transparency and to allow customers to make informed decisions regarding their engagement with virtual asset services. These requirements are outlined in the Saint Kitts and Nevis *Virtual Asset Act*, and reinforced by its amendments, reflecting the jurisdiction's commitment to consumer protection and market integrity.

VASPs are mandated to disclose comprehensive details about their regulatory status, including confirmation of their registration and licensing with the Financial Services Regulatory Commission. Customers must have access to clear information regarding the legitimacy and legal oversight of the VASP, including the entity's regulatory ob-

ligations and compliance status. This disclosure serves as a reassurance that the VASP is operating within the established legal framework and is subject to the Commission's standards and enforcement actions. Furthermore, VASPs are expected to provide accessible contact information, including physical office addresses and customer service contacts, so that customers can effectively communicate with the entity. This aspect of disclosure reinforces transparency and builds trust between the customer and the service provider.

In addition to regulatory details, VASPs are required to offer clear information about the services they provide, including specific descriptions of the types of virtual asset services offered, such as trading, custody, or exchange services, as stipulated under Section 9 of the Act. Each service must be described in full, with any limitations or specific conditions clearly articulated. Customers are also entitled to a transparent breakdown of all fees associated with the services rendered. Whether these involve transaction fees, withdrawal charges, or other operational costs, this fee structure must be communicated to ensure customers are fully aware of any financial obligations they may incur by using the services.

VASPs must also provide risk disclosures that inform customers of the potential risks associated with engaging in virtual asset transactions. The inherently volatile nature of virtual asset markets, characterised by rapid price fluctuations and high-risk exposure, necessitates a clear communication of these risks to the customer. This ensures that individuals are aware of the possibility of substantial financial losses. Moreover, the regulatory risks associated with virtual assets must also be disclosed, particularly regarding any uncertainties or legal restrictions that may arise in certain jurisdictions where the virtual assets or services may be subject to varying degrees of regulation. This disclosure is intended to inform customers of potential challenges and regulatory limitations, thereby allowing them to make prudent financial decisions.

The protection of customer data and assets is a crucial area of responsibility for VASPs, and they are obliged to disclose the measures implemented to secure both data and funds. In terms of data protection, VASPs must provide information on how customer data is collected, managed, and stored, including adherence to data protection standards and regulations. Furthermore, VASPs must communicate the security measures employed to safeguard client assets, which may include the use of cold storage for digital assets, multi-signature wallets, and insurance arrangements. By detailing these security protocols, VASPs demonstrate their commitment to the protection of customer funds against cyber threats and operational risks, providing customers with a sense of security and confidence in the entity's ability to protect their assets.

VASPs must further ensure that customers have access to comprehensive terms and conditions governing their use of the services. These terms outline the respective rights and obligations of both the VASP and the customer, covering crucial aspects such as transaction terms, service limitations, and customer responsibilities. Additionally, VASPs are required to provide clear privacy policies detailing the practices concerning the collection, use, and sharing of customer information. These documents form the basis of the legal agreement between the VASP and the customer and are essential in ensuring that customers are fully informed of the contractual terms before engaging with the services.

VASPs are required to maintain accessible and reliable customer support to address client inquiries, complaints, and service-related issues. Information on available support channels, including the expected response times and support hours, must be provided. Furthermore, VASPs should outline the process for handling complaints, providing customers with a clear pathway for addressing any grievances. This commitment to customer support enhances the overall customer experience and reinforces the VASP's dedication to upholding a high standard of service.

What market misconduct legislation/regulations apply to virtual assets?

A brief overview of the various market misconduct provisions in BVI legislation that may apply to virtual assets is set out below:

(i) Virtual Asset Act: Requires all VASPs to obtain licensing from the Financial Services Regulatory Commission before offering virtual asset services and mandates disclosure of business activities, information on directors and beneficial owners, and adherence to anti-money laundering protocols.

(ii) SIBA: Provides guidelines for certain financial activities that may not require specific licensing under the VASP Act. Relevant for VASPs involved in securities-related transactions that are indirectly linked to virtual assets, ensuring broader compliance with financial industry standards.

(iii) AML / TF / PF regulations: Requires VASPs to conduct customer due diligence, report suspicious activities, and maintain transaction records to prevent the misuse of virtual assets in terrorism financing and proliferation. Aligns with international standards, including the Financial Action Task Force recommendations, through Saint Kitts and Nevis' membership in the Caribbean Financial Action Task Force;

(iv) Economic Substance requirements: Applicable to VASPs as part of requirements for conducting relevant business activities in Saint Kitts and Nevis. Ensures that entities have substantial local presence, including office, employees, and management activities, supporting compliance with OECD tax transparency standards;

(v) FATF: As a member of the Caribbean Financial Action Task Force, a regional body affiliated with the Financial Action Task Force, the Federation aligns its regulatory practices with FATF recommendations. The FATF's guidance on virtual assets and VASPs outlines measures to mitigate risks associated with virtual assets, including customer due diligence, record-keeping, and reporting of suspicious transactions. In its "Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers" (October 2021), the FATF outlines measures to prevent misuse of virtual assets for illicit activities;

(vi) FATCA: Saint Kitts and Nevis has entered into an Intergovernmental Agreement with the United States to implement the Foreign Account Tax Compliance Act. This agreement, signed on August 31, 2015, facilitates compliance by financial institutions within the Federation with FATCA's reporting requirements. Under this framework, financial institutions, including VASPs, are required to report information on accounts held by U.S. taxpayers to the Inland Revenue Department, which then transmits the information to the U.S. Internal Revenue Service.

