



# **An overview of the regulation of virtual assets in Seychelles**

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# 1. Virtual asset laws and regulations in Seychelles

As of July 2024, the Virtual Asset Service Providers Bill (**VASP Bill**) has been enacted to regulate Virtual Asset Service Providers (**VASPs**), Initial Coin Offerings (**ICOs**), and token sales. The Financial Services Authority (**FSA**) is designated as the regulatory body responsible for licensing, supervision, and enforcement under this Bill. Additionally, the Anti-Money Laundering and Countering Financing of Terrorism Act, 2020 (**AML/CFT Act**) remains in force, establishing the AML/CFT regime in Seychelles. Under this framework, the FSA continues to ensure that entities involved in virtual assets comply with international best practices, including anti-money laundering (**AML**) and counter-terrorism financing (**CTF**) measures.

The VASP Bill provides a regulatory framework to govern VASPs operating in or from Seychelles. The Bill introduces strict licensing requirements, imposes AML/CFT obligations, mandates measures for consumer protection, and sets standards for cybersecurity.

## **What is considered a virtual asset in Seychelles?**

The AML/CFT Act in Seychelles 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, excluding digital representations of fiat currencies, securities, and other financial assets.” This definition clarifies that legal tender recognised under Seychelles’ laws and regulated by the **Central Bank of Seychelles** is not considered a virtual asset.

In the VASP Draft Bill for Consultation in Seychelles, a virtual asset is defined more comprehensively as “a digital representation of value that may be digitally traded or transferred, and can be used for payment or investment purposes that

- a) is used as a medium of exchange, unit of account, or store of value and is not legal tender, whether or not denominated in legal tender;
- b) is intended to represent assets such as debt or equity in the promoter;
- c) is otherwise intended to represent any assets or rights associated with such assets; or
- d) is intended to provide access to an application or service or product by means of blockchain.”

The VASP Draft Bill explicitly excludes the following from its definition of virtual assets:

- a) a digital representation of fiat currencies, securities and other financial assets;
- b) a transaction in which a person grants value as part of an affinity or rewards program, which value cannot be taken from or exchanged with the person for legal tender, bank credit or any digital asset; or
- c) a digital representation of value issued by or on behalf of the publisher and used within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform

In summary, the AML/CFT Act in Seychelles provides a concise definition of virtual assets, while the VASP Draft Bill offers a more detailed definition, covering various aspects and use cases of virtual assets, and explicitly listing exclusions to clarify its scope.

## **What are the relevant laws and regulations?**

The National Anti-Money Laundering and Countering the Financing of Terrorism Committee (**NAC**) and FSA announced that Seychelles is in consultation phase for a proposed law on regulating virtual assets and VASPs. The Virtual Asset Service Providers Draft Bill for Consultation in Seychelles proposes legislation to regulate and license legal persons conducting business with virtual assets in Seychelles, with specific requirements for permissible activities, license applications, compliance forms, and risk assessment.

Although, the AML/CFT Act provides for the AML regime and the **Securities Act, 2007** provides regulations for securities dealers, investment advisers, and securities exchange, with the FSA as the responsible body.

Additionally, Seychelles is working towards complying with the Financial Action Task Force’s (**FATF**) Recommendation 15, which requires virtual assets service providers to be regulated for AML/CFT purposes, licensed, or registered, and subject to effective systems for monitoring or supervision.



## **Who do such laws and regulations apply to?**

The Virtual Asset Service Providers Draft Bill for Consultation in Seychelles is proposed legislation that applies to legal persons or entities who provide virtual asset services from or within Seychelles. Legal persons in the context of this bill refer to a person who is a natural person, a partnership, a body corporate, a trust or a foundation.

Virtual asset service providers who provide financial services related to virtual assets, such as initial coin offerings or cryptocurrency exchanges, must comply with the regulations set out in the bill. This also applies to companies and international business companies incorporated or registered under the [Companies Act 1972](#) or the [International Business Companies Act 2016](#) respectively in Seychelles.

