TRINDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

Virtual Assets and Virtual Asset Service Providers Policy

September 2026

The purpose of this policy is to guide the comprehensive review of the Virtual Assets and Virtual Asset Service Providers ("VASP") Act, 2025 (Act No. 12 of 2025) and to propose amendments for the establishment of a permanent, risk-based and internationally aligned regulatory framework for the regulation of VASPs in Trinidad and Tobago.

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Definitions

For the purpose of this Policy Paper, the following definitions are provided:

"Act" means the "**VASP Act**" or The Virtual Assets and Virtual Asset Service Providers Act, 2025 (Act No. 12 of 2025) of the Laws of the Republic of Trinidad and Tobago.

"AML/CFT/CPF" means Anti-Money Laundering/Counter Financing of Terrorism/Counter Proliferation Financing

"Commission" means the Trinidad and Tobago Securities and Exchange Commission established under section 5 of the Act.

"CPC" means Chief Parliamentary Counsel

"FATF" means Financial Action Task Force

"VAOs" means Virtual Asset Offerings

"VASPs" means Virtual Asset Service Providers

“CBTT” means the Central Bank of Trinidad and Tobago.

“FIUTT” means the Financial Intelligence Unit of Trinidad and Tobago.

“Stablecoin” means a virtual asset designed or represented as maintaining a stable value by reference to one or more assets, currencies, rights or other specified benchmarks.

“TTCSIRT” means the Trinidad and Tobago Cyber Security Incident Response Team.

Executive Summary

Introduction

The Virtual Assets and Virtual Asset Service Providers Act, 2025 (Act No. 12 of 2025) ("VASP Act") established Trinidad and Tobago's first legislative framework for regulation of virtual assets and virtual asset service providers ("VASPs"). The Act designated the Trinidad and Tobago Securities and Exchange Commission ("the Commission/TTSEC") as the competent authority, created a temporary prohibition (to December 31, 2026) of the conduct of VASP activities unless authorised under the Act, and also introduced a regulatory sandbox to facilitate innovation while providing regulatory oversight of an emerging sector.

Since its enactment, international standards, technological developments and regulatory practices have continued to evolve. The Commission has therefore undertaken a comprehensive review of the VASP Act to determine whether amendments are required to establish a permanent, risk-based and internationally aligned regulatory framework.

The review concluded that the existing VASP Act provides a sound legislative foundation and should be modernised rather than repealed and replaced.

The proposed amendments will establish a comprehensive permanent framework, including enabling provisions for stablecoins, stronger retail and market-conduct protections, statutory protection of client assets on insolvency, clearer cross-border reach, formal domestic coordination and phased commencement by activity and licence class.

1.0 CHAPTER 1

1.1 Purpose of this Policy Paper

This Policy Paper sets out the legislative policy developed by the Commission, as the principal regulator of virtual asset activities in Trinidad and Tobago, for amendment of the VASP Act.

The Paper seeks Cabinet approval of the proposed legislative policy for amending the VASP Act. It identifies the policy objectives, legislative issues and proposed reforms necessary to implement the recommended amendments.

Following Cabinet approval of the legislative policy, the Commission will undertake public consultation on the proposed reforms. The results of those consultations will inform comprehensive drafting instructions to the Office of the Chief Parliamentary Counsel for the amended legislation before submission through the legislative process.

1.2 Need for Legislative Reform

The current Act was designed as an initial framework centred on a regulatory sandbox, providing a controlled environment through which innovative firms may test products, services and business models alongside a general prohibition on unauthorized virtual asset activities, which expires on December 31, 2026.

The primary objectives of the sandbox include:

- Supporting innovation;

- Facilitating regulatory learning;
- Encouraging market development;
- Identifying regulatory risks;
- Building supervisory capability.

Arising from the findings of the VASP risk assessment as at December 31, 2025, the risk posed by VASPs was deemed to be high. Since then, the sandbox has enabled the Commission to engage with industry participants while developing institutional knowledge concerning emerging technologies and business models. Adoption of this approach was particularly appropriate during the early stages of market development. To date, the Commission has issued binding terms and conditions related to sandbox operations to sandbox participants and provided them guidance setting out ongoing obligations.

The existing legislation enables the Commission to supervise and monitor participants, including requiring the submission of reports and documents/information (both periodic and upon request), conducting examinations and other supervisory reviews to verify compliance with conditions of approvals granted. The Commission has developed examination guidelines and commenced targeted reviews of the approved VASPs. In the absence of an updated risk assessment, these reviews allow the Commission to reassess the risks posed by approved VASPs as well as implement appropriate supervisory measures for monitoring operations under a strengthened supervisory framework.

While appropriate at the time of enactment, experience gained through implementation demonstrated the need for a permanent supervisory regime capable of regulating VASPs on an ongoing basis.

Legislative reform is required to:

- establish a permanent statutory Regulatory Sandbox involving time-limited and conditional registration, together with a Permanent Licensing Framework for VASPs;
- strengthen governance, prudential, operational resilience and consumer protection requirements;
- enhance TTSEC's supervisory and enforcement powers;
- strengthen implementation of international AML/CFT/CPF standards, including applicable FATF Recommendations;
- establish a more comprehensive framework for virtual asset offerings;
- preserve the regulatory sandbox as a permanent innovation mechanism; and
- provide appropriate transitional arrangements for existing sandbox participants.

The proposed reforms also seek to ensure that the regulatory framework remains technology-neutral, risk-based and sufficiently flexible to accommodate future developments through subordinate legislation, Rules and Guidelines.

1.3 Policy Approach

The Commission recommends an incremental approach to legislative reform by amending, rather than replacing, the existing VASP Act. This approach preserves the existing statutory framework, maintains regulatory continuity and builds upon the institutional expertise already developed by the Commission while avoiding unnecessary legislative duplication.

The amended Act will operate within the existing legislative framework, including the Securities Act, the Proceeds of Crime Act, the Financial Obligations Regulations and other relevant legislation. Detailed prudential, operational and technical requirements will, where appropriate, be prescribed through Regulations, Rules and Guidelines rather than primary legislation.

1.4 Scope of the Proposed Reforms

The proposed amendments are directed to establishing a mature regulatory framework governing VASPs, Virtual Asset Offerings, stablecoin activities and related matters within the respective statutory mandates of the Commission and other competent authorities.

The reforms will establish the statutory perimeter and enabling powers for stablecoins, including the issuance, offering, distribution, exchange and redemption of stablecoins in or from Trinidad and Tobago and Trinidad and Tobago dollar-denominated stablecoins offered into the jurisdiction. Detailed stablecoin requirements may be activated progressively through Regulations following consultation with CBTT. Decentralised finance and unhosted activities will be regulated where an identifiable intermediary performs a regulated activity; otherwise, enabling powers will permit the perimeter to be adjusted as international standards develop. Central bank digital currency and fully decentralised autonomous organisations remain outside the immediate scope of this Policy Paper.

1.5 Principal Policy Recommendations

This Policy Paper recommends that Cabinet approve the development of legislation to amend the Virtual Assets and Virtual Asset Service Providers Act, 2025, to:

- establish a permanent statutory Regulatory Sandbox involving time-limited and conditional registration, together with a Permanent Licensing Framework for VASPs;
- retain the Commission as the competent authority;
- integrate the regulation of VASPs with the Commission’s existing regulatory and enforcement framework under the Securities Act, where appropriate;
- strengthen governance, prudential, operational resilience and consumer protection requirements;
- enhance AML/CFT/CPF supervision and implementation of VASP-specific FATF requirements;
- establish a more comprehensive regulatory framework for virtual asset offerings;
- establish a stablecoin perimeter and enabling powers that protect monetary sovereignty and permit the detailed issuer regime to be commenced by Regulations following consultation with CBTT;
- protect client assets through statutory segregation, reconciliation, independent verification and insolvency treatment;

- establish retail appropriateness, marketing, complaints and product-intervention requirements;
- establish a dedicated market-conduct and market-abuse regime;
- clarify the territorial application of the Act to foreign persons actively providing or offering services to persons in Trinidad and Tobago;
- provide for formal domestic coordination, statutory cooperation and information sharing among relevant authorities;
- retain and modernise the regulatory sandbox as a permanent innovation mechanism;
- provide for phased commencement by activity and licence class, aligned with supervisory readiness and market demand;
- provide transitional and savings provisions to facilitate implementation of the amended framework; and
- empower the Commission to prescribe detailed operational and prudential requirements through Regulations, Rules and Guidelines.

1.6 Conclusion

The Commission's review confirms that Trinidad and Tobago possesses an appropriate legislative foundation upon which a modern and internationally aligned regulatory framework can be established. Targeted amendments to the existing Act represent the most effective and proportionate means of achieving that objective.

Cabinet approval of this Policy Paper will authorise the proposed legislative policy and facilitate the next phase of the reform process comprising legislative drafting, public consultation, preparation of the amending Bill by the Office of the Chief Parliamentary Counsel, and subsequent consideration of the legislation by Parliament.

2.0 CHAPTER 2

2.1 Background and Legislative Context

The VASP Act represented the first phase of Trinidad and Tobago's regulatory response to the virtual asset sector. At the time of its enactment, the regulatory sandbox provided an appropriate mechanism for supervising emerging technologies while enabling the Commission to develop practical regulatory and supervisory experience.

Since enactment of the Act, developments in virtual asset markets, technological innovation, international regulatory standards and the Commission's experience in administering the existing framework have demonstrated the need to transition from a temporary regulatory model to a permanent legislative regime capable of supporting the long-term regulation and supervision of VASPs post prohibition.

2.2 Legislative Context

Continuous evolution of virtual assets and the technologies supporting them are creating opportunities for innovation while presenting new regulatory challenges relating to consumer protection, market integrity, operational resilience and financial crime.

There are also significant strengths of the current legislative framework:

- **Clear Regulatory Perimeter** – providing legal certainty for market participants
- **Dedicated Supervisory Authority** – the Commission's designation as the competent authority provides clarity regarding regulatory responsibilities and accountability
- **Regulatory Sandbox** - the framework encourages innovation while maintaining appropriate regulatory oversight
- **AML/CFT Foundations** – the legislation supports implementation of FATF Recommendation 15 and provides a basis for risk-based supervision
- **Flexibility** – framework allows the Commission to engage with emerging technologies and business models in a controlled environment;
- **Early Market Development** - the legislation facilitates responsible participation in digital asset markets while allowing the Commission to build supervisory expertise.

Internationally, regulatory sandboxes or transitional authorisation models have increasingly matured into permanent registration or licensing regimes supported by comprehensive supervisory, prudential and conduct requirements.

The Commission considers it appropriate that Trinidad and Tobago's legislative framework evolve in a manner that reflects these developments while remaining proportionate, technology-neutral and consistent with the country's existing legal and institutional framework.

2.3 Review of the Existing Legislative Framework

As part of its review, the Commission considered:

- the operation and implementation of the VASP Act since its commencement;
- developments in international standards, including the Financial Action Task Force (FATF) Recommendations and related guidance;

- comparative legislative approaches adopted in selected jurisdictions;
- the interaction between the VASP Act and existing domestic legislation; and
- the practical operation of the Commission's supervisory and enforcement functions under the Act.

The review concluded that the existing Act provides a sound legislative and institutional foundation for regulation of VASPs. However, it also identified legislative gaps that limit the Commission's ability to regulate the sector beyond the transitional framework established by the Act.

2.4 Limitations of the Existing Framework

Limitations identified by the Commission's review should be addressed through legislative reform focussing on the following deficiencies:

Prudential Supervision

The legislation does not establish a detailed prudential framework addressing:

- Capital adequacy;
- Liquidity requirements;
- Financial resource requirements;
- Recovery planning;
- Resolution planning.

These issues have become increasingly important following several high-profile digital asset market failures internationally.

