VANUATU FINANCIAL
SERVICES COMMISSION

VASP CAPITAL ADEQUACY GUIDELINES

SUPERVISION DEPARTMENT

1. Purpose and legal basis

These Guidance Notes set out VFSC's expectations for how a Virtual Asset Service Provider (VASP) demonstrates and maintains minimum capital and other financial resources on an ongoing basis. They are intended to support the application and supervision of the minimum capital requirement and ongoing prudential expectations under section 64 of the Virtual Asset Service Providers Act No. 3 of 2025.

2. Core requirement (simple test)

A VASP must maintain, at all times:

- Eligible Capital ≥ Required Capital.

Required Capital is calculated as follows:

1. Required Capital = max(A, B) + C

For avoidance of doubt, max(A, B) means the greater of A and B (i.e., select whichever is higher; do not add A and B).

In addition to maintaining Eligible Capital ≥ Required Capital, a VASP must maintain a Bond in accordance with section 8.

Where:

- **A (Base Capital Floor):** VT 200,000,000 paid-up capital (or such higher floor as VFSC sets for a license class or firm risk profile).
- **B (Fixed Overheads Requirement):** 25% of Fixed Annual Overheads (i.e., three months' overheads). VFSC may vary this percentage by policy, license class, or firm risk profile.
- **C (Risk Add-On(s)):** Additional capital required based on the VASP's business model and risk profile (see section 4), including where the VASP holds or controls client assets, offers leverage, has high volumes, faces liquidity constraints, or has material technology or outsourcing risk.

3. Definitions and calculation guidance

3.1 Eligible Capital

Eligible Capital should be loss-absorbing and unencumbered, and will typically include paid-up ordinary share capital and audited retained earnings/reserves. Eligible Capital should exclude or be reduced by items that are not readily available to absorb losses, including intangible assets (such as goodwill) and any capital that is pledged, charged, or otherwise encumbered. Eligible

Capital excludes any amount posted as a bond under section 8, unless VFSC approves otherwise in writing.

3.2 Fixed Annual Overheads

Fixed Annual Overheads should be calculated from the most recent audited financial statements. For start-ups or newly formed entities, Fixed Annual Overheads may be calculated using projected annual operating expenses as accepted by VFSC.

Fixed Annual Overheads should normally exclude:

- variable pass-through costs directly linked to transaction volumes;
- depreciation and amortisation (unless VFSC determines otherwise); and
- discretionary bonuses and profit distributions.

3.3 Frequency of calculation

A VASP should calculate and monitor capital adequacy at least monthly, and more frequently where there are rapidly changing volumes, new product launches, significant incidents, or where directed by VFSC.

4. Risk add-ons and calibration

VFSC may apply risk add-ons by reference to the licence class(es) and key risk drivers (including monthly volumes, leverage offered, holding or controlling client assets, asset liquidity, reliance on related-party support, and technology risk). Where a VASP conducts multiple licensable activities, VFSC may apply higher requirements.

4.1 Licence classes (for reference)

- **Class D:** Exchange virtual assets for fiat currency or for other virtual assets.
- **Class D.1:** Transfer of virtual assets.
- **Class D.2:** Safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets (custody).
- **Class D.3:** Participation in, and provision of, financial services related to an issuer's offer and/or sale of a virtual asset.
- **Class D.4:** Bank exchange and custody of virtual assets (bank model).

4.2 Indicative add-on calibration (starting point)

The table below provides indicative starting points for risk add-ons. VFSC may vary these amounts by licence class, business model, scale, complexity, and risk assessment findings.

Licence class / risk feature	Indicative add-on (VT)	Rationale
Class D (Exchange) – baseline	50,000,000	Market integrity and operational risk.
Class D (Exchange) – if leverage/margin offered	+100,000,000	Leverage increases stress/loss risk and wind-down complexity.
Class D.1 (Transfer) – baseline	25,000,000	Operational and compliance risk.
Class D.2 (Custody) – baseline	150,000,000	Custody / holding client assets warrants higher capital and stronger wind-down capacity.
Class D.3 (Issuer/offer-related services) – baseline	50,000,000	Conduct, disclosure and operational risks.
Multi-activity (more than one class)	+10% per additional class	Higher complexity where multiple services are provided.
Adverse technology audit findings / critical outsourcing concentration	Case-by-case	Technology and third-party dependency risk may necessitate additional buffers.

