

PUBLIC CONSULTATION PAPER



**TURKS AND CAICOS ISLANDS
PROPOSED VIRTUAL ASSETS
BUSINESS BILL, 2026
(CONSULTANTS DRAFT)**

MAY 2026

WWW.TCIFSC.TC

**PUBLIC CONSULTATION ON
PROPOSED LEGISLATIVE FRAMEWORK TO REGULATE VIRTUAL ASSET
ACTIVITIES AND VIRTUAL ASSET SERVICE PROVIDERS**

Forward

1. This consultation document is issued by the Turks and Caicos Islands Financial Services Commission (“the Commission”) to seek stakeholder views on the proposed legislative measures to regulate Virtual Asset Activities and Virtual Asset Service Providers (“VASPs”) operating within or from the jurisdiction. The proposed framework contemplates the establishment of a licensing regime for VASPs, including those engaged in virtual asset activities (“VAs”), with a view to strengthening regulatory oversight and ensuring compliance with applicable anti-money laundering, counter-terrorist financing, and proliferation financing obligations, in line with international standards.
2. The Commission welcomes written feedback **no later than June 8th 2026** through the following communication channel:

By email: consultation@tcifsc.tc

Submissions should include the subject line: *“Public Response: Virtual Assets Bill”*. Physical submissions will also be accepted at the TCI Financial Services Commission Office in Providenciales and Grand Turk. Physical submissions should be in a sealed envelope labeled *“Public Written Response: Virtual Assets Bill”*. The Bill will also be made available on the Commission’s website and can be accessed via www.tcifsc.tc. Submissions received after the deadline may not be considered.

3. The Commission may, where appropriate, reproduce, quote, summarise, and publish the written comments received, in whole or in part, in any form, without seeking prior permission from the contributing parties.
4. The names and affiliations of contributing parties may be referenced in documents published and disseminated following the consultation. Parties who do not wish for their names or affiliations to be disclosed should expressly indicate this in their written submissions. Any personal data provided will be used solely by the Commission and relevant government departments or agencies for purposes related to this consultation.
5. Notwithstanding the details below contained in this paper, the outputs of this consultation will help inform and enhance this key legislation which establishes a supervisory framework for VASPs in the TCI therefore, the Commission welcomes feedback on the overall proposed Virtual Assets Business Bill, 2026. Ultimately, this reform creates an opportunity for the Turks and Caicos Islands to position itself as a leading and competitive jurisdiction, fully aligned with international standards, while supporting responsible innovation and ensuring that robust safeguards are in place to mitigate risks, protect consumers, and preserve financial stability.

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Glossary

AML/CFT/CPF	Anti-Money Laundering/Counteracting the Financing of Terrorism/Counteracting Proliferation Financing
Custody	Custody refers to the safeguarding, holding, or controlling of virtual assets or the private cryptographic keys that provide access to those assets on behalf of another person or entity
Distributed Ledger Technology (DLT)	Distributed Ledger Technology (DLT) means a technological infrastructure and protocols that allow the decentralised recording, sharing, and synchronisation of data across multiple nodes or participants in a network, without the need for a centralised data storage or administration
FATF	Financial Action Task Force
Financial Business	A “financial business” refers to any person or entity that carries on specified financial activities, as outlined in Schedule 2 of the AML/PTF Regulations, made under the TCI Proceeds of Crime Act
FSB	Financial Stability Board
IOSCO	International Organisation of Securities Commissions
ML/TF/PF	Money Laundering/Terrorist Financing/Proliferation Financing
Smart Contract	Smart contracts are self-executing contract with the terms of the agreement directly written into code and thereby manage the issuance, redemption and transactions of virtual assets
Stablecoin	Stablecoins are cryptocurrencies with value that is connected to another currency, commodity, or financial instrument, such as the US dollar.
Stablecoins Issuers	Stablecoin issuers are persons or entities that create, issue, manage, or redeem stablecoins, and are responsible for maintaining the stability mechanism or backing arrangements supporting the value of the stablecoin
TCI	Turks and Caicos Islands
The Commission	Turks and Caicos Islands Financial Services Commission
Regulatory Sandbox	Regulatory Sandbox means a controlled, time-limited regulatory environment established and administered by the Commission that permits the live testing of innovative virtual asset activities, products, services, or business models subject to defined limits, conditions, safeguards and supervisory oversight, where the appropriate regulatory treatment is uncertain or requires empirical testing
Virtual Assets	Virtual Assets are be described as a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes
Virtual Assets Service Providers (VASPs)	In simple terms, a Virtual Asset Service Provider is described as any natural or legal person who, as a business, exchanges, holds, transfers, converts, and sells virtual assets for or on behalf of others, regardless of the underlying technology used

CHAPTER 1 INTRODUCTION

Purpose

1.1 This proposed Virtual Assets Business Bill establishes a comprehensive legal and regulatory framework governing Virtual Asset Activities, Virtual Asset Service Providers (VASPs) and stablecoin issuers operating within or from the Turks and Caicos Islands. The Bill introduces a robust licensing, supervisory, prudential, and enforcement regime designed to ensure the safe, transparent, and responsible conduct of virtual asset activities.

