

CONSULTATION PAPER
FOR DISCUSSION PURPOSES ONLY

Development of a Virtual Assets and Virtual Assets Service Provider (VASP) Framework



**FINANCIAL SERVICES
COMMISSION**

Event: 15th Anniversary Industry Stakeholder Consultation on Legislative Reform Project

Focus: Day 5: VASP Framework Development – Innovation Meets Regulation

Date: April 17, 2026

Venue: Hilton, Barbados

CONTENTS

EXECUTIVE SUMMARY	3
BACKGROUND & CONTEXT	5
Purpose of Reform	5
Key Contextual Factors Impacting the Sector	6
ESG & Sustainable Finance	9
ESG Vision Statement	9
ESG as a Cross-Cutting Theme	10
Sector-Specific ESG Calibration: ESG as Emerging and Governance-Focused	11
Unifying Policy Approach	11
Summary of Gap Analysis & Benchmarking	12
Gap Analysis – Key Structural and Regulatory Deficiencies	12
Benchmarking – Position Relative to Leading Jurisdictions	13
Core Directions for Framework Development	14
Key Drivers	16
Consultation Objectives	16
CONSULTATION QUESTIONS: VASP Framework	17
PILLAR 1: STRATEGIC POSITIONING & POLICY DIRECTION	17
PILLAR 2: REGULATORY PERIMETER & LICENSING FRAMEWORK	18
PILLAR 3: PRUDENTIAL, OPERATIONAL & RISK MANAGEMENT FRAMEWORK	18
PILLAR 4: MARKET CONDUCT, CONSUMER PROTECTION & MARKET INTEGRITY	19
PILLAR 5: AML/CFT/CPF (TARGETED & RISK-BASED)	20
PILLAR 6: SUPERVISION, ENFORCEMENT & REGULATORY CREDIBILITY	21
PILLAR 7: IMPLEMENTATION, TRANSITION & COMPETITIVENESS	21
FINAL PRIORITISATION QUESTION	22

EXECUTIVE SUMMARY

This Consultation Paper sets out the Financial Services Commission’s proposed approach to developing a comprehensive regulatory framework for Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs) in Barbados. It forms part of the Commission’s broader legislative reform agenda and reflects a strategic effort to position Barbados as a credible, well-regulated, and competitive jurisdiction within the global digital assets ecosystem.

As a late mover, Barbados is uniquely positioned to design a modern, fit-for-purpose framework that incorporates international best practices while avoiding the gaps and inefficiencies observed in earlier-adopter jurisdictions. The proposed approach seeks to balance innovation, financial stability, consumer protection, and international credibility, while ensuring the regime is practical, proportionate, and capable of effective supervision and enforcement.

The consultation is structured around seven core policy pillars:

1. Strategic positioning and policy direction
2. Regulatory perimeter and licensing
3. Prudential and operational requirements
4. Market conduct and consumer protection
5. Targeted AML/CFT/CPF controls
6. Supervision and enforcement
7. Implementation and competitiveness

Across these pillars, several key reform themes emerge. These include the adoption of an activity-based, technology-neutral licensing regime, alignment with global standards (including those of the Financial Action Task Force and International Organization of Securities Commissions), and the importance of institutional-grade governance, custody, and risk management standards. The framework also emphasises clear regulatory boundaries, transparent market entry criteria, and proportionate safeguards for both retail and institutional participants.

A central objective of the reform is to establish a high-trust regulatory environment. This includes strengthening supervisory capability, implementing a risk-based and data-enabled supervisory model, and ensuring that licensing, oversight, and enforcement are not only legislated but demonstrably operational. Transparency—through tools such as public registers, published guidance, and enforcement outcomes—is also identified as critical to building market confidence and supporting international recognition.

At the same time, the framework seeks to support innovation and market development. This includes consideration of tiered licensing, phased implementation, and regulatory flexibility to accommodate evolving technologies and business models. The Commission also recognises the importance of broader ecosystem factors such as banking access, tax clarity, and cross-border cooperation, which are essential to the viability and competitiveness of the sector.

The consultation is designed to move beyond high-level policy discussion and generate practical, drafting-ready inputs. Stakeholders are therefore encouraged to clearly distinguish between non-negotiable regulatory elements (e.g. core integrity, prudential, and governance requirements) and areas where flexibility or proportionality may be appropriate.