Additionally, the FSA's AML/CFT guidelines may indirectly apply to users of virtual currencies, as VASPs are required to implement customer due diligence measures and monitor transactions for suspicious activities.

## **Who are the relevant regulatory authorities in relation to virtual assets in Seychelles?**

The Financial Services Authority (**FSA**) is the primary regulatory authority for virtual assets in Seychelles. The FSA is responsible for the licensing and regulation of VASPs under the VASP Bill, in addition to its existing roles of overseeing securities dealers, investment advisers, and securities exchanges under the Securities Act, 2007.

As a member of the NAC, the FSA has played a key role in the development of the regulatory framework for virtual assets and VASPs in Seychelles. The FSA will oversee compliance with AML/CFT requirements, ensuring that virtual asset activities are conducted in accordance with Seychelles' legal framework.

## **What are the penalties for breaches of virtual asset laws and regulations in Seychelles?**

As the regulatory framework for virtual assets and virtual asset service providers is still being developed in Seychelles, specific penalties for breaches of these laws and regulations are not yet defined. However, general penalties for breaches of anti-money laundering and countering the financing of terrorism laws apply in such cases. The AML Act establishes criminal offenses with significant fines and imprisonment of up to 10 years. Companies breaching AML/CFT laws can be fined up to USD 400,000 and/or face imprisonment of up to 5 years. Individual being sanctioned for Crypto and virtual assets in Seychelles can lead to confiscation of cryptos and fines up to SCR 3 million or imprisonment of up to 20 years.

Furthermore, the penalties for breaches of virtual asset laws and regulations set out in the Virtual Asset Service Providers Draft Bill for Consultation in Seychelles are severe. According to the bill, any legal person who carries on business using virtual assets in or from Seychelles unless they are licensed commits an offense, liable to a fine of up to USD 350,000 or imprisonment for up to 15 years or both. Failure to comply with registration requirements, such as those for initial coin offerings and non-fungible tokens, can incur fines of up to USD 150,000 or imprisonment for up to 5 years or both.

Other penalties may include administrative fines, directions to the licensee or applicant, restriction, suspension, or revocation of the license. The bill also establishes provisions for the authority to take enforcement action, such as suspension or revocation of a license, the issuance of compliance orders, or seeking injunctive relief.

## **2. Regulation of virtual assets and offerings of virtual assets in Seychelles**

### **Are virtual assets classified as 'securities' or other regulated financial instruments in Seychelles?**

As per the Securities Act, 2007, virtual assets such as cryptocurrencies are not classified as securities in Seychelles. The Securities Act provides regulations for securities dealers, investment advisers, and securities exchange and securitise financial products, but the Act specifically lists the financial products that are considered securities and virtual assets/cryptocurrencies are not listed under the definition of securities. However, this would need to be determined on a case-by-case basis, and the relevant authorities such as the FSA or the NAC may conduct an analysis into the features of the digital asset to determine whether it falls within the regulatory scope of securities laws.

### **Are stablecoins and NFTs regulated in Seychelles?**

At this moment, regulation and supervision of NFTs and stablecoins are nascent or non-existent in Seychelles.

Although, stablecoins and NFTs are regulated in Seychelles according to the Virtual Asset Service Providers Draft Bill for Consultation. Issuers of NFTs and ICOs are required to register with the FSC, and comply with the established regulations.

Stablecoins, which are a type of virtual asset that maintain a stable value relative to a fiat currency or another digital asset, are also considered a virtual asset under the bill. Virtual asset service providers who use stablecoins are subject to the same regulations as other virtual assets. This includes requirements for providing annual audited financial statements, appointment of auditors, and submission of a compliance form to the authority.

Similarly, virtual asset service providers who offer stablecoins are required to maintain capital and solvency requirements, separate accounts for client assets, and ensure the custody and protection of client assets, among other obligations.

### **Are decentralised finance (DeFi) activities (e.g. lending virtual assets) regulated in Seychelles?**

There is no specific legal or regulatory framework for decentralised finance products in Seychelles. It is important to note that the legal regime for regulation of cryptocurrencies is still underdeveloped in Seychelles.