Background & Context

1.2 In developing the framework, in February 2026, the Commission launched its first round of consultations, inviting public and private sector stakeholders to review and provide comments on the proposed Virtual Asset Business Bill. Feedback received during this phase was carefully reviewed and, where appropriate, incorporated into a revised version of the Bill.

Building on this process, the Commission is now undertaking a second round of consultation, expanding the scope of engagement to include the wider public and broader stakeholder community. This phase is intended to promote greater transparency, inclusivity, and accountability in the legislative process, ensuring that the framework benefits from a diverse range of perspectives, including those of consumers, professional bodies, and other interested parties.

Proposed Legislative Framework

1.3 The proposed framework will integrate virtual asset activities into the jurisdiction's existing AML/CFT/CPF regime, ensuring that all relevant entities "Financial Businesses" are subject to risk-based oversight and compliance obligations consistent with international best practices. The Bill further introduces prudential requirements aimed at safeguarding financial stability and consumer protection, alongside a tiered reserve regime for stablecoin issuers to ensure adequate asset backing and liquidity management.

Additionally, the legislation embeds compliance with the FATF Travel Rule, enhancing traceability and transparency in virtual asset transfers, and strengthening the jurisdiction's ability to mitigate illicit finance risks. It also establishes a proportionate, risk-based enforcement architecture, equipping the Commission with a range of supervisory and enforcement tools, including administrative sanctions and remedial measures.

The Bill is aligned with key international standards and guidance, including those issued by the Financial Action Task Force (*FATF*), the International Organization of Securities Commissions (*IOSCO*), and the Financial Stability Board (*FSB*), thereby positioning the Turks and Caicos Islands as a credible and well-regulated jurisdiction for virtual asset activities.

CHAPTER 2

OVERVIEW OF THE PROPOSED VIRTUAL ASSET BUSINESSES BILL (2026)

Scope and Application

2.1 The proposed Virtual Assets Business Act (the Bill) establishes the core regulatory framework for virtual asset activities by: (i) defining the activities that require registration or licensing; (ii) introducing distinct classes of licenses tailored to the nature, scale, and risk profile of virtual asset activities; (iii) setting out the eligibility and licensing criteria for Virtual Asset Service Providers (VASPs); (iv) outlining the ongoing compliance obligations applicable to regulated entities; and (v) prescribing the supervisory and enforcement powers of the Commission, including applicable sanctions for breaches of the Bill.

Definition of Virtual Asset Businesses

2.2 The proposed bill describes a “virtual asset business” in the Turks and Caicos Islands as the conduct of one or more virtual asset activities as a business for or on behalf of another person, including exchange, transfer, custody, trading platform operation, and participation in virtual asset issuance.

Virtual asset activities include the following activities, whether conducted for fiat currency, virtual assets, or any other form of value:

- exchange between virtual assets and fiat currencies;
- exchange between one or more forms virtual assets;
- transfer of virtual assets;
- safekeeping or administration of virtual assets or instruments enabling control over virtual assets (including custody);
- participation in and provision of financial services related to an issuer’s offer or sale of a virtual asset;
- operation of a virtual asset trading platform or marketplace; and
- any other activity prescribed in regulations.

A “virtual asset service provider” (*VASP*) is any person that conducts such activities as a business and is subject to licensing, supervision, and AML/CFT/CPF obligations under the Virtual Asset Business Bill, 2026.

Supervision and Powers of the Commission

2.3 The Commission will be authorised to license, supervise, investigate, and enforce compliance, as well as to issue rules and codes, require audits, and impose administrative penalties relating to Virtual Assets Activities and Virtual Asset Service Providers.

The regulatory framework applies to persons operating in or from within the Turks and Caicos Islands, as well as those providing or marketing services to persons within the jurisdiction. While certain

activities such as software development or acceptance of virtual assets as payment are excluded, all intermediary activities involving customer assets or transactions are subject to regulation.