In particular, the Commission is seeking stakeholder views on:

- The optimal market positioning for Barbados and the types of participants it should attract
- The scope and structure of the licensing regime, including activity definitions and tiering
- The design of prudential, operational, and custody frameworks suitable for institutional participation
- The appropriate balance between consumer protection and market access
- The implementation of targeted, risk-based AML/CFT/CPF measures without undue burden
- The development of a credible supervisory and enforcement framework
- Practical considerations for implementation, transition, and long-term competitiveness

The outputs of this consultation will directly inform the development of primary legislation, regulations, guidelines, and the supervisory framework for VASPs in Barbados. They will also support the jurisdiction's broader strategic positioning within international financial services, ensuring that Barbados remains both compliant with global expectations and competitive in attracting high-quality digital asset activity.

Ultimately, this reform represents a critical opportunity to establish Barbados as a trusted, transparent, and forward-looking digital finance jurisdiction, capable of supporting innovation while safeguarding the integrity and stability of its financial system.

BACKGROUND & CONTEXT

Purpose of Reform

The Financial Services Commission (the “Commission”), an integrated regulatory body established by the *Financial Services Commission Act, 2010-21* (the “FSCA”), is responsible for supervising and regulating non-bank financial institutions in Barbados, particularly those entities licensed or registered under the *Insurance Act, Cap. 310*, the *Occupational Pension Benefits Act, Cap. 350B*, the *Securities Act, Cap. 318A*, the *Mutual Funds Act, Cap. 320B*, and the *Co-operatives Societies Act, Cap. 378A* as it relates to credit unions (the “Specified Enactments”).

Additionally, the Commission has been identified as the designated authority for the supervision and regulation of Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs).

As financial innovation accelerates, the Commission remains cognizant that an effective and proportionate regulatory framework is necessary to address emerging risks and regulatory gaps. Regulation and supervision must therefore seek to mitigate financial integrity, conduct, and consumer protection risks, promote transparency and good governance, and ensure compliance with domestic and international standards such as the Financial Action Task Force’s (FATF) Recommendations 15 and 16. Establishing a structured framework also enhances regulatory oversight, supports informed policymaking, and fosters market confidence, while preserving the jurisdiction’s reputation and financial stability.

In this context, the Commission is in the process of conducting several initiatives aimed at developing a comprehensive legal and regulatory framework that maintains the integrity, stability and resilience of the financial system while supporting innovation and sustainable economic development. These initiatives include conducting a sectoral risk assessment, developing relevant legislation, regulations, and guidelines, and conducting continuous outreach and consultations with this emerging sector and other related stakeholders.

In this regard, the Commission seeks to:

- a) establish a comprehensive and proportionate regulatory framework for VASPs;
- b) address financial integrity, conduct, and consumer protection risks,
- c) align Barbados with international standards, including FATF Recommendations 15 and 16;
- d) promote transparency, good governance, and market confidence; and
- e) support innovation while preserving financial stability and reputation.

Key Contextual Factors Impacting the Sector

- **Evolving Global Standards and Regulatory Expectations:** The regulation of virtual assets is increasingly shaped by international standard-setting bodies, particularly the FATF, which has extended its AML/CFT recommendations to explicitly cover VASPs. Key expectations include: the licensing or registration of VASPs, implementation of the “Travel Rule” for transaction transparency; ongoing supervision and enforcement mechanisms. In parallel, guidance from the Financial Stability Board (FSB) and International Organization of Securities Commissions (IOSCO) is driving convergence on issues such as investor protection, market integrity, and systemic risk. For Barbados, alignment with these standards is essential not only for credibility, but also to avoid regulatory arbitrage perceptions, support cross-border recognition and cooperation, and maintain correspondent banking and international financial linkages.

- **Balancing Innovation with Risk Mitigation:** Virtual assets present both opportunities for financial innovation and material risks, including:
 - money laundering and terrorist financing;
 - fraud, market manipulation, and consumer harm;
 - volatility and speculative investment risks; and
 - operational and cybersecurity vulnerabilities.

At the framework design stage, Barbados must determine its regulatory posture, including: the extent to which it seeks to promote innovation (e.g., sandbox or innovation hub models); the level of risk tolerance for retail market participation; and the scope of activities to be permitted (e.g., trading, custody, token issuance, DeFi interfaces). A principles-based, risk-proportionate approach may allow flexibility while maintaining safeguards.