However, according to the Virtual Asset Service Providers Draft Bill for Consultation in Seychelles, DeFi activities are regulated under the category of “permissible activities”. As a virtual asset service provider carrying on virtual asset activities in Seychelles, DeFi platforms and service providers are required to register with the FSA under the Virtual Asset Service Provider License, and must comply with the established regulations.

Additionally, VASPs carrying out DeFi activities are required to meet specific requirements of license obligations established by the law. This includes maintaining capital and solvency requirements, employing qualified or experienced staff, establishing procedures to avoid, mitigate or deal with conflicts of interest, and maintaining an indemnity insurance for the benefit of its clients. Such virtual asset service providers must also conduct an annual risk assessment and submit a compliance form to the respective authority.

In response to recent market developments, the Seychelles FSA has cautioned investors about the risks associated with virtual assets and ICOs. The FSA is actively verifying and scrutinising entities that falsely claim to be registered or licensed in Seychelles.

### **Are there any restrictions on issuing or publicly offering virtual assets in Seychelles?**

According to the Virtual Asset Service Providers Bill, 2023, any legal person or entity who wishes to issue ICOs or Non-Fungible Tokens (NFT) in Seychelles must first register with the FSA. It requires that such a person must apply in the approved form and provide information that is not false or misleading.

In addition to this, any legal entity that carries on business using virtual assets from Seychelles must obtain a VASP license from the FSA. The Bill has laid out various registration and licensing obligations. Once a person or entity has applied for registration, the FSA will consider the application and grant or refuse registration within the prescribed period. Similarly, a person or entity seeking to obtain a VASP license must apply in the approved form and provide information as required by the FSA. The application will be granted or refused within the prescribed period after consideration of the submitted information.

In addition to the above, the Bill has also laid out obligations and requirements for VASP licensees. These include fulfilling fit and proper assessment criteria, maintaining adequate net assets, conducting business in a prudent and integral manner, maintaining adequate accounting and other records, and implementing cyber-security programs.

### **Are there any exemptions to the restrictions on issuing or publicly offering of virtual assets in Seychelles?**

Yes, there are exemptions provided for in the [Financial Services Authority \(Regulatory Sandbox Exemption\) Regulations, 2019](#). These regulations provide an exemption from certain regulatory requirements for eligible persons seeking to test innovative financial products, services, and business models in a controlled environment known as a regulatory sandbox.

Eligible persons can apply for an exemption from restrictions on issuing or publicly offering virtual assets in Seychelles during the testing period as long as they comply with the conditions and disclosure requirements set out in the First and Second Schedules of the regulations.

The First Schedule of the Financial Services Authority (Regulatory Sandbox Exemption) Regulations, 2019 provides the requirements that must be met for an eligible person to apply for an exemption to issue or publicly offer virtual assets during the testing period. These requirements include:

- i. The virtual asset must not be a security.
- ii. The issuer must fully disclose all information necessary for assessment of the virtual asset.
- iii. The issuer must clearly indicate the risks associated with investing in the virtual asset.
- iv. The virtual asset must not be issued to retail clients during the testing period.
- v. The virtual asset must not be traded on a secondary market during the testing period.

The Second Schedule provides the conditions that must be met by the eligible person for providing eligible financial services under the regulatory sandbox exemption. These conditions include:

- i. The eligible person must maintain records of all transactions involving virtual assets and the identity of the persons involved.
- ii. The eligible person must provide regular reports to the Financial Services Authority on the testing activities and the results obtained.
- iii. The eligible person must comply with any other conditions or restrictions imposed by the Financial Services Authority.

Failure to comply with the conditions and requirements specified in the First and Second schedules could lead to the withdrawal or variation of the exemption by the Financial Services Authority.

It is important to note that the regulatory sandbox exemption only applies during the testing period and the exemption will cease if the conditions are not met or if the financial service provided is a threat to the public interest or market stability.

