

Forward-thinking jurisdictions welcoming VASPs

Insights - 27/04/2023

The implementation of new virtual asset related legislation in Jersey, Cayman and BVI earlier this year provides evidence that these forward-thinking jurisdictions are welcoming service providers who have dealings in virtual assets (VASPs) and realise that with the right AML framework in place, there are many benefits to embracing virtual assets.

Once considered too risky to be adopted by larger financial services providers we see that new regulatory requirements relating to virtual assets are rigorous, but do not stifle innovation.

Most regulators have adopted the Financial Action Task Force (FATF) VASP definition and have incorporated it into the revised legislation, changing it so that more entities are now in scope. This may have resulted in a number of entities not realising that they now require a licence to continue handling/managing virtual assets or tools used to control the movements of them such as seed phrases.

In order to comply with the regulations there are a number of improvements to CDD and AML controls that entities must implement. FATF's guidance for a risk-based approach to virtual assets includes collecting and analysing relevant customer data such as IP addresses and detection of IP address anonymisation, among other methods for reducing risk.

Blockchain analysis is also a key tool in minimising the risk of ML/TF/PF. Whilst most transactions on the blockchain are available for all to see in a very basic format through websites such as blockchain.com, without the overlaying of the intelligence sources that blockchain analytics platforms provide, the review of the basic blockchain offers little in the way of opportunities to detect bad actors.

Regulators will need to be shown evidence of the AML measures that entities handling virtual assets are putting in place. The use of a correctly configured blockchain analytics tool to screen wallets and monitor transactions along with improvements to CDD checks provides an

important part of that evidence.

Having considered the above, it may appear that becoming a licenced VASP requires a significant amount of work. However, with the right advice, guidance and support, it is a relatively straight forward process. It is clear from recent discussions with regulators such as the JFSC that they are keen to welcome and have a healthy relationship with responsible VASPs.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

Disclaimer

This client briefing has been prepared for clients and professional associates of Ogier. The information and expressions of opinion which it contains are not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific advice concerning individual situations.

Regulatory information can be found under [Legal Notice](#)

Meet the Author



[Andy Carpenter](#)

Senior Consultant

[Jersey](#)

E: andy.carpenter@ogier.com

T: [+44 1534 514492](tel:+441534514492)

Related Services

[Consulting](#)

[Ogier Regulatory Consulting](#)

Related Sectors

Technology and Web3