



VANUATU FINANCIAL = SERVICES COMMISSION =

What are Digital Assets?

Digital assets in the financial industry include cryptocurrencies, security tokens, and crypto- securities. In traditional finance, digital assets would be an asset class like commodities, securities, currencies. They are regulated as digital representations of the physical asset however they are both tangible and intangible.

- Digital assets are broadly defined as any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology.
- Digital assets include (but are not limited to): Convertible virtual currency and cryptocurrency, stable coins, NFT's and security tokens.

What is a virtual asset in comparison and what is the difference?

- The terms virtual assets and digital assets are sometimes used interchangeably, but digital assets are a much broader category that includes virtual assets and other types of assets. Digital assets are a new asset class and can be any type of asset that can be digitally represented.

Where are digital assets stored?

In most cases Digital assets are stored and recorded on the blockchain ledger where they were issued. Blockchain is another term for a data base. The blockchain data base (public) and immutable, transparent, and secure ledgers. They are not controlled by one party.

What are different digital assets?

- Digital store of value assets.
- Decentralised internet or "Web3" assets.
- Digitised payment assets.

Are digital assets a good investment?

These are very high-risk, volatile, and speculative investments.

Caveat “Buyer beware” so it's best to take a cautious approach as to any high-risk investments and do your own research.

How do you trade digital assets?

Digital asset trading is supported through brokerages and exchanges that allow you to buy, sell or swap assets of your choice. To start trading, you'll need to open an account with a brokerage or centralised exchange, and depending on the platform, this could be through an app or online marketplace.

Are digital assets regulated?

- The Vanuatu Financial Services Commission (the “VFSC”) is the primary authority to regulate digital assets.
- The VFSC considers that digital assets are commodities in some instances however most digital asset offerings are *investment contracts* subject to laws governing securities and the financial dealers Act. The Draft Vanuatu virtual asset law is in consultation stage.
- The VFSC requires anyone dealing in Digital assets to be licensed under a Class D Licence (prerequisite is Class A, B, C) of the Financial Dealers Licensing Act [CAP 70] as amended.
- All licence holders are subject to comply with consumer/investor protection and rigorous regulatory AML/CTF requirements.

Are Digital assets the future?

Digital assets are the future. The diversity of investable asset types will significantly increase in the coming years. Businesses in the financial sector, but also in industry, should become familiar with the new opportunities to take advantage of this next stage of digitalisation.

1st of August 2023.



Branan Karae
Commission