### 3. Regulation of VASPs in Seychelles

#### **Are VASPs operating in Seychelles subject to regulation?**

Seychelles is currently in the consultation phase for a proposed law on regulating virtual assets and VASPs. However, VASPs operating in Seychelles are subject to regulation under the Virtual Asset Service Providers Bill, 2023. The Bill provides for the regulatory framework for the licensing and supervision of legal persons who conduct business using virtual assets in and from Seychelles. Its aim is to protect the interests of clients and their virtual assets, ensure compliance with legislative requirements, and investigate matters connected therewith.

According to the Bill, no legal person or entity can carry on business using virtual assets in or from Seychelles unless they are licensed. Failure to do so is an offence and is liable to a fine not exceeding US\$ 350,000 or to imprisonment for a term not exceeding 15 years or both.

The Bill stipulates the general requirements and obligations for VASP licensure, such as the fit and proper assessment of directors and principal officers of the applicant, adequate capital and solvency requirements, cybersecurity measures, in-person presence in Seychelles, maintaining adequate accounting records and other records, and more.

VASPs must also comply with the Authority's request for information and reports, including submitting an annual declaration and cyber-security report.

#### **Are VASPs providing virtual asset services from offshore to persons in Seychelles subject to regulation in Seychelles?**

Yes, VASPs providing virtual asset services from offshore to persons in Seychelles are subject to the regulatory framework provided in the Virtual Asset Service Providers Bill, 2023. According to the Bill, a legal person is considered a virtual asset service provider if it carries on virtual asset services in or from Seychelles.

The Bill also prohibits legal persons from carrying on business using virtual assets in or from Seychelles without being licensed under the Bill. Therefore, if a VASP is providing virtual asset services to persons in Seychelles, even if operating from offshore, they are considered to be carrying on business using virtual assets in Seychelles and must be licensed. Failure to do so would be an offence and is liable to a fine not exceeding US\$ 350,000 or to imprisonment for a term not exceeding 15 years or both.

### **What are the main requirements for obtaining licensing / registration as a VASP in Seychelles?**

The Virtual Asset Service Providers Bill, 2023 provides the regulatory framework for the licensing and supervision of legal persons conducting business using virtual assets in and from Seychelles. To obtain a VASP license in Seychelles, the following main requirements must be met:

- i. The VASP must apply for a license to the Authority in the approved form.
- ii. The licensee shall pay the annual license fee.
- iii. The licensee shall conduct the permissible activities listed under the First Schedule.
- iv. The licensee and directors and principal officers of the applicant must be considered fit and proper with the necessary skills, knowledge, and experience.
- v. The VASP must have physical substance in Seychelles.
- vi. The VASP must have books, records, and adequate accounting systems.
- vii. The VASP must have adequate capital and solvency requirements, cybersecurity measures, and meet specific requirements for permissible activities.
- viii. The VASP must have custody and protection of client assets and maintain an indemnity insurance for the benefit of its clients.
- ix. The VASP must have policies and procedures satisfactory to the Authority to avoid, mitigate, and deal with conflicts of interest.
- x. The licensee shall cause to be prepared annual audited financial statements as required by the Bill.

Any legal person conducting virtual asset services shall be considered as a virtual asset service provider, including an overseas company or an international business company incorporated or continued or converted under the [International Business Companies Act 2016](#).

### **What are the main ongoing requirements for VASPs regulated in Seychelles?**

VASPs regulated under the Virtual Asset Service Providers Bill, 2023 are subject to several ongoing requirements. Some of the main requirements are:

- i. Annual License Fee: VASPs must pay an annual license fee to the Authority by or before the 31st of January of each year after the initial license issue.
- ii. Annual audited financial statements: VASPs must prepare and cause to be audited annual audited financial statements in respect of all transactions and balances relating to its business.
- iii. Fit and Proper Assessment: VASPs must continue to meet the fitness and propriety assessment criteria set out in the Bill for the duration of their license.
- iv. Substance in Seychelles: VASPs must ensure that they have physical substance in Seychelles, which means an actual presence in Seychelles that fulfills certain requirements, as specified in the Bill.