- **Definitional Scope and Regulatory Perimeter:** A foundational issue is the classification of virtual assets and related activities, including distinctions between payment tokens (e.g., cryptocurrencies); security tokens (which may fall under existing securities laws), and utility tokens and hybrid instruments. Clarity is required on:
 - What constitutes a “virtual asset”
 - Which activities trigger VASP status (e.g., exchange, custody, transfer, advisory)
 - How decentralized or non-custodial models (e.g., DeFi protocols) are treated

Poorly defined boundaries may lead to regulatory gaps, overlap, or uncertainty that discourages legitimate operators.

- **Competition from Early-Adopter Jurisdictions:** Several jurisdictions have already implemented bespoke virtual asset frameworks, including Bermuda, the Cayman Islands, and Dubai. These jurisdictions offer established licensing regimes and regulatory clarity, dedicated regulators or units focused on digital assets, and market credibility among global operators. Barbados is entering a second wave of adopters, which presents both challenges and advantages:
 - **Challenge:** Competing with established frameworks and ecosystems
 - **Opportunity:** Learning from early adopters' regulatory gaps and enforcement experiences.

The framework can therefore be designed to be more targeted, efficient, and aligned with emerging global best practices.

- **Cross-Border Nature of Virtual Asset Activities:** Virtual asset businesses are inherently global, often operating across multiple jurisdictions without a clear physical presence. This raises issues around supervisory reach and enforcement; cross-border cooperation and information sharing; and determination of regulatory nexus (i.e., when Barbados jurisdiction applies). Barbados will need to consider:
 - Licensing triggers based on domicile, place of management, or customer location
 - Mechanisms for cooperation with foreign regulators
 - Treatment of entities serving Barbadian customers from abroad

Without clear rules, there is a risk of regulatory arbitrage or ineffective oversight.

- **Banking Access and Financial System Integration:** Globally, VASPs often face challenges in accessing traditional banking services due to perceived AML/CFT and reputational risks. This has implications for fiat on- and off-ramps: operational viability of licensed entities; broader financial system stability. Barbados must consider how its framework will:
 - provide sufficient regulatory assurance to domestic and international banks
 - align with expectations of correspondent banking partners
 - mitigate de-risking pressures

Failure to address this could result in a regulated sector that is unable to function effectively in practice.

- **Technology, Cybersecurity, and Operational Risk:** The digital nature of virtual assets introduces unique operational risks, including: cyberattacks and hacking of exchanges or wallets; loss or theft of private keys; and failures in smart contracts and distributed systems. A robust framework will need to address:
 - custody standards (e.g., cold storage, multi-signature controls)
 - cybersecurity requirements and incident reporting
 - outsourcing and third-party risk management

Regulatory expectations in this area are critical for investor confidence.

- **Consumer Protection and Market Conduct:** Retail participation in virtual asset markets has grown significantly, often in the absence of full understanding of risks. Key concerns include: misleading promotions and lack of disclosure, price volatility and speculative losses, and conflicts of interest (e.g., proprietary trading by platforms). Barbados must determine:
 - The extent of retail market access
 - Disclosure and transparency requirements
 - Rules governing advertising and promotions

Striking the right balance will be important to avoid both consumer harm and over-regulation that stifles innovation.

- **Taxation and Accounting Treatment:** The treatment of virtual assets for tax and accounting purposes remains an evolving area globally. Key considerations include: classification of virtual assets (e.g., property, financial instruments, commodities); tax treatment of gains, losses, and transactions; and reporting obligations for VASPs and users. The Barbados Revenue Authority has provided clarity in this area, which will be important to provide certainty to investors and operators, ensure alignment with broader fiscal policy, and avoid unintended tax arbitrage or compliance burdens.
- **Institutional Capacity and Supervisory Expertise:** Effective regulation of virtual assets requires specialized expertise in blockchain technology and cryptographic systems; digital forensics and transaction tracing; and emerging business models (e.g., DeFi, DAOs). Barbados has assessed:
 - the existing capacity of its regulatory authorities to supervise VASPs

- pursued relevant training
- identified resourcing requirements
- confirmed the need for dedicated units and partnerships

Without sufficient capacity, even well-designed frameworks may be difficult to implement effectively.