Governance and Internal Controls

The Act contains limited provisions relating to:

- Board accountability;
- Risk management;
- Internal controls;
- Compliance functions;
- Internal audit;
- Outsourcing.

Modern regulatory frameworks increasingly place significant emphasis on governance and accountability.

Custody and Client Asset Protection

The legislation does not establish comprehensive requirements concerning:

- Segregation of customer assets;
- Custody standards;
- Key management;
- Proof of reserves;
- Insolvency protections.

The absence of such provisions may expose consumers to avoidable risks.

Cybersecurity and Operational Resilience

The Act contains limited requirements concerning:

- Cybersecurity governance;
- Incident reporting;
- Operational resilience;
- Technology risk management;
- Business continuity.

Given the technology-dependent nature of digital asset activities, these issues warrant greater attention.

Market Conduct and Market Abuse

The current framework does not establish a dedicated market conduct regime addressing:

- Market manipulation;
- Insider dealing;
- Wash trading;
- Spoofing;
- False market creation;
- Misleading disclosures.

These risks have become increasingly prominent within digital asset markets globally.

Travel Rule Implementation

Although the Act supports AML/CFT objectives, which are covered in the provisions of the Proceeds of Crime Act, it does not contain detailed Travel Rule provisions consistent with FATF Recommendation 16. Implementation of such provisions is increasingly expected by international standard-setting bodies.

2.5 Complementary Legislative Reforms

The proposed reforms have been developed within Trinidad and Tobago's existing legislative and institutional framework. The amended VASP Act is intended to operate alongside, and complement, other relevant legislation, including:

- the Securities Act, which establishes the Commission's supervisory, investigative and enforcement framework and continues to apply where a virtual asset constitutes a security;
- the Proceeds of Crime Act and the Financial Obligations Regulations, which establish the principal AML/CFT/CPF obligations applicable to regulated entities;
- the Anti-Terrorism Act and the Financial Obligations (Financing of Terrorism) Regulations;

- the Companies Act; and
- bankruptcy, insolvency and companies legislation governing the ownership and treatment of client assets on failure;
- legislation administered by CBTT concerning payments, foreign exchange, financial stability and monetary matters;
- national cybersecurity and cyber-incident coordination arrangements; and
- other written laws governing regulated financial activities.

The proposed reforms therefore seek to strengthen the VASP Act while preserving legislative coherence and avoiding unnecessary duplication of existing statutory frameworks.

2.6 Selected Policy Development Method

In developing the proposed reforms, the Commission considered several legislative options, including retaining the existing Act without significant amendment, repealing and replacing the Act, and amending the existing legislative framework.

The Commission concluded that amendment of the existing Act represents the preferred policy option because it:

- preserves legislative continuity;
- builds upon the existing statutory framework and institutional expertise;
- minimises disruption to existing regulated entities;
- avoids unnecessary duplication of legislative provisions; and
- provides a flexible framework capable of responding to future technological and regulatory developments.

The proposed amendments therefore constitute the second phase of Trinidad and Tobago's legislative framework for the regulation of virtual asset service providers.

2.7 Conclusion

The Commission's review confirms that the VASP Act provides an appropriate legislative foundation for the regulation of virtual asset service providers. However, developments in the virtual asset sector, evolving international standards and the transitional nature of the existing legislative framework necessitate targeted legislative reform.

The proposed amendments are intended to modernise and strengthen the existing Act while preserving its underlying legislative architecture and integrating the regulation of VASPs within Trinidad and Tobago's broader financial regulatory framework.

The following Chapters describe the existing legislative framework, identify the principal legislative gaps requiring reform, and set out the legislative policy and drafting instructions necessary to implement the proposed amendments.

3.0 CHAPTER 3

3.1 Existing Legislative Framework

This Chapter provides an overview of the existing legislative framework and the current operation of the Act. The Commission's assessment of the legislative gaps and the need for reform is set out in Chapter 4.

3.2 Regulatory Objectives

The VASP Act, 2025 established a framework intended to regulate virtual asset activities while balancing innovation with appropriate regulatory oversight. The principal objectives of the Act were to:

- regulate persons carrying on VASP activities in or from Trinidad and Tobago;
- facilitate responsible innovation in the virtual asset sector;
- promote market integrity and investor confidence in virtual asset markets;
- protect consumers and the public interest;
- support compliance with applicable anti-money laundering, counter financing of terrorism and counter proliferation financing requirements; and
- provide the Commission with supervisory and enforcement powers necessary to administer the Act.

These objectives remained appropriate and continue to underpin the proposed legislative reforms.

3.3 Scope of the Existing Legislative Framework

The Act applies to persons carrying on virtual asset activities as defined in the legislation. It established the circumstances under which such activities may lawfully be conducted and prescribed the statutory obligations applicable to authorised participants.

The Act also established provisions governing applications for participation in the regulatory sandbox, supervision, inspections, investigations, enforcement measures and offences.

3.4 Role of the Commission

In carrying out its statutory functions under the Act, the Commission is responsible for:

- receiving, processing, and approving or denying applications submitted under the Act;
- collecting such data and reports from Sandbox Participants as it deems reasonably necessary;
- preventing the conduct of unregulated virtual asset activities by unregistered VASPs;
- supervising authorised VASPs;
- monitoring compliance with statutory obligations;
- conducting inspections and investigations;
- exercising enforcement powers where non-compliance is identified; and
- issuing regulatory instruments authorised under the Act.

The Commission performs these functions within its broader statutory mandate as the principal regulator of the securities industry in Trinidad and Tobago.

3.5 The Regulatory Sandbox

A defining feature of the existing legislative framework was the establishment of a regulatory sandbox. The sandbox provides a controlled regulatory environment within which eligible applicants may test innovative virtual asset products, services and business models under the supervision of the Commission for a specified period and subject to prescribed statutory conditions.

The sandbox was intended as a transitional regulatory mechanism to encourage responsible innovation while enabling the Commission to obtain practical supervisory experience in an emerging sector before the establishment of a mature regulatory framework.

3.6 Current Status of the Existing Framework

The statutory period during which applications could be submitted for entry into the regulatory sandbox has now expired. Consequently, the Commission is no longer empowered to receive or determine applications for admission into the sandbox under the existing Act. Further the VASP Act restricts the Commission from granting authorisation to any person to carry on the business of a virtual asset service provider on or before 31 December 2026.

Accordingly, while the VASP Act continues to regulate existing authorised participants, it no longer provides a legislative pathway for new entrants or establishes a permanent framework for the ongoing registration and supervision of VASPs after the expiry of the transitional arrangements.

3.7 Registration and Supervisory Framework

The existing Act regulates VASP activities primarily through participation in the regulatory sandbox. Persons authorised under the Act are required to comply with prescribed statutory obligations and any conditions imposed by the Commission throughout the period of authorisation.

The Commission is empowered to exercise supervisory powers where necessary to ensure compliance with the Act, require the production of information and documents, conduct inspections, monitor compliance, and administer regulatory reporting obligations.

3.8 Conduct and Consumer Protection

The Act establishes statutory obligations governing the conduct of authorised VASPs, including requirements relating to governance, integrity and the fair treatment of customers.

These provisions provide an initial framework for consumer protection and seek to promote responsible business conduct within the virtual asset sector.

3.9 Supervisory and Enforcement Powers

The Act confers supervisory and enforcement powers on the Commission to facilitate the effective administration of the legislative framework. These powers include the authority to:

- prohibit the conduct of virtual asset activities by non-sandbox participants during the moratorium period;
- require the production of information and documents;
- conduct inspections and investigations;
- issue supervisory directions, where authorised by the Act;
- suspend or revoke authorisations in appropriate circumstances; and
- institute enforcement proceedings in respect of contraventions of the Act.

These powers complement the Commission's broader supervisory and enforcement powers under the Securities Act and other applicable legislation.

3.10 Subordinate Legislative Framework

The existing Act contemplates that aspects of the regulatory framework may be supplemented through subordinate legislation and other regulatory instruments made under the Act. This approach recognises that certain operational and administrative matters are more appropriately addressed outside primary legislation, allowing greater flexibility in responding to technological developments and evolving international standards.

The proposed amendments build upon this approach by identifying those matters that should appropriately be addressed through Regulations, Rules and Guidelines.

3.11 Conclusion

The VASP Act was designed as a transitional regulatory framework centred on the regulatory sandbox. With the expiry of the statutory application period and the legislative restrictions governing the grant of new authorisations, the existing framework no longer provides a permanent mechanism for the registration and ongoing supervision of VASPs.

The Commission's review therefore identified several legislative gaps that should be addressed to establish a mature, risk-based and internationally aligned regulatory framework. Those gaps, and the policy responses proposed to address them, are discussed in the following Chapter.

4.0 CHAPTER 4

4.1 Policy Objectives

The Commission's policy objectives are intended to guide the preparation of the amending Bill. Collectively, they seek to strengthen the regulatory framework while preserving the legislative architecture established by the existing Act.

4.2 Principal Policy Objective

The principal objective of this Policy is to establish a modern, principles-based, technology-neutral and risk-based legislative framework for the regulation and supervision of Virtual Asset Service Providers ("VASPs"), Virtual Asset Offerings and prescribed stablecoin activities that fosters responsible innovation while maintaining high standards of investor protection, consumer confidence, market integrity, financial-system resilience and monetary sovereignty.

The proposed framework seeks to position Trinidad and Tobago as a credible, well-regulated and internationally respected jurisdiction for digital asset activities by establishing a proportionate regulatory regime that supports innovation, facilitates sustainable market development, mitigates financial crime and cyber risks, and remains aligned with evolving international standards and best practices.

Recognising the rapidly evolving nature of distributed ledger technology and digital asset markets, the framework shall adopt a graduated authorisation model that balances innovation with regulatory oversight through two complementary stages:

(a) Regulatory Sandbox Registration Framework

A supervised registration regime that enables innovative and emerging virtual asset business models, technologies and products to operate within a controlled regulatory environment for a defined period. The Sandbox will facilitate responsible innovation, regulatory learning, supervisory assessment and market testing while ensuring appropriate safeguards for investors and the financial system. Registration under the Sandbox shall not constitute authorisation to conduct unrestricted commercial virtual asset business.

(b) Permanent Licensing Framework

A comprehensive licensing regime will be developed for entities that have successfully demonstrated, through regulatory assessment and supervisory engagement, that they possess the governance arrangements, operational capability, financial resources, technological resilience and compliance culture necessary to conduct virtual asset business on a continuing basis. Licensed VASPs shall be subject to ongoing risk-based supervision and continuous regulatory oversight by the Commission.

The framework shall further establish a comprehensive supervisory architecture that integrates prudential supervision, governance oversight, conduct regulation, consumer protection, operational resilience, cybersecurity, market integrity, AML/CFT/CPF compliance and effective enforcement into a single risk-based regulatory model proportionate to the nature, scale and complexity of each licensed activity.

To ensure the framework remains responsive to technological innovation and emerging risks, the Act shall empower the Commission to prescribe detailed and legally enforceable prudential, operational, governance and conduct requirements through Regulations, Rules, Guidelines, Directives and other subordinate legislative instruments. Such delegated legislative powers shall enable the Commission to respond efficiently to emerging technologies, evolving business models, international standards, market developments and systemic risks without requiring frequent amendments to primary legislation.

The framework shall also preserve sufficient regulatory flexibility to accommodate future developments in digital finance, including tokenisation, stablecoins, digital asset lending, staking services, decentralised finance activities involving regulated intermediaries, artificial intelligence-enabled digital asset services and other emerging digital asset activities that fall within the statutory remit of the Commission.

Ultimately, the proposed framework is intended to establish a regulatory regime that is adaptive rather than prescriptive, supervisory rather than transactional, principles-based rather than technology-specific, and sufficiently flexible to support innovation while safeguarding the integrity, stability and international reputation of Trinidad and Tobago's financial system.

