

Initial Response to
The Virtual Assets and Virtual Assets Service Providers Bill, 2025

VIRTUAL ASSET

POSITION STATEMENT

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EXECUTIVE SUMMARY

The Virtual Assets and Virtual
Assets Service Providers Bill, 2025

Trinidad and Tobago now stands at a crossroads.

We can either align with peers such as the Bahamas, Bermuda, and the Cayman Islands—jurisdictions that have embraced proportionate, innovation-friendly regulation—or risk isolating ourselves with one of the most restrictive approaches in the region.

The Virtual Asset Working Group welcomes the efforts of the **House of Representatives** to address the need for regulation in this sector. **The Virtual Assets and Virtual Asset Service Providers Bill, 2025** (“the Bill”) reflects a recognition that citizens must be protected from fraud and abuse in an emerging financial landscape. We see this as a progressive and timely conversation about the role of innovation and inclusive technology in our financial system. Access to new technology means access to opportunity, and with the right framework, Trinidad and Tobago can position itself as a leader in Caribbean digital innovation.

However, while the intent is commendable, the Bill takes the wrong path. By introducing a blanket prohibition on VASP activities until **December 31, 2027 (Clause 4(3))**, it risks undermining the very objectives it seeks to achieve.

This moratorium will:

- **Harm consumers**, leaving them with no safe, regulated local options;
- **Force businesses offshore**, eliminating local jobs and innovation; and
- **Contradict international standards**, including FATF Recommendations 15 & 16 and the IMF’s 2023 technical advice to Trinidad and Tobago.

FATF calls for **risk-based licensing and supervision**, not blanket prohibition. The IMF likewise recommended **targeted legal amendments and regulatory frameworks for VASPs**, not a multi-year freeze. Industry stakeholders have also developed **alternative draft frameworks** that embed AML/CFT safeguards and licensing obligations, demonstrating that proportionate regulation is both feasible and ready.

We therefore urge Parliament to amend Clause 4(3) and replace the prohibition with a licensing and compliance framework now, consistent with FATF, IMF, and CARICOM peers.

BACKGROUND

FATF Standards

- **Recommendation 15:** Countries must ensure that VASPs are regulated for AML/CFT purposes, and licensed or registered and subject to effective systems for monitoring and ensuring compliance.
- **Recommendation 16:** Countries must ensure payment transparency by requiring originator and beneficiary information to travel with transfers.
- FATF does **not** call for prohibitions or moratoria.

IMF/CBTT Guidance (2023)

- The IMF Technical Assistance Report (requested by CBTT and TTSEC) recommended:
 - A **regulatory and supervisory framework** for VASPs consistent with FATF.
 - Assigning oversight to **TTSEC (conduct)** and **CBTT/FIUTT (prudential, AML/CFT)**.
 - Introducing **consumer safeguards** (segregation of assets, fit-and-proper tests).
- The IMF noted that peers (Bahamas, Bermuda, Cayman Islands) regulate through **licensing frameworks**, not prohibition.

National Context

- Recent schemes such as **Trillions** highlight the need for oversight and established regulation.
- Banning legitimate actors will **not prevent scams**—instead, citizens will be pushed further underground, where no protections or means or recourse apply.
- In 2022, research confirmed that VASPs could already be supervised by FIUTT under the Proceeds of Crime Act, and that CBTT's 2021 consultation anticipated an **activity-based licensing regime** for payment services including VASPs.
- Stakeholders have since prepared **draft legislative alternatives**, showing that proportionate, FATF-aligned regulation is already mapped out.
- Trinidad and Tobago continues to face a chronic **foreign exchange shortage**, and many businesses have turned to stablecoins as a practical bridge for trade. Prohibiting VASPs will cut off this channel, deepen the forex crisis, and push activity further into unregulated markets, where U.S. dollars already trade on the black market at rates as high as **9:1**.
- At the same time, a blanket prohibition sends a signal to the international community that Trinidad and Tobago is **not innovation-friendly**. While regional peers are using digital asset frameworks to attract investment and talent, this approach risks isolating the country, deterring capital inflows, and accelerating the loss of skilled professionals.