- **Reputational Considerations and International Positioning:** As a small international financial centre, Barbados' approach to virtual asset regulation will have outsized reputational implications. A poorly calibrated framework could attract high-risk or non-compliant operators; increase scrutiny from international partners; and undermine broader financial sector credibility. Conversely, a well-designed regime can position Barbados as a credible, well-regulated digital finance jurisdiction, and complement its broader international business and financial services strategy.

- **Phased Implementation and Regulatory Flexibility:** Given the pace of technological change, a static regulatory framework may quickly become outdated. Barbados may therefore consider:
 - Phased implementation (e.g., starting with core VASP activities)
 - Use of regulatory sandboxes or pilot regimes
 - Mechanisms for ongoing review and amendment

Embedding flexibility at the outset can help ensure long-term relevance.

ESG & Sustainable Finance

ESG Vision Statement

Barbados is committed to strengthening the resilience, integrity, and inclusiveness of its financial system through the integration of Environmental, Social, and Governance (ESG) considerations into its legislative and regulatory framework.

Global developments, including guidance from the Financial Stability Board and the United Nations Environment Programme Finance Initiative, have highlighted the growing importance of incorporating climate-related and broader sustainability risks into financial decision-making,

governance practices, and supervisory approaches. Barbados recognizes the need to align with these evolving expectations while ensuring that reforms are appropriately calibrated to the domestic context.

This consultation therefore proposes the adoption of ESG as a cross-cutting principle across the non-bank financial services sector, with the following objectives:

- Strengthening the identification and management of climate-related and other long-term risks to support financial stability;
- Promoting financial inclusion and fair treatment of consumers;
- Enhancing governance, transparency, and accountability across regulated entities; and
- Supporting, where appropriate, the mobilization of capital toward sustainable and climate-resilient economic activity.

The proposed approach is grounded in proportionality and practicality, recognizing the diversity of institutions within the Barbadian financial system. ESG integration will be implemented on a phased basis, supported by clear guidance and ongoing stakeholder engagement, to ensure that requirements are aligned with the size, complexity, and capacity of regulated entities.

Through this reform process, Barbados seeks to ensure that its financial sector remains resilient and well-regulated, while also positioning itself to respond effectively to emerging risks and opportunities in a rapidly evolving global environment.

ESG as a Cross-Cutting Theme

ESG considerations are increasingly central to financial sector development, shaping risk management, capital allocation, and regulatory expectations globally. For Barbados, ESG is not only a matter of international alignment but also a strategic national priority, given its vulnerability to climate change and its commitment to sustainable and inclusive growth. Global standards and guidance from bodies such as the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), International Organisation of Securities Commissions (IOSCO), International Credit Union Regulators Network (ICURN) and the United Nations Environment Programme Finance Initiative are increasingly emphasizing:

- Integration of climate and broader ESG risks into financial decision-making;
- Enhanced disclosures, including climate-related and sustainability reporting; and
- Consideration of long-term systemic risks, particularly those related to climate change.

For Barbados, embedding ESG into legislative and regulatory reform supports multiple policy objectives:

- **Financial Stability:** Improving the identification and management of long-term and systemic risks, particularly climate-related risks
- **International Competitiveness:** Aligning with global expectations to maintain credibility and market access
- **Inclusive Growth:** Expanding access to financial services and supporting underserved communities
- **Climate Resilience:** Mobilizing capital toward adaptation and mitigation efforts

A key policy consideration is adopting a proportionate and phased approach, ensuring ESG requirements are:

- Commensurate with the size and complexity of regulated entities
- Operationally feasible for smaller institutions
- Supported by clear guidance and capacity-building initiatives

Sector-Specific ESG Calibration: ESG as Emerging and Governance-Focused

In the virtual assets sector, ESG considerations are emerging but increasingly relevant:

- **Environmental:** Energy consumption and sustainability of certain blockchain models
- **Social:** Public education; Financial access vs. consumer and investor risks
- **Governance:** Transparency, market integrity, and operational resilience

Given the sector's early stage, Barbados can:

- Embed ESG considerations at the framework design stage
- Position itself as a responsible and well-regulated digital asset jurisdiction

In this context, the proposed regulatory focus would be prioritizing governance, risk management, and disclosure, with evolving treatment of environmental considerations.