- v. **Compliance Form:** VASPs must submit a compliance form to the Authority disclosing the VASP's compliance status.
- vi. **Cyber Security Report:** A cyber security report must be submitted by a designated staff member relating to the measures and compliance of the VASP's cybersecurity measures and controls.
- vii. **Record Keeping:** VASPs must maintain adequate books and records in accordance with international best practices for a period not less than 10 years from the termination of the business relationship with the client concerned.
- viii. **Adherence to AML and CFT regulations:** VASPs must comply with the Anti-Money Laundering and Combating the Financing of Terrorism regulations specified by the Seychelles government to prevent criminal activities such as money laundering and terrorist financing.

Failure to comply with any of these requirements may result in penalties, revocation of license, suspension of license, or other enforcement actions.

### **What are the main restrictions on VASPs in Seychelles?**

VASPs in Seychelles are subject to regulation and supervision by the FSA. VASPs must comply with the AML/CFT Act and licensing rules in Seychelles. Also, they are required to have measures in place to reduce crime and other unlawful activities related to financial services business.

The Virtual Asset Service Providers Bill, 2023, imposes several restrictions on VASPs operating in Seychelles. Below are some of the important ones:

- i. **Registration and licensing:** The Seychelles Virtual Asset Service Providers Bill requires VASPs to obtain a Virtual Asset Service Provider license from the FSA to operate in Seychelles. To obtain this license, VASPs must submit a license application, undergo a 'fit and proper' assessment, and pay an annual license fee.
- ii. **Prohibited activities:** The Bill prohibits VASPs from providing certain activities such as payment services, causing instruments to be converted into NFT, issuing ICOs, or causing ICOs to be issued, without being registered with the FSA.
- iii. **Conducting business in Seychelles:** VASPs must conduct their business from Seychelles by having a physical office with qualified staff. They must also undertake client onboarding, complaint handling, and management meetings in Seychelles.
- iv. **Custody and protection of client assets:** Licensees holding client assets must maintain an indemnity insurance for the benefit of their clients in a form and amount acceptable to the FSA for the protection of clients' assets.
- v. **Material changes to business:** Licensees must obtain authorisation from the FSA before making material changes to their business.
- vi. **Filing of reports:** VASPs must file an annual audited financial statement, an annual declaration, and a cyber-security report compiled in accordance with stipulated guidelines.
- vii. **Compliance:** Licensees must comply with legislative requirements and regulatory codes issued by the FSA.
- viii. **Risk assessment:** VASPs must undergo a comprehensive risk assessment.

These restrictions ensure that Seychelles' regulatory regime is robust in curbing illicit activities in the Virtual Asset Service Provider landscape while making it possible for genuine VASPs to operate legally in Seychelles.

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

According to the Virtual Asset Service Providers Bill, 2023, a licensed VASP in Seychelles is required to make the following information available to its customers:

- i. Its legal name



- ii. Its registered office or the office where it operates in Seychelles
- iii. The name(s) of the principal(s) and the contact details of the principal(s)
- iv. If it has a website, the internet address of the website
- v. Its license number and date of issue when conducting virtual asset services in Seychelles
- vi. The permissible activities in which it is authorised to engage
- vii. The currencies it will accept for payment
- viii. The terms and conditions of its virtual asset services, including the costs and fees that may be charged
- ix. The arrangements that put in place to safeguard the client's virtual asset, including the segregation of the client assets from the operator's own assets
- x. The procedures for resolving disputes arising from virtual asset services provided by the VASP
- xi. The client's right to seek compensation from the VASP if they suffer loss arising from the virtual asset services provided by the VASP

In addition to these requirements, the VASP should comply with other obligations, including anti-money laundering and combating terrorism financing measures, cybersecurity policies, and financial and auditing obligations.