ANALYSIS OF THE BILL

Clause 4(2): Definition of Virtual Asset Activities

- The Bill's definition of "virtual asset" is drafted so broadly that it could inadvertently capture activities far beyond what international standards require. The Bill omits this limiting language, meaning its scope could extend to **NFT creators, software developers, loyalty point systems, or even in-game tokens** that are not designed as financial instruments.
- In most legislation, "carrying on business" is interpreted broadly: it can cover **any activity done with continuity, repetition, or expectation of gain**, even on a small scale. So an NFT creator selling artwork, or a developer charging for access to a non-custodial wallet app, could still fall within "course of business."
- Cayman Islands - VASP Act (2020) - defines "virtual asset service" as activities conducted "*as a business, on behalf of another person or persons*". While explicitly excludes "*the development or sale of a software application*" and "*personal use of a virtual asset*"

Clause 4(3): Blanket Prohibition

- Bars authorisation of VASP and wallet services until **31 December 2027**.
- Contradicts FATF's requirement for licensing and regulation.
- Ignores IMF advice to implement supervisory frameworks now.
- Prohibition eliminates safe, regulated local choices for citizens.
- Pushes innovative businesses, jobs and foreign venture capital in digital/ tech sectors away from Trinidad and Tobago.

Clauses 4(6)–4(7): Disproportionate Penalties

- Create criminal sanctions of **TT\$5M fines and five years' imprisonment** for individuals, directors, officers, and companies engaging in unauthorised activity.
- Daily fines of TT\$500,000 apply for continuing offences.
- These exceed penalties for many comparable infractions in traditional finance.

ANALYSIS OF THE BILL

Critical Gap

Section 4 is ideal for adding a tiered licensing system or sandbox environment in the following manner (borrowed from Bermuda - Digital Asset Business Act):

- **Class F Licence (Full):** For entities carrying out digital asset business on a full commercial basis.
- **Class M Licence (Modified):** For applicants not yet ready to meet the full Class F requirements but seeking to test business models under lighter supervision.
- **Class T Licence (Testing):** Temporary licences for firms to operate in a live but limited manner while proving their model.

Why it matters: Creates a clear pathway from startup → scale-up → fully licensed business.

Implementation: The Central Bank already has a Sandbox which can be adapted to suit.

Clause 7: Advertising Offence

- Creates an offence for issuing advertisements inviting the public to participate in virtual asset activities without authorisation.
- Includes a statutory defence for publishers acting in the ordinary course of business.
- This provision risks silencing legitimate businesses, while offshore scams remain accessible online.

Clause 9: Lack of Redress

- Section 9 of the Bill provides no explicit statutory avenue for redress or appeal against regulatory decisions.
- This omission exposes the State to heightened **judicial review challenges** on grounds of procedural unfairness and breach of constitutional rights, particularly the right to the protection of the law under **section 4(b) of the Constitution of Trinidad and Tobago**.
- Without an internal or independent appeal mechanism, affected parties will have no choice but to seek relief in the High Court, increasing litigation risk, regulatory uncertainty, and the State's liability.

ANALYSIS OF THE BILL

There are two alternatives:

1. **Tribunal:** Under the VASP Act (Cayman Islands): “A person who is aggrieved by a decision of the Authority under this Act may, within twenty-one days of being notified of the decision, appeal to the Financial Services Appeal Tribunal established under section 7 of the Monetary Authority Act, whose decision shall be final.”
2. **Traditional Adjudication:** Under the Digital Asset Business Act (Bermuda): “Any person aggrieved by a decision of the Authority may appeal to the Supreme Court against that decision.”

The second model — appeal through the existing courts — would be easier to implement in Trinidad and Tobago, as it relies on the current judicial framework and avoids the administrative burden of creating a new tribunal.

CONSEQUENCES IF ENACTED

1. **Consumer Harm** – Citizens will be driven to unregulated offshore platforms, increasing exposure to fraud.
2. **Economic Loss** – Local fintech businesses will close or relocate, promoting brain drain of skilled talent, eliminating jobs and tax revenue. Foreign venture capital will see T&T as an unfriendly option for tech and digital business investment.
3. **Regional Disadvantage** – Peers such as the Bahamas, Jamaica, and Cayman Islands regulate responsibly via licensing; T&T risks isolation.
4. **Global Payments Integration** – Virtual assets are being embedded in mainstream payment flows (e.g., Stripe, PayPal, Venmo, Cash App). A ban would block Trinidadian SMEs from accessing these services.
5. **Reputational Damage** – Sends a signal of hostility to innovation, undermining investment and digital transformation.
6. **FATF Misalignment** – Prohibition is inconsistent with FATF Rec. 15's requirement for **licensing and monitoring** of VASPs.

ALTERNATIVE PATH: REGULATION, NOT PROHIBITION

The risks outlined above are not inevitable. Trinidad and Tobago has a clear alternative: align with international best practice by regulating, not prohibiting. A proportionate, risk-based licensing system can protect consumers, support innovation, and meet FATF standards without shutting down the sector.