5. Liquidity and other financial resources

In addition to capital, a VASP must maintain adequate liquidity and demonstrate sound funding arrangements. Applicants and licensees should provide a funding and contingency funding plan covering normal operations and periods of market stress, including where liquidity relies on related parties or third-party facilities. VFSC may require that a specified portion of Required Capital be held in high-quality liquid assets (cash or cash-equivalents) at a financial institution acceptable to VFSC.

6. Reporting, monitoring, and breach handling

Minimum expectations:

- Monthly internal calculation of capital position and senior management attestation that Eligible Capital remains above Required Capital.
- Quarterly capital adequacy reporting to VFSC using a form approved by VFSC.
- Notification to VFSC within 2 business days if the VASP falls below (or reasonably expects to fall below) Required Capital.
- Submission of a capital restoration plan within 10 business days of a breach (or earlier if directed), setting out concrete remedial steps and timelines.

7. Restrictions on distributions

A VASP should not declare or pay dividends, make capital distributions, or repay shareholder loans if doing so would cause the VASP to fall below Required Capital, unless VFSC approves in writing.

8. Bond

(a) In addition to maintaining Eligible Capital ≥ Required Capital, a VASP must deposit with the Commission a bond equal to B (the Fixed Overheads Requirement: 25% of Fixed Annual Overheads), or such other percentage as VFSC may set by policy, licence class, or firm risk profile.

(b) The bond must be provided in cash or cash-equivalents (high-quality liquid assets) and in a form acceptable to VFSC.

(c) The bond is a restricted prudential deposit and must not be withdrawn, pledged, charged, or otherwise dealt with without VFSC's prior written approval, except as directed by VFSC (including for an orderly wind-down).

(d) For avoidance of doubt, the bond does not constitute Eligible Capital and must not be counted towards meeting Required Capital, unless VFSC approves otherwise in writing.

9. Worked example (illustrative)

Scenario: Class D.2 (Custody).

- **Fixed Annual Overheads:** VT 480,000,000
- **Overheads requirement (25%):** VT 120,000,000
- **Base capital floor (A):** VT 200,000,000
- **Risk add-on for custody (C):** VT 150,000,000 (indicative – subject to VFSC confirmation)

Required Capital = max(200,000,000 ; 120,000,000) + 150,000,000 = VT 350,000,000.

In addition, the VASP must maintain a Bond equal to B (VT 120,000,000) in accordance with section 8.

Accordingly, the VASP must maintain Eligible Capital of at least VT 350,000,000 at all times, and separately demonstrate adequate liquidity.

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Dated this 6th Day of January 2026

COMMISSION DES AFFAIRES FINANCIERES VANUATU FINANCIAL SERVICES COMMISSION

Branan Karae

Commissioner

Annex A: Quick calculation checklist

1. Determine the VASP's license class(es) and whether it holds/controls client assets or offers leverage.

2. Calculate Fixed Annual Overheads from audited financial statements (or accepted projections for start-ups).

3. Compute B = 25% of Fixed Annual Overheads (or the percentage set by VFSC).

4. Compute Required Capital = max(A, B) + C, applying relevant risk add-ons.

5. Confirm that the Bond required under section 8 (equal to B, unless VFSC sets another percentage) is posted/maintained in a form acceptable to VFSC (this is additional to Required Capital).

6. Confirm Eligible Capital composition and ensure it is unencumbered and loss-absorbing.

7. Document liquidity reserves and the funding/contingency funding plan.

References

- Commonwealth Secretariat – Model Law on Virtual Assets: https://thecommonwealth.org/publications/model-law-virtual-assets
- Vanuatu – Virtual Asset Service Providers Act No. 3 of 2025 (VFSC): https://www.vfsc.vu/
- VFSC – VASP application guidance and licensing materials (as applicable).