4.3 Supporting Policy Objectives

To achieve the principal objective, the proposed amendments seek to:

(a) Establish a Permanent Licensing Framework and a Permanent Statutory Sandbox
Replace the existing transitional arrangements with a permanent licensing regime and a permanent statutory Regulatory Sandbox under which registration is time-limited, conditional and confined to controlled testing. Sandbox registration shall not constitute a lower-tier form of continuing commercial authorisation.

(b) Strengthen Regulatory Oversight
Enhance the Commission’s supervisory, investigative and enforcement powers to enable effective ongoing regulation of VASPs throughout their lifecycle.

(c) Promote Good Governance
Strengthen governance standards applicable to registered VASPs, including requirements relating to ownership, management, fitness and propriety, internal controls, risk management and corporate governance.

(d) Enhance Consumer Protection
Strengthen the legislative framework governing the protection of customers through appropriate conduct standards, disclosure obligations, safeguarding of client assets, complaint handling and operational resilience requirements.

(e) Support Market Integrity
Promote confidence in Trinidad and Tobago’s virtual asset sector through proportionate regulatory standards that support fair, orderly and transparent markets.

(f) Strengthen AML/CFT/CPF Supervision
Support effective implementation of applicable anti-money laundering, counter financing of terrorism and counter proliferation financing obligations through enhanced supervisory powers and regulatory requirements consistent with applicable international standards.

(g) Regulate Virtual Asset Offerings
Establish a clearer legislative framework governing virtual asset offerings and related activities falling within the Commission's regulatory remit.

(h) Preserve Innovation
Retain the regulatory sandbox as a permanent regulatory mechanism through which innovative products, services and business models may continue to be tested under appropriate regulatory oversight.

(i) Improve Legislative Flexibility
Ensure that detailed operational, prudential and administrative requirements may be prescribed, where appropriate, through Regulations, Rules or Guidelines rather than primary legislation.

(j) Promote Regulatory Coherence
Ensure that the amended Act operates consistently with the Securities Act, the Proceeds of Crime Act, the Financial Obligations Regulations and other relevant written laws while avoiding unnecessary duplication of existing legislative provisions.

(k) Support international cooperation and cross-border interoperability
The virtual asset sector is inherently cross-border in nature and effective supervision requires cooperation among supervisory and other competent authorities as well as international organisations. The amended Act should facilitate information sharing and cross-border collaboration in relation to virtual assets.

(l) Protect Financial Stability and Monetary Sovereignty
Establish an enabling perimeter for stablecoins and a designation mechanism under which a stablecoin that becomes material to domestic payments, financial stability or monetary conditions may be subject to additional CBTT oversight under arrangements agreed between TTSEC and CBTT.

(m) Protect Client Assets on Failure
Ensure that client virtual assets and related fiat funds are segregated, identifiable, independently verifiable and protected from the claims of a VASP's general creditors on insolvency.

(n) Strengthen Domestic Regulatory Coordination
Establish a statutory duty of cooperation and appropriate legal gateways for information sharing among TTSEC, CBTT, FIUTT, law enforcement and national cybersecurity authorities.

(o) Support Phased and Capability-Led Implementation

Permit licence classes and detailed regimes to commence progressively according to supervisory readiness, market demand and the risks associated with each activity.

4.4 Guiding Regulatory Philosophy

The Commission recognises that virtual assets and distributed ledger technologies have the potential to enhance capital formation, improve market efficiency, increase financial inclusion and support economic innovation. At the same time, these activities present unique risks relating to investor protection, operational resilience, market abuse, cyber security, financial crime and financial stability.

The guiding philosophy of this Policy is therefore not to eliminate innovation through excessive regulation, nor to encourage innovation at the expense of appropriate safeguards. Rather, the Commission seeks to establish a balanced regulatory environment that enables responsible innovation while ensuring that persons conducting virtual asset activities operate in a safe, transparent and well-governed manner consistent with international standards and the public interest.

The Commission's regulatory philosophy shall therefore be guided by the following principles.

Principle 1 – Responsible Innovation

Innovation shall not be discouraged solely because it involves new or emerging technologies. Conversely, technological innovation shall not exempt a person from regulatory oversight where the activity presents risks to customers, investors, market integrity or financial stability.

The Commission shall encourage innovation through the Regulatory Sandbox, supervisory engagement, regulatory guidance and constructive dialogue with market participants while maintaining appropriate safeguards proportionate to the risks presented.

Principle 2 – Graduated Regulation and Market Development

The Commission shall adopt a graduated authorisation framework that recognises that innovative financial technologies often require regulatory testing and supervisory assessment before unrestricted commercial operation.

Accordingly, the framework shall distinguish between:

- **Registration**, which permits participation within the Regulatory Sandbox under defined supervisory conditions; and
- **Licensing**, which authorises the ongoing conduct of commercial virtual asset business following satisfactory demonstration of operational capability, regulatory compliance and financial resilience.

This graduated approach promotes innovation while ensuring that only entities capable of meeting the Commission's regulatory expectations are permitted to operate within the wider market.

Principle 3 – Risk-Based Supervision

The Commission shall supervise Virtual Asset Service Providers using a risk-based supervisory methodology that allocates regulatory resources according to the nature, scale, complexity and systemic importance of each regulated activity.

Supervisory intensity shall take into account factors including:

- the nature of licensed activities;
- business model complexity;
- operational and technology risks;
- custody of client assets;
- transaction volumes;
- interconnectedness with the financial system;
- consumer exposure;
- AML/CFT/CPF risks;
- cyber security maturity;
- governance effectiveness.

Higher-risk activities shall be subject to enhanced supervisory engagement, prudential oversight and regulatory intervention where appropriate.

Principle 4 – Principles-Based and Technology-Neutral Regulation

The legislative framework shall regulate activities, risks and outcomes rather than specific technologies or business models.

The Commission recognises that technologies will continue to evolve. Accordingly, legislation shall be drafted in a manner that remains relevant irrespective of technological developments, thereby avoiding unnecessary legislative amendments resulting from technological change.

Equivalent activities presenting equivalent risks shall be subject to equivalent regulatory outcomes.

Principle 5 – Proportionality

Regulatory requirements shall be proportionate to the risks posed by each Virtual Asset Service Provider.

The Commission shall avoid imposing unnecessary regulatory burdens upon smaller or lower-risk participants while ensuring that larger, more complex or systemically significant entities remain subject to enhanced prudential and supervisory requirements.

Regulation shall therefore be scalable according to the size, complexity, nature and risk profile of each regulated activity.

Consistent with the revisions to the FATF Standards adopted in February 2025, simplified measures may be allowed and encouraged only where a documented assessment demonstrates lower risk. Such measures shall remain proportionate to the identified lower-risk factors and shall not amount to treating the VASP sector generally as low risk.

Principle 6 – Strong Governance and Accountability

Effective governance forms the foundation of safe and sound digital asset markets.

Licensed VASPs shall establish governance arrangements appropriate to the scale and complexity of their operations, including effective Boards, senior management accountability, independent compliance functions, risk management frameworks, internal controls and internal audit arrangements where appropriate.

The Commission shall expect Boards and senior management to maintain ultimate responsibility for compliance with legislative and regulatory obligations.

Where a VASP conducts multiple activities, its governance framework shall identify and manage intra-group and intra-platform conflicts, provide functional separation where necessary and protect the independence of compliance, risk management, custody and internal audit functions.

Principle 7 – Prudential Soundness and Financial Resilience

Licensed Virtual Asset Service Providers shall maintain sufficient financial and operational resilience to support the continuity of their business operations and protect clients during periods of financial or operational stress.

The Commission shall establish prudential standards that may include requirements relating to:

- capital adequacy;
- liquidity management;
- financial resources;
- safeguarding of client assets;
- insurance where appropriate;
- recovery planning;
- orderly wind-down planning;
- operational resilience;
- proof of reserves and other prudential measures.

Detailed prudential requirements shall be prescribed through Regulations, Rules and Guidelines and may differ according to the nature and risk profile of each licensing class.

Financial-resource requirements shall be calibrated so that a VASP can meet its obligations, absorb operational losses, cease business in an orderly manner and return client assets. Quantitative requirements shall be prescribed in subordinate legislation so that they may be adjusted as activities and risks evolve.

Principle 8 – Investor Protection and Consumer Confidence

The protection of investors and consumers shall remain a central objective of the regulatory framework.

Licensed VASPs shall conduct their business honestly, fairly and professionally, maintain appropriate disclosures, safeguard client assets, manage conflicts of interest and ensure that clients receive fair treatment throughout the customer relationship.

The Commission shall adopt measures designed to strengthen public confidence in digital asset markets while promoting informed participation and responsible investment.

Retail-facing VASPs shall assess the appropriateness of complex or high-risk products and, where advice is provided, their suitability for the client; ensure that promotions are fair, clear and not misleading; provide prominent risk warnings; maintain effective complaints arrangements; and comply with any retail restrictions or product-intervention measures imposed by the Commission.

Principle 9 – Market Integrity and Fair Markets

The regulatory framework shall promote fair, orderly and transparent digital asset markets.

The Commission shall seek to prevent and detect market manipulation, insider dealing, misleading disclosures, wash trading, spoofing and other abusive market practices that undermine confidence in digital asset markets.

Regulated entities shall maintain systems and controls appropriate to preserving market integrity.

Principle 10 – Operational Resilience and Cyber Security

Recognising the technology-dependent nature of digital asset activities, regulated entities shall maintain robust operational resilience and cyber security arrangements proportionate to their business activities.

The Commission shall establish enforceable standards governing:

- cyber security governance;
- technology risk management;
- cloud computing;
- outsourcing;
- digital asset custody;
- cryptographic key management;
- business continuity;
- disaster recovery;
- cyber incident reporting.

Operational resilience shall form an integral component of the Commission's supervisory framework.

Each VASP shall maintain an outcomes-based operational-risk framework covering people, processes, systems and controls; review it at least annually; manage material outsourcing dependencies and notify the Commission of material incidents within periods prescribed by Rules. Detailed controls may include multi-factor authentication, cold-storage arrangements, multi-signature controls, penetration testing and recovery testing. Supervisory requirements shall align with national cybersecurity arrangements and incident coordination led by TTCSIRT and other competent authorities.

Principle 11 – Financial Crime Prevention

The framework shall maintain full alignment with the Financial Action Task Force Recommendations and Trinidad and Tobago's AML/CFT/CPF legislative framework.

Licensed VASPs shall implement effective systems designed to prevent money laundering, terrorist financing, proliferation financing, fraud and other financial crimes, including appropriate customer due diligence, transaction monitoring, sanctions compliance and implementation of applicable Travel Rule requirements.

Principle 12 – International Cooperation and Regulatory Coordination

Virtual asset markets operate across national borders and require effective international regulatory cooperation.

The Commission shall cooperate with domestic and international regulatory authorities through information sharing, supervisory cooperation, mutual assistance and coordinated enforcement, consistent with applicable legislation and international obligations.

The amended Act shall impose a duty of cooperation on relevant domestic authorities and establish legal gateways for timely information sharing, subject to confidentiality, data-protection and use restrictions.

The Commission shall continue to align its supervisory practices with recognised international standards, including those developed by IOSCO, the Financial Action Task Force, the Financial Stability Board and other relevant international standard-setting bodies.

Principle 13 – Regulatory Agility and Future Readiness

The regulatory framework shall remain sufficiently flexible to respond to technological developments, evolving market practices and emerging risks.

Accordingly, the Commission shall be empowered to prescribe legally enforceable Regulations, Rules, Guidelines and Directives addressing matters including prudential standards, governance, operational resilience, market conduct and emerging digital asset activities.

This delegated legislative framework will enable the Commission to respond efficiently to developments such as tokenisation, stablecoins, digital asset lending, staking, artificial intelligence, decentralised finance involving regulated intermediaries, and other emerging technologies without requiring frequent amendments to primary legislation.