A. Licensing & Supervision

- Introduce immediate VASP licensing under TTSEC (market conduct) and CBTT/FIUTT (prudential and AML/CFT).
- Apply fit-and-proper tests, capital adequacy rules, and strong governance standards.
- Structure licensing in **tiers**, as in Bermuda (Class T/M/F licences), to allow startups to enter under lighter regimes and graduate as they scale.

B. Consumer Protection

- Require segregation of customer assets from company funds.
- Mandate transparent disclosures, periodic reporting, and audited compliance.
- Enforce robust AML/CFT programmes: customer due diligence, suspicious transaction reporting, and dedicated compliance officers.

C. Distinguishing Investment vs. Non-Investment VASPs

- Investment-type VASPs (trading, token sales, speculative products) should be subject to stricter safeguards:
 - Fit-and-proper requirements for directors and officers;
 - Minimum capital thresholds;
 - Segregation of customer assets;
 - Robust AML/CFT programmes (due diligence, reporting, compliance officers).
- Non-investment VASPs (payments, transfers, wallets) present lower risks and should operate under proportionate oversight.

ALTERNATIVE PATH: REGULATION, NOT PROHIBITION

D. Transitional & Sandbox Provisions

- Allow existing VASPs to notify FIUTT within one month and apply for conditional registration within six months.
- Create a regulatory sandbox where innovators can test services under regulatory oversight, as used in Singapore, the UK, and Bermuda.
- Provide clear exemptions for **test nets, software developers, and NFT creators**, to avoid stifling non-financial innovation.

E. Industry Readiness

- Stakeholders have already prepared draft frameworks embedding FATF and IMF guidance. These show that proportionate licensing is feasible now.
- Regional peers — Bahamas, Cayman Islands, Jamaica, Barbados — all regulate through licensing or registration, not blanket prohibition.

By adopting this alternative path, Parliament can achieve the Bill's consumer protection goals, safeguard the financial system, and send a signal to international investors that Trinidad and Tobago is committed to innovation and responsible regulation.

REGIONAL COMPARATIVE REFERENCES

- **Bahamas (DARE Act 2024):** Licensing regime with AML/CFT obligations.
- **Jamaica & Barbados:** FATF-aligned frameworks with licensing and registration (IMF noted partial compliance).
- **Cayman Islands:** Licensing and AML/CFT supervision.
- **IMF Guidance for T&T (2023):** Recommended enabling legislation, targeted amendments, and immediate regulatory frameworks

CONCLUSION

The Virtual Assets and Virtual Assets Service Providers Bill, 2025 is well-intentioned but misdirected without local industry consultation. Its prohibitive approach undermines consumer protection, stifles innovation and economic diversification. This bill forces future focused jobs and businesses operating in digital technology offshore, and misaligns Trinidad and Tobago with FATF and IMF standards.

We urge Parliament to:

1. **Amend Clause 4(3)** to remove the moratorium and establish licensing and a transitional regime.
2. **Align with FATF Recommendation 15** by licensing and supervising VASPs for AML/CFT.
3. **Follow IMF guidance** by adopting proportionate regulation under TTSEC, CBTT, and FIUTT.
4. **Recognize industry readiness** and build on existing draft frameworks instead of prohibiting.

By doing so, Trinidad and Tobago can protect citizens, achieve FATF compliance, and build a safe, innovative digital financial sector.

APPENDICES

Appendix A – FATF Recommendations 15 & 16 (Extracts)

Recommendation 15: New Technologies

“To manage and mitigate the risks emerging from virtual assets, countries should ensure that virtual asset service providers are regulated for AML/CFT purposes, and licensed or registered and subject to effective systems for monitoring and ensuring compliance with the relevant measures called for in the FATF Recommendations.”

Recommendation 16: Payment Transparency

“Countries should ensure that financial institutions include required and accurate originator information, and required beneficiary information, on payments or value transfers... Countries should ensure that financial institutions monitor payments or value transfers for the purpose of detecting those which lack required information and take appropriate measures.”

Appendix B – IMF Technical Assistance Report (2023): Key Recommendations

(Extracted from IMF Technical Assistance Report for CBTT and TTSEC, 2023)

- Undertake a **regulatory impact assessment** to evaluate risks and opportunities from virtual assets.
- Adopt **targeted legal amendments and regulations** to establish a framework for VASPs, consistent with FATF standards.
- Assign oversight roles to **TTSEC (market conduct, disclosure)** and **CBTT/FIUTT (prudential and AML/CFT)**.
- Introduce **consumer protection safeguards**, including segregation of customer assets and fit-and-proper requirements for operators.
- Regional comparison: Bahamas, Bermuda, and Cayman Islands have established **licensing/registration regimes**; T&T should follow a similar enabling approach.