#### **What market misconduct legislation/regulations apply to virtual assets?**

In Seychelles, there is no specific market misconduct legislation or regulations that apply only to virtual assets. However, virtual assets are subject to general laws and regulations that govern financial markets and prohibit market misconduct. The main laws and regulations that apply to virtual assets in Seychelles and prohibit market misconduct include:

- i. **Securities Act, 2007:** The Securities Act regulates the issuance, trading, and offering of securities in Seychelles. While virtual assets are not explicitly mentioned in the Act, the FSA has indicated that certain virtual assets may be considered securities and subject to the Act's requirements.
- ii. **Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020:** The AML/CFT Act requires VASPs to implement adequate measures to prevent money laundering and terrorist financing, including customer due diligence, transaction monitoring, and suspicious activity reporting.
- iii. **Penal Code:** The Penal Code prohibits various forms of market misconduct, such as fraud, insider trading, and market manipulation. These offenses may apply to virtual assets if they are considered securities or other financial instruments.
- iv. **Consumer Protection Act, 2014:** The Consumer Protection Act prohibits false or misleading advertising, deceptive business practices, and unfair contract terms. VASPs that offer virtual asset services to consumers must comply with these requirements.

## **4. Regulation of other crypto-related activities in Seychelles**

### **Are managers of crypto funds regulated in Seychelles?**

As of the present legislation in Seychelles, managers of crypto funds are not explicitly regulated under a specific framework designed for virtual assets or cryptocurrencies. The existing regulatory framework primarily focuses on traditional financial services and securities.

However, depending on the structure and nature of the crypto fund, it may fall under the regulatory purview of the FSA or other relevant authorities. For instance, if a crypto fund is structured as a collective investment scheme, it may be subject to regulation under the Securities Act, 2007, or the **Mutual Fund and Hedge Fund Act, 2008**. In such cases, the fund manager may be required to obtain a license from the FSA.

It is important to note that the FSA has been working on developing a more comprehensive regulatory environment for virtual assets, including the proposed Virtual Asset Service Providers (**VASP**) Bill. Once enacted, this legislation may have implications for the regulation of crypto fund managers in Seychelles.

### **Are distributors of virtual asset funds regulated in Seychelles?**

As of the present legislation in Seychelles, distributors of virtual asset funds are not explicitly regulated under a specific framework designed for virtual assets or cryptocurrencies.

However, depending on the structure and nature of the virtual asset fund and the activities carried out by the distributor, they may fall under the regulatory purview of the Seychelles FSA or other relevant authorities. For instance, if a virtual asset fund is structured as a collective investment scheme, it may be subject to regulation under the Securities Act, 2007, or the Mutual Fund and Hedge Fund Act, 2008. In such cases, the distributor may be required to obtain a license from the FSA.

The FSA has been working on developing a more comprehensive regulatory environment for virtual assets, including the proposed Seychelles VASP Bill. Once enacted, this legislation may have implications for the regulation of distributors of virtual asset funds in Seychelles. The Bill primarily focuses on regulating virtual asset service providers, which include exchange platforms, custodial services, and transfer services. While the bill does not explicitly mention distributors of virtual asset funds, it is possible that they may be indirectly affected by the new regulations or be subject to future amendments or guidelines specifically addressing their activities.

### **Are there requirements for intermediaries seeking to provide trading in virtual assets for clients or advise clients on virtual assets in Seychelles?**

As of the present legislation in Seychelles, there are no specific requirements for intermediaries seeking to provide trading in virtual assets for clients or advise clients on virtual assets.

However, depending on the nature of the services provided by the intermediary and the structure of the virtual assets involved, they may fall under the regulatory purview of the Seychelles FSA or other relevant authorities. For instance, if the intermediary offers services related to securities or collective investment schemes, it may be subject to regulation under the Securities Act, 2007, or the Mutual Fund and Hedge Fund Act, 2008. In such cases, the intermediary may be required to obtain a license from the FSA.

The FSA has been working on developing a more comprehensive regulatory environment for virtual assets, including the proposed Seychelles VASP Bill. Once enacted, this legislation may have implications for intermediaries seeking to provide trading in virtual assets for clients or advise clients on virtual assets in Seychelles. The VASP Bill primarily focuses on regulating virtual asset service providers, which include exchange platforms, custodial services, and transfer services. While the bill does not explicitly mention intermediaries, it is possible that they may be indirectly affected by the new regulations or be subject to future amendments or guidelines specifically addressing their activities.