4.5 Conclusion

These guiding principles collectively establish the policy foundation upon which the proposed legislative framework, subordinate legislation and supervisory practices will be developed. They reflect the Commission's commitment to maintaining a regulatory regime that is principles-based, risk-sensitive, innovation-friendly and internationally aligned, while ensuring that innovation develops within a framework that protects investors, preserves market integrity, promotes financial stability and supports the sustainable growth of Trinidad and Tobago's digital asset ecosystem.

This chapter also provides a durable policy foundation for future legislative evolution, ensuring that the framework remains relevant as digital assets, distributed ledger technologies and associated financial services continue to mature.

5.0 CHAPTER 5

Core Legislative Policy Decisions

5.1 Introduction

This Chapter sets out the Commission's settled legislative policy and summarizes the contents of proposed drafting instructions for the preparation of the Virtual Assets and Virtual Asset Service Providers (Amendment) Bill.

The policy decisions contained in this Chapter are intended to outline the guidance that will be provided to the Office of the Chief Parliamentary Counsel for preparing the proposed legislation. They identify the legislative outcomes to be achieved and the matters that should be addressed in the Act, while recognising that the form and structure of the legislation remain matters for the Chief Parliamentary Counsel.

The drafting guidance will seek to preserve the existing legislative architecture of the VASP Act while modernising the framework to establish a permanent, risk-based regulatory regime capable of responding to developments in virtual asset markets and international regulatory standards.

Unless otherwise stated, matters relating to regulatory administration, operational procedures and technical requirements, where appropriate, will be prescribed through Regulations, Rules or Guidelines rather than primary legislation.

PART A

Regulatory Framework

5.2 Interpretation and Definitions

The proposed legislation shall be titled the Virtual Assets and Virtual Asset Service Providers (Amendment) Act, 2026, subject to settlement by the Chief Parliamentary Counsel.

Long title

An Act to amend the Virtual Assets and Virtual Asset Service Providers Act, 2025 to establish a permanent licensing regime and a permanent statutory Regulatory Sandbox involving time-limited registration; to regulate and supervise Virtual Asset Service Providers, Virtual Asset Offerings and prescribed stablecoin activities in or from Trinidad and Tobago and prescribed cross-border activities directed into Trinidad and Tobago; to provide for prudential regulation, consumer protection, client-asset protection, market integrity, cybersecurity, operational resilience, AML/CFT/CPF obligations, domestic and international cooperation and phased implementation; and for related matters.

Current Position

The existing Act establishes definitions necessary for the operation of the regulatory sandbox and the supervision of virtual asset service providers.

Policy Decision and Rationale

The interpretation provisions should be reviewed comprehensively to ensure that the Act contains clear, modern and technology-neutral definitions capable of supporting a permanent regulatory framework.

Clear legislative definitions are fundamental to regulatory certainty and effective enforcement. Since the enactment of the VASP Act, virtual asset markets and international regulatory terminology have continued to evolve. Certain definitions require clarification or expansion to ensure that the legislation remains capable of regulating emerging business models without requiring frequent legislative amendment.

The Commission considers that the Act should regulate activities and risks rather than specific technologies.

Expected Legislative Outcome

The amended Act will contain a coherent and internally consistent interpretation framework capable of supporting the effective administration of a permanent regulatory regime.

5.3 Scope and Application of the Act

Current Position

The Act establishes the persons and activities to which the legislation applies.

Policy Decision and Rationale

The scope of the Act should be reviewed to ensure that it clearly identifies the persons, activities and circumstances that fall within the Commission's jurisdiction.

A permanent regulatory framework requires certainty regarding who must register, the activities requiring regulatory approval and the territorial application of the legislation. Greater legislative clarity will improve compliance, facilitate supervision and reduce regulatory uncertainty.

The Act should apply to legal and natural persons carrying on regulated activities in or from Trinidad and Tobago and to foreign persons that actively solicit, offer or provide regulated services to persons in Trinidad and Tobago. The legislation should prescribe the connecting factors for digital channels, marketing and customer onboarding and permit limited exclusions, including genuine reverse solicitation, to be addressed through Regulations.

In relation to stablecoins, the territorial perimeter should extend to issuance from Trinidad and Tobago, distribution or exchange within Trinidad and Tobago and the active offering of a Trinidad and Tobago dollar-denominated stablecoin into the jurisdiction, regardless of where the issuer is established.

In addition to this, the amended Act will delineate the powers, functions and powers of delegation of the Commission that would enable efficient performance of its mandate.

Expected Legislative Outcome

The amended legislation will provide greater certainty regarding the Commission's regulatory jurisdiction and the application of the Act.

5.4 Dual Pathway Authorisation Framework

Current Position

The existing Act establishes a transitional framework under which eligible applicants participate in the regulatory sandbox for a prescribed period. The statutory period for applications has expired and the Act does not establish a permanent registration regime.

Policy Decision and Rationale - Repurposed Sandbox

The Regulatory Sandbox should be retained as a permanent statutory innovation mechanism, but an individual participant's registration shall be time-limited, conditional and confined to approved testing parameters. Sandbox registration shall remain separate from, and shall not constitute, a licence or an alternative form of continuing commercial authorisation.

The Commission recognises that technological innovation within the virtual asset sector continues to evolve rapidly. A permanent regulatory sandbox will enable innovative products, services and business models to be tested within a controlled regulatory environment while protecting consumers and maintaining market integrity.

Separating the sandbox from the permanent licensing regime ensures that innovative businesses can be assessed before entering the regulated market without compromising the integrity of the permanent licensing framework.

Recognising the diversity of Virtual Asset Service Providers, the proposed legislative framework shall establish a flexible authorisation regime that accommodates both innovative start-ups requiring regulatory testing and established entities that are commercially mature and capable of meeting the Commission's licensing requirements at the point of application.

Accordingly, the framework shall provide two pathways to authorisation:

1. **Regulatory Sandbox Registration Pathway**, designed for innovative, emerging or unproven business models that would benefit from regulatory testing and supervisory assessment prior to unrestricted commercial operation; and
2. **Direct Licensing Pathway**, designed for commercially mature applicants that can demonstrate, upon application, that they satisfy all applicable legislative, prudential, governance, operational and regulatory requirements necessary for permanent licensing.

Benefits of Dual Pathway Approach

This dual-pathway approach is consistent with the Commission's objectives of promoting responsible innovation, supporting market development, safeguarding investors and maintaining market integrity, while making Trinidad and Tobago an attractive and credible jurisdiction for both emerging fintechs and established global digital asset businesses.

This model gives the Commission the flexibility to support innovation without creating unnecessary barriers to market entry. It achieves four important policy objectives:

- **Encourages innovation**, by allowing emerging firms to develop under the protection and oversight of the Regulatory Sandbox.
- **Attracts established international participants**, by enabling commercially mature firms that can meet the Commission's standards to apply directly for a License without first entering the Sandbox.
- **Preserves regulatory discretion**, by allowing the Commission to require Sandbox participation where the novelty or risk profile of an applicant's business model justifies additional supervisory assessment.
- **Maintains consistent regulatory standards**, because regardless of the pathway taken, every licensed VASP must ultimately satisfy the same legislative, prudential, governance, operational and conduct requirements before receiving a permanent License.

The availability of the Direct Licensing Pathway reflects the Commission's recognition that not all applicants require participation in a Regulatory Sandbox before commencing regulated activities.

Regulatory Sandbox Registration Pathway

Registration shall only apply to participation within the Regulatory Sandbox. The Regulatory Sandbox shall serve as an innovation and supervisory testing environment for applicants whose business models, technologies or operational capabilities would benefit from controlled market testing before seeking permanent authorisation.

Participation in the Sandbox shall be voluntary unless the Commission determines that the nature, novelty or risk profile of the proposed activities warrants supervised testing prior to licensing.

Registration within the Sandbox shall therefore be available to:

- innovative start-up enterprises;
- entities introducing new products or technologies;
- applicants employing novel business models;
- applicants seeking regulatory guidance during product development; or
- any applicant directed by the Commission to undertake supervised testing before consideration of a permanent license.

Registration shall not constitute authorisation to conduct unrestricted commercial virtual asset business.

Transition from Registration to Licensing

A registered VASP that has successfully completed the objectives of its Sandbox participation may apply for a permanent license.

The Commission shall consider the applicant's performance during the Sandbox, together with its compliance with all applicable licensing requirements, when determining the application.

Participation in the Sandbox shall not be mandatory for all applicants. Applicants that are commercially mature and capable of satisfying the Commission's licensing requirements may apply directly for a permanent license in accordance with the Direct Licensing Pathway established under this Policy.

Applications involving established activities should ordinarily proceed through full licensing. The Sandbox shall not be used to avoid the full licensing requirements applicable to an activity that is already understood and capable of being supervised under the permanent regime.

The Direct Licensing Pathway is intended to be a defining feature of the Trinidad and Tobago framework.

Direct Licensing Pathway

Applicants that are commercially operational and capable of satisfying the Commission's licensing requirements upon application may apply directly for a permanent license without first participating in the Regulatory Sandbox.

The Direct Licensing Pathway recognises that certain applicants, including established domestic or international financial institutions and experienced Virtual Asset Service Providers, may already possess the governance, operational capability, technological infrastructure and regulatory maturity necessary to conduct virtual asset business safely and responsibly.

Applicants seeking direct licensing shall demonstrate to the satisfaction of the Commission that they meet all applicable licensing requirements, including:

- fitness and propriety;
- governance arrangements;
- capital and financial resource requirements;
- operational capability;
- cybersecurity and operational resilience;
- AML/CFT/CPF compliance;
- technology risk management;
- safeguarding of client assets;
- consumer protection arrangements;
- business continuity and disaster recovery;
- any other requirements prescribed by the Commission.

The Commission may require additional information, independent assurance, regulatory attestations or evidence from foreign supervisory authorities where appropriate.

5.5 Licensing of VASPs

Current Position

The existing Act establishes a regulatory sandbox as the principal mechanism through which eligible applicants may undertake virtual asset service provider activities for a prescribed period under the supervision of the Commission. The statutory application period has expired and no further applications may be accepted under the existing framework.

Licensing Criteria

This section establishes the minimum standards that every applicant must satisfy, whether applying directly for a license or transitioning from the Regulatory Sandbox. The Commission shall only grant a license where it is satisfied that the applicant has demonstrated the capacity to conduct virtual asset business safely, prudently and in compliance with the Act.

Applicants shall satisfy requirements relating to:

Corporate Governance

- Fit and Proper persons
- Controllers, significant-interest holders and beneficial owners
- Board composition
- Senior Management
- Governance Framework
- Compliance Function
- Internal Audit (where appropriate)
- Management of conflicts arising from multiple regulated activities, including functional separation where required

Financial Soundness

- Minimum Capital
- Financial Resources
- Liquidity
- Insurance
- Recovery Planning
- Wind-down Planning

Operational Capability

- Technology Infrastructure
- Cybersecurity
- Digital Asset Custody
- Key Management
- Business Continuity
- Disaster Recovery

Risk Management

- Enterprise Risk Management
- Operational Risk
- Technology Risk
- Outsourcing
- Third Party Risk

Regulatory Compliance

- AML/CFT/CPF
- Consumer Protection
- Market Conduct
- Record Keeping
- Regulatory Reporting

Expected Legislative Outcome

The amended Act will establish a permanent innovation framework that supports technological development while preserving appropriate regulatory safeguards and maintaining the distinction between experimental Sandbox participation and permanent licensing.

PART B

Entry into the Regulatory Regime

5.6 Assessment of Applicants by the Commission

Current Position

The existing Act contains limited provisions concerning the suitability of applicants and persons responsible for managing regulated entities.

Policy Decision and Rationale

The amended Act should establish comprehensive fit and proper requirements applicable throughout the period of authorised activity.