4. Regulation of other crypto-related activities in St. Kitts & Nevis

Are managers of crypto funds regulated in St. Kitts & Nevis?

In Saint Kitts and Nevis, managers of cryptocurrency funds are subject to regulatory oversight to ensure the integrity of the financial system and to protect investors. The primary legislation governing such activities is the Saint Kitts and Nevis *Virtual Asset Act*, which establishes a framework for the regulation of virtual asset service providers. Under this Act, any entity engaging in virtual asset business activities, including the management of crypto funds, is required to register with the Financial Services Regulatory Commission before commencing operations.

The Act defines virtual asset business to include activities such as the exchange between virtual assets and fiat currencies, the transfer of virtual assets, and the provision of financial services related to virtual assets. Therefore, managers of crypto funds, who are involved in the administration and investment of virtual assets on behalf of clients, fall within the scope of this legislation. Compliance with the Act necessitates adherence to anti-money laundering and counter-terrorism financing regulations, conducting customer due diligence, and implementing robust internal controls to mitigate financial crime risks.

The Saint Kitts and Nevis *Securities Industry Business Act* may apply to managers of crypto funds, particularly if the funds are structured in a manner that involves securities or investment contracts. SIBA provides a regulatory framework for entities conducting securities business, which includes fund management activities. Under SIBA, fund managers are required to obtain the appropriate licenses and adhere to regulations concerning investor protection, disclosure requirements, and fiduciary duties.

Saint Kitts and Nevis is committed to international standards set by the Financial Action Task Force and is a member of the Caribbean Financial Action Task Force. This commitment entails that managers of crypto funds must implement measures to prevent money laundering and terrorist financing, including reporting suspicious transactions and maintaining comprehensive records.

Are distributors of virtual asset funds regulated in St. Kitts & Nevis?

In Saint Kitts and Nevis, the distribution of virtual asset funds is subject to regulatory oversight to ensure the integrity of the financial system and to protect investors. The primary legislation governing such activities is the Saint Kitts and Nevis *Virtual Asset Act*, which establishes a framework for the regulation of virtual asset service

providers. Under this Act, any entity engaging in virtual asset business activities, including the distribution of virtual asset funds, is required to register with the Financial Services Regulatory Commission before commencing operations.

The Act defines virtual asset business to include activities such as the exchange between virtual assets and fiat currencies, the transfer of virtual assets, and the provision of financial services related to virtual assets. Therefore, distributors of virtual asset funds, who are involved in the marketing and sale of virtual asset investment products to clients, fall within the scope of this legislation. Compliance with the Act necessitates adherence to anti-money laundering and counter-terrorism financing regulations, conducting customer due diligence, and implementing robust internal controls to mitigate financial crime risks.

Saint Kitts and Nevis *Securities Industry Business Act* may apply to distributors of virtual asset funds, particularly if the funds are structured in a manner that involves securities or investment contracts. SIBA provides a regulatory framework for entities conducting securities business, which includes fund distribution activities. Under SIBA, fund distributors are required to obtain the appropriate licenses and adhere to regulations concerning investor protection, disclosure requirements, and fiduciary duties.

Saint Kitts and Nevis is committed to international standards set by the Financial Action Task Force and is a member of the Caribbean Financial Action Task Force which entails that distributors of virtual asset funds must implement measures to prevent money laundering and terrorist financing, including reporting suspicious transactions and maintaining comprehensive records.

Are there requirements for intermediaries seeking to provide trading in virtual assets for clients or advise clients on virtual assets in St. Kitts & Nevis?

In Saint Kitts and Nevis, intermediaries aiming to offer trading services in virtual assets or provide advisory services to clients regarding virtual assets are subject to specific regulatory requirements to ensure the integrity of the financial system and to protect investors.

Saint Kitts and Nevis Virtual Asset Act mandates that any entity engaging in virtual asset business activities, including trading and advisory services, must register with the Financial Services Regulatory Commission prior to commencing operations. The Act defines virtual asset business to encompass activities such as:

(i) Exchange between virtual assets and fiat currencies.

(ii) Exchange between one or more forms of virtual assets.

(iii) Transfer of virtual assets.

(iv) Safekeeping or administration of virtual assets or instruments enabling control over virtual assets.

(v) Participation in and provision of financial services related to an issuer's offer or sale of a virtual asset.

Therefore, intermediaries providing trading or advisory services fall within the scope of this legislation and are required to comply with its provisions.

To register under the Saint Kitts and Nevis Virtual Asset Act, intermediaries must submit an application to the FSRC, providing detailed information about their business operations, management structure, and compliance measures. The application process includes:

(i) Disclosure of the nature and scope of the virtual asset business.

