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PRESS RELEASE

Vanuatu Passes Virtual Asset Service Providers (VASP) Act

The Parliament of Vanuatu has successfully passed the Virtual Asset Service Provider (VASP) Act on 26 March 2025, marking a significant step in the country's engagement with the digital assets sector. This milestone follows years of preparation by the Vanuatu Financial Services Commission (VFSC) and the Government, working in collaboration with the established Distribution Ledger Technology Taskforce Committee and the Virtual Assets Task Force Committee and a digital asset regulatory framework consultant – Ms Loretta Joseph. The VFSC and the Committees had spent numerous time assessing the risks associated with virtual assets and developed a comprehensive legislative framework now known as the Virtual Asset Service Providers Act (VASP).

In his opening address in Parliament, Deputy Prime Minister Honourable Johnny Koanapo Rasou commended the Vanuatu Financial Services Commission (VFSC) for spearheading the initiative. He noted that the legislation positions Vanuatu as a forward-thinking nation in the evolving financial landscape, creating new opportunities for economic growth and additional revenue streams.

The Rise of Digital Assets

Over the past decade, the world has witnessed the rise of digital instruments that facilitate faster, more affordable global payments and transfers. These digital assets, underpinned by cryptographic technology and distributed ledger technology (DLT), such as blockchain, are revolutionizing global finance. The first of these assets, Bitcoin, was launched in 2009, and since then, thousands of cryptocurrencies have been issued, representing a growing sector within the financial markets.

VASP Act Overview

The VASP Act defines virtual assets (VAs) as digital representations of value that may be traded and function as a medium of exchange, a unit of account, or a store of value. Importantly, the Act excludes digital representations of fiat currencies, securities, and national digital currencies including central Bank digital currencies (CBDC's). While these assets may in practice share some similarities with virtual assets, they are not part of this legislation.

The VASP Act establishes a legal framework for licensing of Virtual Asset Service Providers, Initial Token Offerings, Fintech Sandbox Utility, consumer protection, operational integrity, and the development of virtual asset exchange and custodial industry. It also provides a flexible framework for

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Torba
c/o Torba Provincial
Government Council
Sola, Banks, Vanuatu

Penama
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East Ambae, Vanuatu

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regulating virtual asset transactions in Vanuatu, ensuring security and fostering growth in the sector.

Economic and Regulatory Opportunities

The Act opens up numerous opportunities for Vanuatu, both economically and socially, while ensuring that international standards are adhered to. VFSC will regulate the virtual asset industry, ensuring a secure environment between consumers and the virtual asset service providers. It will also play a key role in national security, with an emphasis on regulations surrounding virtual assets.

Economically, the VASP Act establishes a stable regulatory framework for digital business transactions. This encourages healthy competition, attracts investment, reduces business costs, and ensures consumer protection. It also offers many potential benefits, including greater speed, lower cost and increased efficiency in making Virtual Assets transactions including across borders payments, with the potential to improve financial inclusion.

International Compliance and Cooperation

Vanuatu's VASP Act aligns with international standards established by global organizations, including the Financial Action Task Force (FATF), the Asia Pacific Group on Money Laundering (APG), the International Organisation of Securities Commissions (IOSCO), the OECD, and the EU. The Act ensures compliance with FATF's recommendation 16 on the implementation of the "travel rule" policy, and facilitates cooperation and information exchange among regulators.

Virtual Assets or Cryptocurrencies are Not Legal Tender in Vanuatu

Virtual Assets or Cryptocurrencies, unlike fiat currencies, are not legal tender in Vanuatu. The VFSC however acknowledges that, albeit reliant upon market demand and supply, virtual assets and cryptocurrencies have "value" since they are exchangeable for other assets having value.

Investor Caution

While the VASP Act creates a legal framework for virtual assets, the VFSC wishes to caution the public that investments in virtual assets and cryptocurrencies are not protected by any statutory compensation arrangements in Vanuatu. Due to the high-risk nature of these investments, the VFSC does not recommend them for retail investors without a thorough understanding of the associated risks.

Prospective investors are urged to carefully assess the risks involved before committing any funds. Any investment in virtual assets or cryptocurrencies is made at the investor's own risk and is not covered by statutory compensation schemes in Vanuatu. Therefore, the VFSC recognises that virtual assets including cryptocurrencies may constitute an asset- class for investment only by the following: Sophisticated investors, Expert Investors. Expert Funds.



Specialised Collective Investment Schemes and Professional collective investment schemes.

For Further Information:

Vanuatu Financial Services Commission

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