The suitability of persons who own, control or manage regulated VASPs is central to the maintenance of confidence in the regulatory framework. Assessment of licensees should not be limited to the time of registration but should continue throughout the period during which a person performs a regulated function.

Accordingly, where an applicant seeks a direct License, the Commission may:

- grant the License where all licensing requirements have been satisfactorily demonstrated;
- require further information or remediation before determining the application;
- approve the application subject to conditions;
- require the applicant to participate in the Regulatory Sandbox where the Commission considers that supervised testing is necessary to assess the proposed activities; or
- refuse the application where the statutory licensing requirements are not met.

Similarly, successful completion of the Regulatory Sandbox shall not create an automatic entitlement to a permanent license. In all cases, the granting of a license shall remain subject to the Commission being satisfied that the applicant has met the legislative and regulatory requirements prescribed under the Act.

The Commission shall retain discretion to determine the most appropriate authorisation pathway for each applicant based upon the nature, complexity, novelty and risk profile of the proposed activities.

Expected Legislative Outcome

The amended Act will establish a comprehensive and ongoing framework for assessing the suitability of persons seeking market entry as well as those responsible for the ownership, control and management of regulated VASPs.

Further, the legislation will clearly distinguish between permanent licensing under the Act and participation in the regulatory sandbox and establish a comprehensive statutory framework governing the ongoing supervision of all VASPs and replace the existing transitional registration arrangements.

5.7 Beneficial Ownership and Changes in Control

Current Position

The existing legislative framework provides limited requirements relating to beneficial ownership and changes in control.

Policy Decision and Rationale

The amended Act should strengthen transparency regarding the ownership and control of regulated VASPs.

Effective supervision requires the Commission to identify the natural persons who ultimately own or control regulated entities and to monitor significant changes in ownership or control that may affect the safety and soundness of those entities.

The legislation should prescribe thresholds for significant interests, require prior approval for material changes in control and empower the Commission to assess source of funds, source of wealth, associates and connected persons. Persons involved in serious criminal conduct, or acting on behalf of such persons, should be prohibited from owning, controlling or managing a regulated VASP, subject to procedural fairness.

Enhanced transparency also supports effective supervision and complements existing AML/CFT/CPF obligations.

Expected Legislative Outcome

The amended Act will provide the Commission with greater transparency regarding the ownership and control of regulated VASPs and strengthen its ability to supervise changes affecting regulated entities.

5.8 Virtual Asset Offerings

Current Position

The VASP Act establishes a regulatory framework for registration and supervision of VASPs but does not provide a comprehensive legislative framework governing the conduct of Virtual Asset Offerings ("VAOs"). Consequently, while persons conducting VASP activities are subject to regulation under the Act, there is no dedicated statutory regime governing the issuance, sale or distribution of virtual assets to the public, the approval of such offerings or the obligations of issuers and offerors.

The absence of a comprehensive VAO framework may create uncertainty regarding the regulatory treatment of virtual asset issuances, reduce investor protection and limit the Commission's ability to supervise fundraising activities involving virtual assets.

Policy Decision and Rationale

The amended Act should establish a comprehensive statutory framework governing Virtual Asset Offerings conducted in or from Trinidad and Tobago or otherwise falling within the Commission's jurisdiction.

The framework should be principles-based, technology-neutral and proportionate to the risks associated with different types of virtual asset offerings. It should support responsible innovation while ensuring appropriate standards of investor protection, market integrity and regulatory oversight.

The VAO framework should operate alongside, but remain distinct from, the registration regime applicable to VASPs. Conducting a regulated VAO should not, by itself, constitute registration as a VASP, nor should registration as a VASP automatically authorise a person to conduct a VAO where separate approval is required under the Act.

Virtual Asset Offerings have become an increasingly common mechanism for raising capital, financing technology projects and distributing digital assets. Depending on their structure, such offerings may expose purchasers to significant risks, including inadequate disclosure, misleading promotional practices, conflicts of interest, operational failures, fraud, cyber incidents and the misappropriation of assets.

Unlike traditional securities offerings, many virtual asset offerings occur within rapidly evolving technological environments and frequently involve cross-border participants, decentralised technologies and novel business models. These characteristics require a legislative framework that is sufficiently flexible to accommodate innovation while ensuring that appropriate regulatory safeguards are maintained.

The Commission considers that a dedicated statutory framework governing VAOs is necessary to promote market confidence, improve transparency and provide legal certainty to issuers, offerors, investors and other market participants. The framework should also strengthen the Commission's ability to supervise offerings throughout their lifecycle and intervene where necessary to protect investors or the public interest.

Expected Legislative Outcome
The amended Act will establish a comprehensive and flexible statutory framework governing Virtual Asset Offerings, providing greater legal certainty, strengthening investor protection and equipping the Commission with appropriate supervisory powers to regulate virtual asset fundraising activities in accordance with international best practices.

5.9 Stablecoins and Emerging Virtual Asset Activities

Current Position
The existing VASP Act established a Regulatory Sandbox which provided the Commission a means of developing regulatory resources appropriate to the regulation of VASPs that were already operating within the jurisdiction. As a relatively nascent local industry, the diversity of business models that the Commission was required to regulate remained relatively limited.

Policy Decision and Rationale
The existing Act does not establish a complete regulatory regime for stablecoin issuance, redemption, distribution or the monetary and financial-stability implications of stablecoin use.

The amended Act should establish the legal perimeter for stablecoins and identify stablecoin issuance as a licensable activity. The detailed issuer regime may be brought into force by Regulations when the Commission, following consultation with CBTT, is satisfied that the necessary supervisory, prudential and operational arrangements are in place.

The stablecoin framework should empower the Commission to prescribe reserve backing in high-quality liquid assets, segregation and independent custody of reserves, independent attestation and audit, redemption at par on demand, legal certainty of the holder's redemption claim, disclosure of the stabilisation mechanism, governance, risk management and orderly wind-down.

The Commission should be empowered to restrict or prohibit the offering of a particular stablecoin to retail clients where necessary to protect investors, consumers, market integrity or financial stability.

Subject to formal agreement with CBTT, the Commission should remain the lead conduct and market regulator for stablecoin activity. The Act should also provide a designation mechanism under which a stablecoin that meets thresholds of domestic use or systemic relevance becomes subject to additional CBTT oversight for payment-system, financial-stability, foreign-exchange or monetary-policy purposes. The thresholds and coordination arrangements should be prescribed by Regulations following consultation with CBTT.

The virtual asset sector is notable for its rapid evolution and the rapid development of novel business and financial models. Consequently, the amended statutory framework must incorporate the regulation of additional digital asset activities as they emerge, including:

- tokenisation platforms;
- real-world asset tokenisation;
- stablecoins and stablecoin-related services;

- staking;
- decentralised finance activities where intermediated;
- AI-enabled digital asset services;
- digital asset lending;
- tokenised securities;
- unhosted and decentralised activities where an identifiable intermediary performs a regulated function;
- other prescribed activities.

Expected Legislative Outcome
Where no identifiable intermediary exists, the Act should contain enabling powers to respond to material risks arising from decentralised finance or unhosted activity as international standards and domestic market conditions develop.

This provides the flexibility to evolve the framework over time while remaining within the Commission's statutory remit.

5.10 VASP License Types

Current Position
The Commission is unable to grant permanent VASP licenses. Instead, it is only limited to the registration of Regulatory Sandbox Participants. Sandbox participants are permitted to only conduct a restricted range of virtual asset activities within the Sandbox.

Policy Decision and Rationale
A full licensing regime would allow industry participants to conduct a wide range of business endeavours that would be reflective of the current and prospective composition of the sector. The amended legislation would permit the Commission to establish licensing classes including:

Class I
Virtual Asset Exchange

Class II
Broker Dealer

Class III
Custodian

Class IV
Wallet Provider

Class V
Transfer Service Provider

Class VI
Token Issuer (excluding stablecoins unless separately authorised)

Class VII
Stablecoin Issuer

Class **VIII**
Staking Provider

Class **IX**
Investment or Portfolio Manager

Class **X**
Tokenisation Platform

Class **XI**
Other digital asset activities prescribed by Regulations or Rules.

The existence of a licence class in the Act shall not require its immediate activation. Licence classes may be commenced progressively by Regulations or commencement order according to supervisory readiness, market demand and the risks associated with the activity.

PART C

Ongoing Obligations within the Regulatory Regime

5.11 Continuous Regulatory Obligations

Current Position

The existing Act establishes obligations applicable to sandbox participants but does not comprehensively address the continuing obligations expected of permanently licensed VASPs.

Policy Decision and Rationale

The amended Act shall establish continuing statutory obligations applicable to VASPs throughout their period of operation. Registration or licensing should not represent a one-time assessment. Effective supervision requires regulated entities to maintain compliance with statutory obligations on a continuing basis and to notify the Commission of significant developments affecting their operations.

Registered or licensed VASPs shall continuously maintain:

- governance standards;
- prudential standards;
- financial resources;
- cybersecurity;
- outsourcing and third-party service providers;
- operational resilience;
- conduct standards;
- compliance programmes;
- reporting obligations.

Further, registered or licensed VASPs will be expected to apply ethical standards in conducting their affairs. In doing so they will be expected to:

- act honestly, fairly and professionally;

- treat clients fairly;
- disclose material risks;
- manage conflicts of interest;
- maintain transparent pricing;
- safeguard client assets;
- implement complaints procedures.

Expected Legislative Outcome
The amended Act will establish a comprehensive framework of continuing obligations that demonstrates compliant and ethical conduct throughout the lifecycle of every registered/licensed VASP.

5.12 Consumer Protection

Current Position
The existing Act establishes certain obligations applicable to participants in the regulatory sandbox but does not provide a comprehensive consumer protection framework appropriate to a permanent regulatory regime.

Policy Decision and Rationale
The amended Act should strengthen consumer protection by establishing statutory obligations designed to promote the fair treatment of customers, improve transparency and reduce risks arising from VASP activities.

Consumers engaging with virtual asset products and services may be exposed to significant financial, operational and technological risks. An effective regulatory framework should establish minimum standards of conduct while recognising the innovative nature of the sector.

The Commission considers that consumer protection should form a central component of the permanent regulatory framework and should complement, rather than replace, the common law and other statutory protections available to consumers.

At a minimum, retail-facing VASPs should be required to:

- assess whether complex or high-risk products and services are appropriate having regard to the client's knowledge, experience, risk profile and understanding, and assess suitability where personal advice is provided;
- ensure that marketing and communications are fair, clear and not misleading and contain prominent, intelligible risk warnings;
- maintain effective, accessible and timely complaints-handling arrangements;
- disclose fees, conflicts, custody arrangements and material risks before the client enters into a transaction; and
- comply with restrictions or prohibitions imposed by the Commission on products or services that present unacceptable risks to retail clients.

The intensity of appropriateness and suitability requirements should be proportionate to the nature and complexity of the product or service and should not unnecessarily impede execution-only access to lower-complexity services.

Expected Legislative Outcome
The amended Act will establish a comprehensive consumer protection framework that promotes confidence in the virtual asset sector while supporting fair, transparent and responsible business conduct.

5.13 Custody and Safeguarding of Client Assets

Current Position
The existing Act contains limited provisions governing the custody and safeguarding of client assets.

Policy Decision and Rationale
The amended Act should establish statutory authority for the protection and safeguarding of client assets held by regulated VASPs.

The custody of client assets presents one of the most significant risks within the virtual asset sector. Appropriate safeguards are necessary to minimise the risk of loss, misuse, unauthorised access or misappropriation and to promote confidence in regulated entities.

The statutory framework should require segregation of client assets from the VASP's own assets, accurate ownership records, regular reconciliation, independent verification or attestation, secure custody and controls over the use or transfer of client assets.

The Act should expressly provide that client virtual assets and related fiat funds held in custody do not form part of the VASP's estate available to general creditors on insolvency and should establish an orderly mechanism for their prompt return to clients. Any permitted use of client assets should require informed consent and remain subject to prescribed safeguards.