## **5. Other relevant regulatory information**

### **Are there any upcoming regulatory developments in respect of crypto-related activity in Seychelles?**

Yes, there are upcoming regulatory developments in respect of crypto-related activity in Seychelles. The Seychelles FSA has been working on developing a more comprehensive regulatory environment for virtual assets, including cryptocurrencies.

One of the key upcoming regulatory developments is the Seychelles VASP Bill. The VASP Bill aims to regulate virtual asset service providers, which include exchange platforms, custodial services, and transfer services. The bill sets out licensing requirements, AML/CFT measures, and other obligations for entities engaged in virtual asset activities. Once enacted, the VASP Bill will provide a more comprehensive regulatory framework for crypto-related activities in Seychelles.

The FSA has also been working on increasing its oversight and enforcement activities related to virtual assets. In recent years, the FSA has issued warnings to investors regarding the risks associated with virtual assets and ICOs. The authority has also been conducting checks and due diligence on various entities claiming to be registered or licensed in Seychelles but operating without proper authorisation.

## **Has there been any notable events in Seychelles that has prompted regulatory change recently?**

Recent events that have prompted regulatory change in Seychelles include the collapse of the Seychelles-based cryptocurrency exchange, African Digital Asset Framework (ADAF), in 2019, which resulted in significant losses for investors.

In addition to the specific incident, the Seychelles FSA discovered that numerous service providers were falsely claiming to possess a crypto license for various crypto-related services. In reality, these entities were operating without proper authorisation.

These incidents highlighted the need for greater regulatory oversight of virtual asset activities in Seychelles. In response, the FSA issued a warning to investors to maintain caution and announced that it was working on developing a regulatory framework for virtual assets and VASPs. The proposed framework aims to provide clarity and certainty for businesses operating in the virtual asset space, while also ensuring appropriate safeguards are in place to protect investors and prevent illicit activities.

## **6. Pending litigation and judgments related to virtual assets in Seychelles (if any)**

There are currently no pending litigations or judgments in Seychelles.

## **7. Government outlook on virtual assets and crypto-related activities in Seychelles**

The government of Seychelles has shown a favorable outlook towards virtual assets and crypto-related activities, recognising the potential benefits they can bring to the country's economy.

In terms of present legislation, the Seychelles FSA has been monitoring virtual asset activities and has issued warnings to investors regarding the risks associated with virtual assets and ICOs. The FSA has also been conducting checks and due diligence on various entities claiming to be registered or licensed in Seychelles but operating without proper authorisation. This demonstrates the government's commitment to maintaining a secure and regulated financial environment while allowing the virtual asset industry to develop.

Regarding proposed legislation, the Seychelles VASP Bill is a significant step towards creating a more comprehensive regulatory framework for virtual assets in Seychelles. The VASP Bill aims to regulate virtual asset service providers, including exchange platforms, custodial services, and transfer services. By setting out licensing requirements, AML/CFT measures, and other obligations, the government seeks to establish a clear regulatory environment for crypto-related activities.

## **8. Advantages of setting up a VASP in Seychelles**

Seychelles has a relatively light-touch regulatory approach to virtual assets and VASPs, which can provide businesses with greater flexibility and autonomy. While the FSA is responsible for regulating virtual assets and VASPs in Seychelles, the regulatory framework is still under development, and businesses may benefit from a more permissive regulatory environment in the short term.

The country's strategic location and increasing investments in the cryptocurrency industry make it an advantageous choice for those considering a virtual assets business. The country has become a hub for crypto companies due to its business-friendly policies and tax structure. Approximately 20% of global crypto exchanges are registered in Seychelles, including well-known players like HTX, BitMEX, and KuCoin. The attractive tax system is a major advantage, with income tax ranging from zero to 30%, lower than the global average. Corporate taxes are reasonable, with no capital gains or inheritance taxes. This makes Seychelles appealing for companies looking to benefit from favorable tax policies.

Furthermore, setting up a VASP in Seychelles can be cost-effective compared to other jurisdictions. The country has relatively low registration and licensing fees, and the cost of living and doing business is relatively low compared to other offshore jurisdictions.

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