

GUIDELINES ON THE USE OF SMART CONTRACTS IN TOKEN ISSUANCE AND REGULATED ACTIVITIES

(January 2026)

SUPERVISION DEPARTMENT

1. Application of Guidelines

Applies to licensees that deploy, rely on, or materially control smart contracts, including those using smart contracts as an Innovative Technology Arrangement.

2. Purpose

To set minimum controls for smart contract design, deployment and operation where smart contracts are used in token issuance, custody, transfers or other regulated functions.

3. Legal Basis

These Guidelines are issued under section 59 of the Virtual Asset Service Providers Act No. 3 of 2025 (the Act), and support VFSC's licensing, supervision and enforcement functions.

4. Core Regulatory Expectations

- Must adopt secure development lifecycle practices, including code review, testing, and documented threat modelling.
- Must obtain independent smart contract audits prior to deployment and after material upgrades.
- Must implement privileged access controls (multi-sig, least privilege, timelocks), and maintain admin key management and recovery procedures.
- Must implement change management and upgrade governance, including customer disclosures and rollback plans.
- Must maintain emergency controls (pause/kill switch) where appropriate, with documented governance and customer impact analysis.

5. Reporting, Notifications and Records

- Must report critical vulnerabilities, exploits, or admin key compromise to VFSC without delay.
- Must maintain audit reports, deployment artefacts, and version histories as records.

6. Supervisory Approach and Enforcement

- VFSC may require redeployment, restrictions, independent reviews, or suspension of affected services where smart contract risks are unmanaged.

7. Benchmarking Consistency (non-exhaustive)

- BMA Bermuda: Digital Asset Business Operational Cyber Risk Management Code of Practice (cyber and operational resilience baseline).
- FSC Mauritius: AML/CFT Guidance Notes for VASPs and IITOs (risk-based AML/CFT and supervisory expectations under VAITOS).
- CIMA Cayman Islands: Rule and Statement of Guidance - Market Conduct for VASPs (conduct, custody, disclosures, incident reporting).
- FSRA Saint Lucia: Virtual Asset Business Regulations (licensing, operational capability, cyber and AML/CFT expectations).
- MFSA Malta: VFA Rulebook Chapters (governance, systems audits, custody/ITA certification, and conduct obligations).

Please contact the following person should you have any questions:

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Branan Karae
Commissioner