The Office of the Chief Parliamentary Counsel should determine whether amendments to bankruptcy, insolvency, companies or other legislation are required to give full effect to these protections.

Expected Legislative Outcome
The amended Act will establish a statutory framework that promotes the secure custody and safeguarding of client assets while providing flexibility for evolving technologies and market practices.

5.14 Technology and Operational Resilience

Current Position
The existing Act contains limited provisions addressing operational resilience, of which cybersecurity is a critical component.

Policy Decision and Rationale
The amended Act should establish statutory authority enabling the Commission to prescribe minimum cybersecurity and operational resilience standards for registered VASPs.

Virtual asset activities depend heavily upon technology and digital infrastructure. Cybersecurity failures, operational disruptions and technology failures may expose consumers and regulated entities to significant financial losses and threaten confidence in the regulatory framework.

The Commission considers that every regulated VASP should maintain systems capable of identifying, preventing, detecting, responding to and recovering from operational and cyber incidents.

The Commission may prescribe standards governing:

- cybersecurity;
- cloud computing;
- outsourcing;
- digital asset custody;
- cryptographic key management;
- penetration testing;
- incident reporting;
- business continuity;
- disaster recovery.

These detailed requirements should be implemented through delegated legislative powers.

Each VASP should maintain an outcomes-based risk-management framework covering people, processes, systems and controls, review the framework at least annually and manage material dependencies on cloud, outsourcing and other third-party providers.

The Act should impose a duty to report material operational and cyber incidents to the Commission. The definition of a reportable incident, reporting deadline, escalation requirements and follow-up reporting should be prescribed by Rules.

Detailed controls may include multi-factor authentication, cold-storage arrangements, multi-signature controls, cryptographic-key controls, penetration testing, vulnerability management, recovery testing and independent assurance.

The Commission's requirements should align with national cybersecurity arrangements. The respective responsibilities of the Commission, TTCSIRT, CBTT and other national authorities should be settled through interagency consultation and reflected in protocols or memoranda of understanding.

Expected Legislative Outcome
The amended Act will establish a statutory framework promoting secure, resilient and reliable operations throughout the virtual asset sector while providing sufficient flexibility to respond to emerging technological risks.

5.15 Record Keeping and Regulatory Reporting

Current Position

The existing Act establishes limited reporting and record-keeping obligations.

Policy Decision and Rationale

Effective supervision depends upon the timely availability of accurate information. Comprehensive record-keeping and reporting obligations enable the Commission to monitor compliance, assess emerging risks and undertake appropriate supervisory action. The amended Act shall establish comprehensive statutory obligations relating to the maintenance of records and the submission of regulatory information.

Expected Legislative Outcome

The amended Act will establish a comprehensive reporting and record-keeping framework that strengthens regulatory oversight, facilitates risk-based supervision and supports effective enforcement.

5.16 Outsourcing and Third-Party Service Providers

Current Position

The existing Act does not establish a comprehensive framework governing outsourcing arrangements or the use of third-party service providers by regulated VASPs.

Policy Decision and Rationale

The amended Act should establish a statutory framework governing outsourcing and other material third-party arrangements to ensure that regulated VASPs remain fully accountable for the performance of their regulatory obligations.

VASPs frequently rely on third-party service providers to perform critical business functions, including information technology services, cloud computing, cybersecurity, custody solutions, transaction processing, compliance support and customer onboarding.

While outsourcing may improve operational efficiency and facilitate innovation, it also introduces operational, technological, legal and concentration risks. The outsourcing of a function should not diminish the responsibility of a registered VASP to comply with the Act or impair the Commission's ability to exercise effective regulatory oversight.

Accordingly, the legislative framework should ensure that outsourcing arrangements are subject to appropriate governance, oversight and risk management, and that the Commission retains adequate supervisory access to outsourced functions where necessary.

The Commission should also have authority to issue Guidelines setting out supervisory expectations and industry best practices relating to outsourcing and third-party risk management.

The Commission should have authority to obtain information directly from material service providers, inspect outsourced arrangements and take appropriate action against a third party that obstructs supervision, provides false information or knowingly facilitates a contravention.

Expected Legislative Outcome
The amended Act will establish a comprehensive statutory framework governing outsourcing and third-party service providers while ensuring that registered VASPs remain fully accountable for all regulated activities. The framework will strengthen operational resilience, support effective regulatory supervision and ensure that the Commission's supervisory powers are not diminished by the delegation of critical business functions to third parties.

5.17 Market Conduct and Market Abuse

Current Position

The existing Act does not establish a dedicated statutory market-conduct and market-abuse regime for virtual asset markets.

Policy Decision and Rationale

The amended Act should prohibit market manipulation, insider dealing, fraudulent or deceptive conduct, false or misleading statements, wash trading, spoofing, false-market creation and other abusive practices in relation to virtual assets and Virtual Asset Offerings.

Licensed exchanges, brokers and other prescribed VASPs should maintain systems and controls to detect, prevent and report suspected market abuse. The Commission should have authority to obtain order, trade, wallet and beneficial-ownership information, require surveillance reports, issue corrective directions and cooperate with domestic and foreign authorities.

The legislation should provide proportionate administrative, civil and criminal consequences, including liability for persons who direct, assist, facilitate or knowingly benefit from prohibited conduct, subject to procedural fairness.

Expected Legislative Outcome
The amended Act will establish a dedicated market-conduct framework that promotes fair, orderly and transparent virtual asset markets and equips the Commission to detect, investigate and sanction market abuse.

PART D

Supervision of VASPs

5.18 Comprehensive Supervisory Framework

Current Position
The Act establishes the Commission as the principal regulator responsible for administering and enforcing the VASP Act and provides a framework for supervising authorised persons

participating in the transitional regulatory sandbox. The Act also confers supervisory, investigative and enforcement powers necessary to administer the existing legislative framework inclusive of the prohibition of unregulated virtual asset activities.

The transition from a time-limited sandbox regime to a permanent statutory Regulatory Sandbox involving time-limited registration and a Permanent Licensing Framework, together with the proposed introduction of a statutory regime governing Virtual Asset Offerings, will require the Commission's supervisory framework to be expanded and modernised.

Policy Decision and Rationale

The amended Act should strengthen and modernise the Commission's supervisory framework to support the effective regulation of registered VASPs and persons conducting regulated Virtual Asset Offerings.

The supervisory framework should adopt a risk-based and outcomes-focused approach that enables the Commission to allocate supervisory resources according to the nature, scale, complexity and risk profile of regulated persons and activities.

Effective supervision requires continuous monitoring of regulated entities, early identification of emerging risks and the ability to intervene before regulatory concerns result in consumer harm, market disruption or threats to financial integrity.

The Commission considers that its supervisory framework should facilitate proactive engagement with regulated entities and support ongoing assessment of governance, financial soundness, operational resilience, compliance culture and emerging technological risks.

The supervisory framework should also enable the Commission to respond proportionately to identified risks by applying supervisory measures that will be risk-based and on-going comprising:

- off-site monitoring;
- onsite inspections;
- prudential reporting;
- thematic reviews;
- technology and cyber assessments;
- governance reviews;
- enforcement where necessary.

Expected Legislative Outcome

The amended Act will establish a modern, flexible and risk-based supervisory framework that enables the Commission to regulate registered VASPs and Virtual Asset Offerings effectively throughout their lifecycle while promoting investor protection, market integrity and confidence in Trinidad and Tobago's virtual asset regulatory framework.

5.19 Risk-Based Supervision

Current Position

The Act confers supervisory powers on the Commission to facilitate the administration of the existing regulatory framework, including powers relating to the supervision of authorised VASPs, monitoring compliance with the Act and taking regulatory action where necessary. Those powers were developed to support the transitional regulatory sandbox and should now be reviewed to ensure that they remain appropriate for a registration under the Regulatory Sandbox, permanent licensing, or the proposed regulation of Virtual Asset Offerings.

Policy Decision and Rationale

The Commission's existing supervisory powers should be retained and strengthened to facilitate continuous, risk-based supervision of registered VASPs and approved Virtual Asset Offerings.

The amended Act should provide the Commission with sufficient statutory authority to supervise regulated persons throughout the lifecycle of their registration or licensing and to intervene proportionately where supervisory concerns arise.

Effective supervision should provide the Commission with the supervisory tools that would enable it to identify emerging risks, assess compliance on an ongoing basis and require corrective action before regulatory deficiencies result in investor harm or systemic concerns.

The Commission considers that supervisory powers should be proportionate to the nature, scale and complexity of regulated activities and should enable supervisory intervention without requiring formal enforcement action in every instance.

Expected Legislative Outcome

The amended Act will strengthen the Commission's supervisory powers, enabling it to identify and address regulatory concerns at an early stage while promoting compliance, investor protection and the effective supervision of the virtual asset sector.

5.20 AML/CFT/CPF Supervision

Current Position

The Act recognises the Commission's role in supervising compliance with anti-money laundering, counter-financing of terrorism and counter-proliferation financing obligations applicable to regulated VASPs. The amended framework should preserve consistency with the broader legislative framework governing AML/CFT/CPF supervision in Trinidad and Tobago.

Policy Decision and Rationale

The amended Act should strengthen the Commission's supervisory role in relation to AML/CFT/CPF compliance while avoiding unnecessary duplication of obligations already imposed under other written laws.

While virtual asset activities present elevated risks of money laundering, terrorist financing and proliferation financing, effective supervision requires close integration between the VASP Act and the wider AML/CFT/CPF legislative framework.

Expected Legislative Outcome

The amended Act will strengthen AML/CFT/CPF supervision while maintaining consistency with Trinidad and Tobago's broader legislative framework and international standards.

5.21 Prudential Requirements

Current Position

The Act does not directly address on-going prudential regulation of VASPs. While Regulatory Sandbox applicants are required to provide information that is supportive of rudimentary prudential requirements, a comprehensive prudential supervision framework is absent from its provisions. This circumstance resulted because of the immaturity of the local industry.

Policy Decision and Rationale

Globally, vast financial resources are employed in the VASP industry and as the sector becomes more socially embedded, these amounts are expected to grow. The risks to consumers, investors and to the country's financial stability require that the sector operate within time-tested and stable boundaries. For this reason, the Commission shall establish prudential standards through Regulations, Rules and Guidelines covering:

- capital adequacy;
- liquidity;
- financial resources;
- safeguarding client assets;
- recovery plans;
- orderly wind-down plans;
- proof of reserves (where applicable);
- insurance;
- concentration limits;
- operational resilience.

The standards shall be proportionate to the license category and the risks posed by each VASP.

The Act should impose the obligation to maintain adequate financial resources, while numerical capital, liquidity and insurance requirements should be prescribed in Regulations or Rules. Those requirements should enable a VASP to meet its obligations, absorb operational losses, execute an orderly wind-down and return client assets.

Expected Legislative Outcome

The amended Act will strengthen the Commission's supervisory powers, enabling it to ensure prudential standards are applied by market participants throughout all stages of the sector's development to ensure orderly conduct of the market while promoting investor and customer protection and confidence in the virtual asset sector.

5.22 Inspections and Investigations

Current Position

The Act provides the Commission with statutory powers to conduct inspections and investigations for the purpose of monitoring compliance with the Act and investigating suspected contraventions. Those powers form an essential component of the existing supervisory framework and should be retained while being reviewed to ensure that they remain appropriate for the proposed permanent regulatory regime and the regulation of Virtual Asset Offerings.

Policy Decision and Rationale
The Commission's inspection and investigation powers should be retained and expanded where necessary to support effective supervision, timely regulatory intervention and appropriate enforcement. The amended framework should ensure that the Commission possesses sufficient authority to investigate both traditional documentary evidence and information maintained in electronic or distributed ledger environments.