APPENDICES

Appendix C – CBTT Payment Systems Bill Consultation (2021)

(Extracted from CBTT Draft Policy Proposal, May 2021, as summarised in Reid, 2022)

- Proposed a shift to **activity-based licensing** of payment services.
- Defined VASPs as: “Virtual asset service providers that provide services for the purpose of facilitating payments or transfers.”
- Clarified that while CBTT did not intend to regulate issuance or trading of virtual assets, it **intended to regulate VASPs where used for payments or transfers**.
- Confirmed that AML/CFT obligations and supervision would apply to these VASP activities.

Appendix D – Regional VASP Frameworks (Comparative Snapshot)

JURISDICTION	LEGAL INSTRUMENT	APPROACH	KEY FEATURES
Bahamas	Digital Assets and Registered Exchanges (DARE) Act, 2024	Licensing	Registration with Securities Commission, AML/CFT obligations, Travel Rule compliance.
Cayman Islands	VASP Act, 2020	Licensing/Registration	Mandatory licensing for custodians and exchanges, AML/CFT supervision by CIMA.
Jamaica	Virtual Assets Bill, 2023	Developing Framework	Licensing/registration in progress, FATF partial compliance reported, FIU oversight for AML/CFT.
Barbados	AML (VASPs) Regulations, 2020	Registration	FIU supervision, AML/CFT compliance programme requirements, registration of VASPs.

APPENDICES

Appendix E – Compliance Framework for VASPs (Reid, 2022)

(Extracted from Legal and Regulatory Research Findings for VASPs, Reid 2022)

- VASPs could already fall under **FIUTT supervision** as “money or value transfer services” under the Proceeds of Crime Act.
- Compliance obligations include:
 - Appointment of a **Compliance Officer**;
 - **Customer due diligence (KYC)** and ongoing monitoring;
 - **Suspicious transaction reporting**;
 - **Independent testing** of AML/CFT compliance;
 - **Staff training** on AML/CFT risks and detection.
- VASPs should be treated as distinct from EMLs, requiring tailored licensing with proportionate capital and governance requirements.

It is important to note that the **FATF Compliance Bill, 2025** introduces a definition of “virtual assets” within the meaning of property and funds under both the **Proceeds of Crime Act (POCA)** and the **Anti-Terrorism Act (ATA)**.

The same Bill also expands the powers of the **Financial Intelligence Unit of Trinidad and Tobago (FIUTT)** to supervise VASPs, request information, and enforce AML/CFT obligations.

GLOSSARY

- **AML/CFT:** Anti-Money Laundering and Countering the Financing of Terrorism.
- **ATA:** Anti-Terrorism Act, legislation addressing terrorism financing and related offences.
- **Bermuda Class T/M/F licenses:** Tiered VASP licence categories under Bermuda's regime (e.g., "T" for testing/limited scope, "M" for modified/medium scope, "F" for full scope).
- **CARICOM:** Caribbean Community; regional bloc used for peer comparisons in the paper.
- **CBTT:** Central Bank of Trinidad and Tobago; prudential regulator for banks, EMLs, and payment systems.
- **FATF:** Financial Action Task Force; sets global AML/CFT standards.
- **FIUTT:** Financial Intelligence Unit of Trinidad and Tobago; AML/CFT supervisor for specified non-bank entities and businesses.
- **Fit-and-Proper:** Regulatory suitability standard assessing the integrity, competence, and financial soundness of significant shareholders, directors, and senior officers.
- **Moratorium (in this Bill):** A temporary prohibition on licensing/authorising VASPs until December 31, 2027.
- **NFT (Non-Fungible Token):** A type of virtual asset representing a unique digital item or right (not interchangeable one-for-one like currency tokens).
- **POCA:** Proceeds of Crime Act, key AML legislation in Trinidad and Tobago.
- **Sandbox:** A controlled regulatory environment where firms can test new products/services under supervision.
- **Stablecoin:** A type of virtual asset designed to maintain a stable value by being pegged to a reserve asset (such as the US dollar). Increasingly integrated into global payment systems and used for settlements.
- **Testnet (test nets):** A non-production blockchain network used for development and testing with no real financial value.
- **Travel Rule (FATF Rec. 16):** Requirement that accurate originator and beneficiary information accompany virtual asset transfers.
- **TTSEC:** Trinidad and Tobago Securities and Exchange Commission; market-conduct and securities regulator.
- **VASP (Virtual Asset Service Provider):** A business conducting activities such as exchange, transfer, safekeeping, or administration of virtual assets.
- **Virtual Asset:** A digital representation of value that can be digitally traded, transferred, or used for payment/investment (excluding fiat, securities, or other regulated financial assets).