(ii) Identification of directors, significant shareholders, and beneficial owners.

(iii) Implementation of anti-money laundering and counter-terrorism financing protocols.

The FSRC assesses the application to ensure that the intermediary is a fit and proper entity to engage in virtual asset business and that it has adequate systems and controls in place to mitigate financial crime risks.

Registered intermediaries are obligated to adhere to ongoing compliance requirements, including:

(i) Conducting customer due diligence to verify the identity of clients and assess the risk of money laundering or terrorist financing.

(ii) Maintaining accurate records of transactions and client information.

(iii) Reporting suspicious activities to the relevant authorities.

(iv) Implementing robust internal controls and risk management frameworks. These obligations are designed to align with international standards, including those set by the Financial Action Task Force, to which Saint Kitts and Nevis is committed.

Securities Industry Business Act may apply to intermediaries providing advisory services, particularly if the services involve securities or investment contracts. SIBA provides a regulatory framework for entities conducting securities business, which includes advisory activities. Under SIBA, intermediaries are required to obtain the appropriate licenses and adhere to regulations concerning investor protection, disclosure requirements, and fiduciary duties.

5. Other relevant regulatory information

Are there any upcoming regulatory developments in respect of crypto-related activity in St. Kitts & Nevis?

In May 2024, the Virtual Asset (Amendment) Bill, 2024 was introduced to align the Virtual Asset Act with the latest Financial Action Task Force (**FATF**) standards, reinforcing the country's commitment to combating money laundering and terrorist financing. While there have been no official announcements regarding new regulatory developments beyond these amendments, the government's commitment to maintaining a secure and compliant environment for virtual asset activities suggests that further updates may occur as the global cryptocurrency landscape evolves. Stakeholders are advised to stay informed about potential regulatory changes by monitoring official communications from the Financial Services Regulatory Commission and other relevant authorities.

6. Pending litigation and judgments related to virtual assets in St. Kitts & Nevis (if any)

The St. Kitts and Nevis's legal system, grounded in English common law, offers a stable and predictable environment for virtual asset entities. The adherence to established legal principles ensures that businesses can operate with a clear understanding of their rights and obligations, fostering confidence among investors and stakeholders.

The Financial Services Regulatory Commission plays a pivotal role in overseeing financial services, including virtual asset businesses. By implementing comprehensive regulations, the FSRC ensures that virtual asset entities operate within a well-defined legal framework, promoting transparency and accountability. This regulatory clarity is essential for businesses to navigate the complexities of the virtual asset landscape effectively.

The enforcement of laws through a structured judiciary, comprising Magistrate's Courts, the High Court, the Court of Appeal, and the Judicial Committee of the Privy Council, provides mechanism for resolving disputes and upholding legal standards. The commitment to international standards, as evidenced by the passage of the Virtual Assets (Amendment) Bill, 2024, aligns St. Kitts and Nevis with global best practices in financial regulation.

7. Government outlook on virtual assets and crypto-related activities in St. Kitts & Nevis

St. Kitts & Nevis is one of the prominent offshore companies given its tax neutrality, confidentiality of data and information by the government, simple reporting systems, asset protections and limited liability protection.

The main advantages of setting up a VASP in St. Kitts & Nevis are:

(i) *tax benefits*

St. Kitts and Nevis offers a favorable tax environment for cryptocurrency investors, with no capital gains or income tax on digital assets. However, investors are advised to comply with local regulations, including the Virtual Asset Act, to ensure adherence to anti-money laundering and counter-terrorism financing standards.

(ii) *confidentiality*

The legal framework in St. Kitts and Nevis emphasizes financial privacy. Information about company ownership and directorship is not publicly disclosed, ensuring that sensitive business details remain confidential. This level of privacy is particularly beneficial for VASPs concerned with protecting client information and proprietary business strategies.

(iii) *simplified reporting requirements*

VASPs in St. Kitts and Nevis benefit from streamlined reporting obligations. The regulatory environment is designed to be business-friendly, reducing administrative burdens and compliance costs. This simplicity allows VASPs to focus more on their core operations rather than extensive regulatory reporting.

(iv) *asset protection*

The jurisdiction offers robust asset protection mechanisms. Structures such as Nevis trusts and Limited Liability Companies provide strong defenses against potential legal claims and creditors. These legal entities are designed to safeguard assets, making them attractive options for VASPs aiming to protect their holdings.

(v) *Digital Currency Initiatives*

St. Kitts and Nevis participates in the Eastern Caribbean Central Bank's digital currency pilot program, known as DCash. Launched in March 2021, DCash is a digital version of the Eastern Caribbean dollar, aiming to provide a secure and efficient digital payment system within the Eastern Caribbean Currency Union.

(vi) *Consideration of Bitcoin Cash as Legal Tender*

In November 2022, Prime Minister Terrance Drew announced the government's intention to explore the adoption of Bitcoin Cash as legal tender by March 2023, contingent upon thorough due diligence and the establishment of necessary financial safeguards.

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