Inspection and investigation powers are fundamental to effective regulatory oversight. They enable the Commission to verify compliance, investigate suspected breaches of the legislation and obtain evidence necessary to support supervisory or enforcement action.

Given the technological nature of virtual asset activities, investigative powers should also accommodate digital business models, electronic records and distributed ledger technologies while remaining subject to appropriate statutory safeguards.

Expected Legislative Outcome
The amended Act will provide the Commission with a modern and effective inspection and investigation framework capable of supporting proactive supervision, efficient investigations and effective enforcement while maintaining appropriate procedural safeguards and fairness.

5.23 Information Gathering and Regulatory Reporting

Current Position
The Act confers powers on the Commission to obtain information and documents for the purpose of administering and enforcing the Act. These powers support the Commission's supervisory and investigative functions and facilitate ongoing monitoring of authorised VASPs. However, the transition to a permanent statutory Regulatory Sandbox involving time-limited registration and a Permanent Licensing framework and the proposed regulation of Virtual Asset Offerings require the information-gathering framework to be reviewed and expanded to reflect the evolving nature of virtual asset activities and digital business models.

Policy Decision and Rationale
The amended Act should retain and strengthen the Commission's statutory authority to obtain information necessary for the effective supervision of registered VASPs, approved Virtual Asset Offerings and other regulated persons. The amended legislative framework should ensure that the Commission is able to obtain timely, accurate and complete information relevant to the exercise of its regulatory, supervisory, investigative and enforcement functions.

The Commission's ability to identify emerging risks, assess compliance and take timely regulatory action is directly linked to the quality and availability of information obtained from regulated persons.

Given the technological characteristics of virtual asset activities, the Commission should also possess appropriate statutory authority to obtain information maintained in electronic form, including records relating to distributed ledger technology, digital wallets, transaction histories and other technology-based systems used in the conduct of regulated business.

The information-gathering powers should also recognise that regulated entities may utilise third-party service providers, cloud-based infrastructure and cross-border operational arrangements and should ensure that such arrangements do not impede the Commission's supervisory functions.

Expected Legislative Outcome
The amended Act will strengthen the Commission's information-gathering framework by ensuring that it possesses timely access to the information necessary to supervise regulated persons effectively, monitor emerging risks and support appropriate regulatory and enforcement action.

5.24 Information Sharing and Regulatory Cooperation

Current Position
The Act recognises the importance of regulatory cooperation and provides mechanisms that facilitate the sharing of information and cooperation with other competent authorities in the performance of the Commission's statutory functions. Given the increasingly cross-border nature of virtual asset activities, these provisions should be reviewed to ensure that they remain adequate for a permanent regulatory framework and consistent with international standards.

Policy Decision and Rationale
The amended Act should strengthen the statutory framework governing domestic and international regulatory cooperation while maintaining appropriate safeguards for confidential and commercially sensitive information.

Virtual asset activities frequently involve participants operating across multiple jurisdictions. Effective supervision therefore requires timely cooperation between domestic regulators, foreign regulatory authorities, financial intelligence units, law enforcement agencies and other competent authorities.

Enhanced information-sharing powers will improve supervisory effectiveness, support cross-border investigations, facilitate enforcement cooperation and assist Trinidad and Tobago in meeting internationally accepted regulatory standards applicable to the virtual asset sector.

The Commission also considers that the legislative framework should provide sufficient flexibility to accommodate future international cooperation arrangements without requiring frequent legislative amendment.

The amended Act should identify the Commission as the lead regulator for licensing, conduct, supervision, inspection, enforcement and rule-making in relation to VASPs, Virtual Asset Offerings and, subject to formal agreement with CBTT, stablecoin conduct regulation.

The complementary institutional responsibilities should include:

- CBTT - payment systems, foreign exchange, financial stability and monetary-policy considerations, together with additional oversight of any stablecoin designated as material under agreed statutory arrangements;
- FIUTT - financial intelligence, suspicious-transaction reporting and international exchange of financial intelligence;
- law enforcement authorities - investigation and prosecution of offences and the restraint, seizure and recovery of virtual assets; and
- TTCSIRT and other national cybersecurity authorities - cyber-incident coordination and alignment with national cybersecurity standards.

The Act should impose a duty of cooperation and create legal gateways for timely information sharing among relevant authorities, subject to confidentiality, data-protection and use restrictions. The operational mechanism may be a dedicated committee, an existing interagency structure or bilateral or multilateral memoranda of understanding, provided unnecessary duplication is avoided.

Expected Legislative Outcome
The amended Act will strengthen the Commission's ability to cooperate effectively with domestic and international authorities, thereby enhancing supervisory effectiveness, supporting cross-border enforcement and promoting confidence in Trinidad and Tobago's virtual asset regulatory framework.

5.25 Confidentiality and Protection of Information

Current Position
The Act contains provisions governing the confidentiality of information obtained by the Commission in the exercise of its statutory functions. Those provisions protect confidential and commercially sensitive information obtained from regulated persons. As the Commission's supervisory responsibilities expand under the amended legislative framework, the confidentiality provisions should be reviewed to ensure that they continue to provide an appropriate balance between effective regulation and protection of legitimate confidentiality interests.

Policy Decision and Rationale
The amended Act should retain and strengthen the statutory framework governing confidentiality and the protection of information obtained under the Act to enable the safeguarding of confidential, commercially sensitive and personal information from unauthorised disclosure.

The Commission routinely receives confidential financial, operational, technological and commercial information from regulated persons. Confidence in the regulatory framework depends upon the Commission maintaining appropriate safeguards governing the handling and disclosure of such information.

At the same time, confidentiality obligations should not prevent the Commission from disclosing information where authorised or required by law or where disclosure is necessary to fulfil its statutory responsibilities or facilitate regulatory cooperation.

The legislative framework should therefore establish clear principles governing the collection, use, storage, disclosure and protection of confidential information.

Expected Legislative Outcome
The amended Act will establish a modern and comprehensive confidentiality framework that protects sensitive information, supports effective regulatory cooperation and preserves public confidence in the Commission's administration of the virtual asset regulatory regime.

PART E

Enforcement, Legislative Administration and Implementation

5.26 Enforcement Framework

Current Position
The Act establishes an enforcement framework that empowers the Commission to take regulatory action in respect of contraventions of the Act and to institute civil and criminal proceedings where appropriate, which promotes compliance with the existing legislative framework. As the Act transitions from a time-limited regulatory sandbox to a permanent regulatory regime, the enforcement framework should be reviewed to ensure that it remains proportionate, effective and responsive to the risks presented by virtual asset activities.

Policy Decision and Rationale
The amended Act should retain and strengthen the Commission's enforcement framework to support effective supervision, encourage voluntary compliance and provide appropriate sanctions for regulatory misconduct by adopting a graduated and proportionate approach, enabling the Commission to apply supervisory, administrative, civil or criminal measures according to the nature, seriousness and consequences of the contravention.

Effective enforcement is fundamental to maintaining confidence in the regulatory framework. The proposed regime should encourage early compliance, deter misconduct and enable the Commission to respond proportionately to regulatory breaches while preserving procedural fairness and the rights of affected persons.

The amended Act should provide proportionate accountability for directors, senior managers, controllers and other persons who consent to, connive in, direct, assist or knowingly facilitate a contravention by a VASP. Relevant duties may also apply to third-party service providers where their conduct materially affects regulatory compliance or obstructs supervision.

Appropriate defences should be available where the person neither knew nor could reasonably have known of the contravention and exercised due diligence to prevent it.

In enforcing the provisions of the amended Act, the Commission may:

- issue directions;
- impose license conditions;
- require remediation;
- conduct inspections;
- require independent reviews;
- vary licenses;
- suspend licenses;
- revoke licenses;
- impose administrative sanctions.

Expected Legislative Outcome
The amended Act will establish a modern, proportionate and effective enforcement framework that promotes compliance while providing the Commission with appropriate enforcement tools to address misconduct within the virtual asset sector.

5.27 Administrative Sanctions and Civil Liability

Current Position
The Act establishes offences and enforcement mechanisms for non-compliance with its provisions. As the scope of the legislation expands, consideration should be given to providing a broader range of regulatory responses that allow the Commission to address contraventions proportionately without relying solely on criminal proceedings.

Policy Decision and Rationale
The amended Act should establish a comprehensive framework for administrative sanctions while preserving existing civil and criminal enforcement mechanisms.

Not every contravention requires criminal prosecution. An effective and appropriate regulatory framework should provide the Commission with flexible enforcement tools that encourage timely compliance while reserving criminal sanctions for the most serious misconduct.

Expected Legislative Outcome
The amended Act will establish a balanced enforcement framework that enables the Commission to respond proportionately to regulatory breaches while promoting voluntary compliance and protecting investors.

5.28 Strengthened Delegated Legislative Powers

Current Position
The Act details regulatory measures available to the Commission to both enforce the existing prohibition on commercial virtual asset activities until December 31, 2026, and to supervise

the conduct of participants in the Regulatory Sandbox. However, it does not contain provisions that accommodate the flexibility inherent in a mature VASP industry.

Policy Decision and Rationale

The new legislative framework should enable the Commission to devise and develop the tools it will require in the future to supervise this rapidly revolving sector. The amended Act shall empower the Commission to prescribe legally binding:

- Regulations;
- Rules;
- Guidelines;
- Codes;
- Prudential Standards;
- Directives;
- and other matters necessary to maintain an effective regulatory framework.

Expected Legislative Outcome

This delegated legislative framework shall enable the Commission to respond efficiently to technological innovation, emerging risks, international standards and evolving market practices without requiring frequent amendments to primary legislation.

In summation, the amended Act will enable a regulatory lifecycle that encompasses the essential functions necessary for regulation of the VASP sector as portrayed in the following diagram:

Regulatory Lifecycle

Application

↓

Choose Pathway

↓

Sandbox Registration → Assessment

Direct License Application → Assessment

↓

License Granted

↓

Risk-Based Supervision

↓

Ongoing Compliance

↓

Remediation (if required)

↓

Enforcement (where necessary)

↓

License Surrender / Revocation / Exit

5.29 Review and Appeals

Current Position

The Act contains provisions governing decisions made by the Commission. As additional supervisory and enforcement powers are introduced, the legislative framework should continue to provide appropriate review and appeal mechanisms consistent with principles of administrative justice.

Policy Decision and Rationale

The amended Act should preserve appropriate review and appeal rights in respect of regulatory decisions made under the Act.

Regulatory certainty requires that persons affected by significant decisions have access to fair, transparent and independent review mechanisms. Appropriate review rights enhance public confidence in the regulatory framework while supporting accountability and procedural fairness.

Expected Legislative Outcome

The amended Act will maintain an effective system of review and appeal that supports accountability while preserving the Commission's ability to discharge its statutory functions.

6.0 CHAPTER 6

6.1 Transitional and Savings Provisions

Current Position

The existing Act established a transitional Regulatory Sandbox, to which applications were required to be made within the statutory application period. That period has expired, and the Act currently precludes the Commission from granting authorisation to operate a VASP business after 31 December 2026. Those provisions will no longer be appropriate following the establishment of a permanent licensing regime and a permanent statutory Sandbox involving time-limited, conditional registration.

Policy Decision and Rationale

The amended Act should repeal or modify the existing transitional provisions and replace them with transitional and savings provisions supporting the orderly migration to the permanent regulatory framework.

The Commission recognises that the transition from the existing regulatory sandbox to a permanent licensing regime will require appropriate implementation arrangements. Implementation should be undertaken in a manner that promotes regulatory certainty, minimises disruption to regulated persons and supports the orderly commencement of the amended legislative framework.

The findings of the Commission's current examination cycle should inform the transition of each existing participant. Transition may therefore involve licensing, conditional licensing, remediation within a specified period, further controlled testing or an orderly exit. Existing participation shall not create an automatic entitlement to a permanent licence.