FATF Standards

2.4 Global standards now require jurisdictions to regulate virtual asset activities not only to mitigate ML/TF/PF risks, arising from features such as pseudonymity and decentralisation, but also to address investor protection concerns. The FATF's revised Recommendation 15 mandates that VASPs be subject to the same AML/CFT obligations as financial institutions and DNFBPs, including licensing, supervision, and compliance with customer due diligence and monitoring requirements.

Question 1

Do you have any comments on the proposed scope of allowed activities under the proposed Virtual Asset Businesses Framework?

Question 2

Do you foresee any implementation issues or challenges in complying with any requirements? If yes, please describe your specific issues or challenges.

Exemptions

2.5 This proposed Virtual Assets Bill does not apply to the following “virtual assets”:

- digital representations of value or rights that operate within a closed ecosystem of the VASP, including those below:
 - (i) non-transferable outside a closed ecosystem;
 - (ii) non-exchangeable with real-world goods, services, discounts and purchases outside a closed ecosystem;
 - (iii) non-tradeable onwards on the secondary market outside of a closed ecosystem;
 - (iv) non-saleable on a secondary market outside of the closed-loop system;
 - (v) non-usable for payment or investment purposes; and
 - (vi) non-exchangeable for fiat currency;
- digital representations of fiat currencies, securities and other financial instruments to the extent that they are regulated by other laws in the TCI;
- any other digital representations of value or rights sought to be expressly excluded by the Commission.

Additionally, the bill does not apply to:

- a person who provides goods or services in exchange for virtual assets solely as payment for such goods or services and not as a business of virtual asset activities;
- a person who develops or sells software or hardware, including non-custodial wallets, solely as a technology provider and not as a business of virtual asset activities;

- miners, validators, node operators or other persons who provide ancillary infrastructure services, to the extent they do not otherwise carry on business as a VASP.

Question 3

Are there any other potential exemptions which you consider appropriate?

Licensing Requirements

2.6 The bill establishes the licensing perimeter, defines regulated activities, and sets out the application and assessment requirements, as well as ongoing obligations, enforcement provisions, and licence management for service providers. It further provides for proportionate regulatory treatment based on functional risk, while enhancing supervisory clarity and promoting transparency within the industry.

Existing VASPs

2.7 The bill covers licence renewal, public registers, change-of-control approvals, suspension and revocation, surrender, and outsourcing requirements. It also sets out prudential, conduct, governance, operational, and technological obligations for VASPs and ensures financial stability, protection of client assets, and systemic risk mitigation.

Ongoing Obligations of VASPs

2.8 A VASP must at all times, in the manner prescribed by the Commission, from time to time:

- (a) conduct its business in a prudent manner, with integrity, due skill, care and diligence;
- (b) deal with customers fairly and transparently;
- (c) maintain adequate capital, human, technical and financial resources to discharge its services;
- (d) ensure that recording, storing, protecting, and transmission of the data processed by it is in accordance with the applicable laws;
- (e) ensure that all marketing and promotional materials are fair, clear, transparent and not misleading;
- (f) plan for business continuity and disaster recovery in the event of an incident or a disaster;
- (g) have in place a mechanism for handling customer complaints;
- (h) have in place a mechanism for protecting whistle-blowers;
- (i) take reasonable steps to prevent market abuse and ensure the integrity and transparency of financial markets;
- (j) take reasonable steps to ensure its persons (employees and those acting on its behalf) comply with the law;
- (k) maintain competence to provide the services of a VASPs;
- (l) if offering for sale a virtual asset, conduct due diligence on the virtual asset and its issuer, taking into account the requirements of a White Paper, as set out in Section 43;

- (m) take reasonable steps to ensure its beneficial owners are fit and proper;
- (n) take reasonable steps to ensure its beneficial owners or any natural person employed by, or associated with, the VASP comply with this Act and all applicable laws in the TCI;
- (o) take reasonable steps to ensure its beneficial owners or any natural person employed by, or associated with, the VASP comply with the code of conduct for VASPs set out by the Commission from time to time;
- (p) take reasonable steps to ensure its beneficial owners or any natural person employed by, or associated with, the VASP comply with the conditions of the licence issued by the Commission;
- (q) take reasonable steps to ensure its beneficial owners or any natural person employed by, or associated with, the VASP are competent to provide the services of a VASPs; and
- (r) comply with all applicable sanctions laws and measures in force in the Islands, including those implementing international obligations.

A VASP must establish and maintain effective systems and controls appropriate to the nature, scale and complexity of its business.

Furthermore, the Bill establishes requirements relating to ICT governance, cybersecurity, and operational resilience, including provisions for smart contract audits, outsourcing controls, and incident reporting.