Accordingly, following enactment of the amended legislation, the Commission will establish administrative procedures to facilitate:

- the migration of existing authorised VASPs into the permanent licensing framework;
- the application of examination findings to the licensing, remediation or exit requirements of each existing participant;
- implementation of the new registration and licensing regime;
- requiring new applicants for established activities to satisfy the full licensing requirements from the outset, unless the Commission determines that a genuinely novel feature warrants controlled Sandbox testing;
- commencement of the Virtual Asset Offering framework;
- publication of guidance to regulated persons;
- staff training and supervisory preparedness;
- stakeholder engagement; and
- operational readiness before the substantive provisions of the amended legislation come into force.

Expected Legislative Outcome

The amended Act will provide a clear legislative pathway from the transitional sandbox regime to a permanent licensing framework while preserving legal certainty and continuity of regulatory oversight.

6.2 Commencement

Policy Decision and Rationale

The amending Act should be enacted before the prohibition on unauthorised commercial virtual asset activities and the transitional Sandbox lapse on 31 December 2026. The Act should contain a flexible commencement mechanism permitting provisions, licence classes and detailed regimes to be brought into force progressively. Core statutory protections and supervisory powers should commence with the permanent regime, while detailed or higher-complexity activities may be activated when Regulations, supervisory capability and operational arrangements are in place.

Matter	Legislative treatment	Timing and activation
Core licensing framework and initial licence classes	Primary legislation, supported by Regulations	On commencement; initial classes to prioritise activities for which supervisory readiness is confirmed, expected to include exchange and transfer services
Client-asset protection and insolvency treatment	Primary legislation	On commencement
Market-conduct offences and surveillance duties	Primary legislation and Rules	On commencement
AML/CFT/CPF, sanctions and transfer transparency	Primary legislation and existing AML/CFT/CPF framework	On commencement
Supervisory, information-gathering and enforcement powers	Primary legislation	On commencement
Capital, liquidity and prudential figures	Regulations or Rules	Before the relevant licence class opens
Operational-resilience, cybersecurity and incident-reporting detail	Rules and Guidelines	Before permanent licensing opens
Stablecoin perimeter and CBTT designation mechanism	Primary legislation; thresholds and	Enabling powers on commencement; detailed regime may be deferred

Matter	Legislative treatment	Timing and activation
	coordination in Regulations	
Custody, lending, staking, tokenisation, issuance and market infrastructure	Defined or enabled in the Act; detailed regime by Regulations	Activated progressively according to capability, risk and market demand
Decentralised finance and unhosted activity without an identifiable intermediary	Enabling powers	Kept under review as international standards develop

Expected Legislative Outcome

The amended legislative framework will commence in an orderly and coordinated manner, allowing sufficient time for implementation while ensuring regulatory continuity.

6.3 Conclusion

The legislative policy decisions and rationales contained in this Chapter establish the framework for the preparation of the proposed Virtual Assets and Virtual Asset Service Providers (Amendment) Bill. They are intended to provide the Office of the Chief Parliamentary Counsel with clear policy direction while preserving flexibility in legislative drafting.

The proposed policy will transition the existing Act from a prohibition and a temporary regulatory sandbox to a permanent, comprehensive and risk-based regulatory framework governing Virtual Asset Service Providers and introducing, for the first time, a statutory regime for the regulation of Virtual Asset Offerings. Collectively, these reforms are intended to strengthen investor protection, promote market integrity, support responsible innovation and enhance the Commission's ability to regulate the virtual asset sector in accordance with international standards and evolving market developments.

7.0 CHAPTER 7

Consequential Legislative Amendments and Implementation Matters

7.1 Introduction

This Chapter identifies the consequential legislative amendments and implementation matters arising from the proposed amendments to the VASP Act. Implementation of these reforms may require amendments to other written laws to ensure legislative consistency, avoid duplication and facilitate the effective administration of the amended framework.

The Office of the Chief Parliamentary Counsel should consider the matters identified in this Chapter in preparing the proposed amending Bill and any consequential legislative amendments necessary to give full effect to the legislative policy approved by Cabinet.

7.2 Consequential Amendments to the VASP Act

The proposed amendments will require a comprehensive review of the VASP Act to ensure that the legislative framework remains internally consistent. Without limiting the generality of the foregoing, consideration should be given to amendments relating to the topics discussed in Chapter 6 and any other amendments necessary to give effect to the permanent regulatory framework.

7.3 Consequential Amendments to Other Written Laws

The proposed reforms may require amendments to other written laws to ensure consistency with the amended VASP Act and the effective regulation of virtual asset activities. Accordingly, the Office of the Chief Parliamentary Counsel should review all relevant legislation and prepare any consequential amendments necessary to implement the approved legislative policy.

Without limiting the generality of the foregoing, consideration should be given to:

- the Securities Act, Chapter 83:02;
- the Proceeds of Crime Act Chapter 11:27;
- the Financial Obligations Regulations;
- Regulations made under the VASP Act; and
- bankruptcy, insolvency and companies legislation;
- legislation administered by CBTT concerning payment systems, foreign exchange, financial stability and monetary matters;
- national cybersecurity and cyber-incident coordination arrangements; and
- any other written law that may be affected by the proposed reforms.

Consideration should especially be given to:

- harmonising statutory definitions;
- eliminating duplication or inconsistency;
- clarifying regulatory jurisdiction;
- aligning supervisory and enforcement powers;

- facilitating domestic and international regulatory cooperation;
- supporting AML/CFT/CPF supervision;
- ensuring consistency of appeal mechanisms where appropriate; and
- giving legal effect to the segregation and insolvency protection of client assets;
- establishing the stablecoin designation mechanism and agreed allocation of responsibilities between TTSEC and CBTT;
- aligning cyber-incident reporting and coordination with national arrangements;
- making any consequential textual or technical amendments required by the proposed reforms.

7.4 Development of Subordinate Legislation

Following Cabinet approval of the legislative policy and enactment of the proposed amendments, the Commission will develop the subordinate legislative framework necessary to support implementation of the amended Act. This framework is expected to include Regulations, Rules, Guidelines, prescribed forms and administrative procedures governing matters identified throughout this Policy Paper.

Before finalising subordinate legislation affecting stablecoins, payment systems, monetary matters or national cybersecurity arrangements, the Commission should consult CBTT, FIUTT, TTCSIRT and other relevant authorities as appropriate.

7.5 Public Consultation

Subject to Cabinet's approval of this Policy Paper and preparation of the proposed amending Bill by the Office of the Chief Parliamentary Counsel, the Commission intends to undertake public consultation on the proposed legislative reforms.

The consultation process will provide interested persons with an opportunity to comment on the proposed amendments and any supporting Regulations, Rules or Guidelines before implementation. The Commission will consider all representations received during the consultation process before finalising the legislative framework.

7.6 Conclusion

The legislative reforms proposed in this Policy Paper extend beyond amendments to the VASP Act and will require a coordinated programme of legislative drafting, stakeholder engagement and regulatory implementation.

This Chapter identifies the principal consequential matters requiring consideration by the Office of the Chief Parliamentary Counsel and the Commission to ensure that the amended legislative framework is comprehensive, internally consistent and capable of supporting the effective regulation of virtual asset activities in Trinidad and Tobago.

8.0 CHAPTER 8

Summary and Recommendations

8.1 Introduction

This Policy Paper sets out the legislative reforms proposed by the Commission to strengthen the regulatory framework governing virtual assets and virtual asset service providers in Trinidad and Tobago. The proposed amendments are intended to transition the existing legislative framework from a temporary regulatory sandbox to a comprehensive and permanent regulatory regime capable of supporting responsible innovation while ensuring effective regulation, investor protection and market integrity.

The proposed reforms have been developed having regard to the Commission's experience in administering the VASP Act, developments within the virtual asset sector, evolving international standards and the need to establish a modern, risk-based legislative framework that is responsive to technological change.

8.2 Summary of Proposed Legislative Reforms

The proposed amendments will, among other things:

- establish a permanent statutory Regulatory Sandbox involving time-limited registration and a Permanent Licensing Framework for Virtual Asset Service Providers;
- repeal or amend provisions relating to the transitional regulatory sandbox where no longer required;
- introduce a statutory framework governing Virtual Asset Offerings;
- establish a stablecoin perimeter, enabling powers and a mechanism for additional CBTT oversight of stablecoins designated as material;
- protect client assets through statutory segregation, independent verification and insolvency treatment;
- establish retail appropriateness, marketing, complaints and product-intervention requirements;
- establish a dedicated market-conduct and market-abuse regime;
  clarify the application of the Act to foreign persons actively offering or providing regulated services into Trinidad and Tobago;
- formalise domestic cooperation and information sharing among TTSEC, CBTT, FIUTT, law enforcement and national cybersecurity authorities;
- strengthen governance, operational, prudential and consumer protection requirements applicable to registered VASPs;
- enhance the Commission's supervisory, inspection, investigation and enforcement powers;
- strengthen the legislative framework supporting AML/CFT/CPF supervision;
- provide appropriate delegated legislative authority for making Regulations, Rules and Guidelines;

- provide for phased commencement by activity and licence class according to supervisory readiness, market demand and risk;
- establish appropriate transitional and savings provisions to facilitate implementation of the permanent regulatory framework; and
- provide for any consequential amendments necessary to ensure legislative consistency.

Collectively, these reforms are intended to establish a comprehensive legislative framework that is proportionate, technology-neutral and capable of supporting the continued development of the virtual asset sector while maintaining appropriate regulatory safeguards.

8.3 Recommendations

The Commission recommends that Cabinet approve the legislative policy proposals set out in this Policy Paper and agree to drafting legislation on Virtual Assets and Virtual Asset Service Providers (Amendment) Bill by the Office of the Chief Parliamentary Counsel, based on drafting instructions from the Trinidad and Tobago Securities and Exchange Commission and to prepare together with any consequential legislative amendments required to implement the approved policy.

The Commission further recommends that the proposed amending Bill be prepared in accordance with the legislative policy decisions and drafting instructions contained in this Policy Paper.

Cabinet is also invited to authorise TTSEC to consult formally with CBTT, FIUTT, law enforcement and national cybersecurity authorities to settle institutional responsibilities, the stablecoin designation mechanism, information-sharing arrangements and coordinated implementation requirements before the Bill and supporting subordinate legislation are finalised.

8.4 Next Steps

Following Cabinet's approval of this Policy Paper:

- the Office of the Chief Parliamentary Counsel will prepare the proposed Virtual Assets and Virtual Asset Service Providers (Amendment) Bill together with any consequential legislative amendments considered necessary to give effect to the approved policy;
- upon completion of the draft Bill, the Commission will undertake a comprehensive public consultation process with stakeholders on the proposed legislative reforms and any supporting subordinate legislation, where appropriate;
- following consideration of stakeholder feedback, the proposed Bill and any supporting legislative instruments will be finalised for submission through the appropriate government process; and
- upon enactment of the amended legislation, the Commission will develop and implement Regulations, Rules, Guidelines, administrative procedures and operational arrangements necessary to support the effective administration of the amended legislative framework.

8.5 Conclusion

The virtual asset sector continues to evolve rapidly, presenting significant opportunities for innovation, investment and economic development while also introducing new regulatory challenges and risks. An effective legislative framework is therefore essential to ensure that innovation occurs within a robust system of regulatory oversight that protects investors, promotes market integrity and supports confidence in Trinidad and Tobago's financial system.

The legislative reforms proposed in this Policy Paper will establish a modern, comprehensive and risk-based regulatory framework that is consistent with international standards, protects client assets and retail participants, addresses market abuse and stablecoin risks, supports financial stability and monetary sovereignty and remains capable of adapting to future developments within the virtual asset sector.

The Commission therefore respectfully recommends that Cabinet approve the legislative policy proposals contained in this Policy Paper and authorise the preparation of the necessary legislation to implement the proposed reforms.