Question 4

Do you agree that the regulatory requirements propose sufficiently address potential ML/TF/PF risks and offering adequate investor protection? Are there other measures that should be considered?

Question 5

Do you agree that, for the purpose of protecting the investing public, persons not licensed by or registered with the Commission, should not be allowed to actively deal in VA business offerings or services?

Stablecoins

2.9 The bill establishes a comprehensive regulatory framework for stablecoins. It introduces a tiered classification framework (Tier 0–3), statutory reserve backing requirements, segregation of assets, enforceable redemption rights, liquidity restrictions and independent attestation obligations aligned with FSB global standards. It introduces Tier 0–3 classifications with proportional prudential, governance, and reporting requirements as follows:

- Payment stablecoins that aim to maintain a stable value by referencing a single official currency and redeemable at par value;

- Reserve-backed stablecoins that reference a combination of virtual assets, including fiat currencies, commodities, or other financial instruments; and
- Yield-bearing stablecoins that reference any mechanism embedded in the stablecoin or offered by the issuer enabling the holder to receive income, interest, or rewards in return for holding, staking, or locking the stablecoin, whether such returns are fixed, variable, or algorithmically determined.

A person carries out a stablecoin activity if it:

- issues a stablecoin in the course of business;
- issues a stablecoin in any location in the course of business, and the stablecoin purports to maintain a stable value with reference to a specific currency or basket of assets; or
- offers or facilitates yield-bearing features on stablecoins, including through protocols, platforms, or if such activity constitutes a virtual activities under Section 13 of the Bill.

Question 6

Are there any types of stablecoins that should be explicitly included or excluded from the proposed regulatory scope?

Question 7

Do you have any comments on the key risks that relate to stablecoins? Are there any specific regulatory requirements that should be considered or introduced for such activity?

Prohibitions

2.10 No person may carry on virtual asset activities as a business without a licence. Persons operating on a cross-border basis are required to be licensed or otherwise recognised.

Penalties

2.11 A person convicted of an offence under the proposed legislation is liable:

- on a summary conviction, to a fine not exceeding **\$50,000** or imprisonment for a term not exceeding **12 months** or both;
- on conviction on indictment, to a fine not exceeding **\$250,000** or imprisonment for a term not exceeding **4 years** or both.

Sanctions

2.12 The Commission may apply a broad range of enforcement measures and sanctions to Virtual Asset Service Providers (VASPs) and in connection with virtual asset activities, in order to address breaches and ensure compliance with the TCI's regulatory framework as described under Sections 93-99 of the Bill.

Question 8

Do you agree with the proposed sanctions, which are comparable to those under the existing regulatory regimes for VASPs?

Regulatory Sandbox

2.13 The proposed Virtual Assets Business Bill establishes a sandbox for testing innovative virtual asset products and services. This aims to encourage innovation while limiting consumer exposure and systemic risk.

CHAPTER 3 NEXT STEPS

3.1 Taking into account the feedback received **on or before June 8th 2026**, and subject to the progress of preparatory work, the Commission aims to introduce a revised bill establishing the proposed VAs and VASPs licensing regime to Turks and Caicos Islands Parliament for approval as soon as practicable.

Once the Act is in force, the Commission anticipates that supplementary Rules, Guidance Notes, Codes, Prudential Standards, and implementation measures will be issued to support operational implementation, ongoing supervisory oversight, and conduct further consultations as appropriate.

Overview of Consultation Questions

- 1. Do you have any comments on the proposed scope of allowed activities under the proposed Virtual Assets Business Framework?*
- 2. Do you foresee any implementation issues or challenges in complying with any requirements. If yes, please describe your specific issues or challenges.*
- 3. Are there any other potential exemptions which you consider appropriate?*
- 4. Do you agree that the regulatory requirements proposed sufficiently address potential ML/TF/PF risks and offering adequate investor protection? Are there other measures that should be considered?*
- 5. Do you agree that, for the purpose of protecting the investing public, persons not licensed by or registered with the Commission, should not be allowed to actively deal in VA business offerings or services?*
- 6. Are there any types of stablecoins that should be explicitly included or excluded from the proposed regulatory scope?*
- 7. Do you have any comments on the key risks that relate to stablecoins? Are there any specific regulatory requirements that should be considered or introduced for such activity?*
- 8. Do you agree with the proposed sanctions, which are comparable to those under the existing regulatory regimes for VASPs?*

**ANNEX A – DRAFT VIRTUAL ASSET
BUSINESSES BILL (MAY 2026)
(TCI FSC CONSULTANTS DRAFT)**