Unifying Policy Approach

Across all sectors regulated and supervised by the Commission, ESG integration would be anchored on three consistent principles:

1. **Proportionality:** requirements should reflect the size, complexity, and risk profile of entities.
2. **Phased Implementation:** the intention is to start with high-level principles and disclosures, with scope for gradual enhancement.
3. **Alignment with National Priorities:** ESG frameworks should support Barbados' broader goals, particularly:
 - (a) climate resilience
 - (b) financial inclusion
 - (c) sustainable economic development

Summary of Gap Analysis & Benchmarking

The Commission has undertaken a preliminary assessment of Barbados' position relative to the evolving global regulatory landscape for virtual assets. This includes benchmarking against leading frameworks, particularly Dubai—which provides a structured, activity-based model—as well as established international financial centres such as the Cayman Islands.

This assessment highlights both foundational gaps and strategic opportunities to position Barbados as a high-trust, well-regulated jurisdiction for institutional virtual asset activity.

Gap Analysis – Key Structural and Regulatory Deficiencies

- **Absence of a Dedicated and Coherent Legal Framework:** Barbados currently lacks a comprehensive legislative regime specifically governing virtual assets and VASPs. As a result, regulatory treatment is fragmented or undefined; market participants face uncertainty regarding permissible activities; and the jurisdiction is not positioned to attract regulated virtual asset businesses.
- **Undefined Regulatory Perimeter and Activity Scope:** There is limited clarity as to:
 - What constitutes a “virtual asset” within the legal framework
 - Which activities require licensing (e.g., exchange, brokerage, custody, issuance)
 - How hybrid or emerging models (e.g., staking, DeFi interfaces) are treated

This creates risks of both regulatory gaps and overreach, undermining legal certainty.

- **Limited Supervisory and Technical Capacity:** The current framework does not yet incorporate specialized supervisory tools tailored to blockchain-based activities; expertise in areas such as custody risk, private key management, and on-chain analytics; and ongoing monitoring capabilities for virtual asset transactions and market conduct. Without these, effective supervision and enforcement would be constrained.
- **Incomplete AML/CFT/CPF Framework for Virtual Assets:** While Barbados maintains a general AML/CFT regime aligned with FATF, there are gaps in its application to virtual assets, including implementation of the Travel Rule; treatment of unhosted wallets and peer-to-peer transactions; and risk-based supervision of VASPs. These gaps may expose the jurisdiction to financial integrity and reputational risks.
- **Absence of Institutional-Grade Custody and Safeguarding Standards:** There are currently no explicit requirements addressing: segregation of client assets; custody arrangements and key management; and safeguards against loss, theft, or misuse of digital assets. This is a critical gap for attracting institutional participants, who require robust asset protection frameworks.
- **Limited Consumer and Market Conduct Protections:** The absence of a tailored framework results in: unclear disclosure obligations; limited safeguards against market abuse (e.g., manipulation, insider trading); and no defined standards for advertising, risk warnings, or client classification.
- **Gaps in Cross-Border Recognition and Cooperation:** Given the inherently global nature of virtual asset activities, the current framework does not sufficiently support regulatory cooperation and information sharing; recognition by foreign regulators; and supervision of cross-border service provision.

Benchmarking – Position Relative to Leading Jurisdictions

Jurisdictions such as Dubai have established purpose-built regulatory regimes that provide a useful reference model:

- **Structured, Activity-Based Licensing Frameworks:** Dubai's model is characterized by clearly defined categories (e.g., exchange, broker-dealer, custody, advisory); modular licensing aligned to specific activities; and the ability to regulate complex and evolving business models. In contrast, Barbados currently lacks this level of structural clarity.

- **Institutional-Grade Regulatory Standards:** Leading jurisdictions—particularly those competing for institutional business, such as the Cayman Islands—emphasize robust custody and safeguarding requirements; prudential and governance standards for operators; and clear operational and risk management expectations. These features are, therefore, critical to attracting institutional investors, funds, and service providers:
- **Comprehensive AML/CFT and Financial Integrity Frameworks:** Benchmark jurisdictions have implemented:
 - Full alignment with FATF standards, including Travel Rule compliance
 - Risk-based supervision of VASPs
 - Enhanced due diligence and transaction monitoring requirements

This underpins their credibility and access to global financial systems.

- **Strong Regulatory Credibility and International Cooperation:** Leading frameworks support cross-border supervisory cooperation; recognition by international counterparties; and participation in global regulatory networks. This is essential for integration into the global digital asset ecosystem.
- **Regulatory Clarity and Speed to Market:** Competitive jurisdictions offer clear rulebooks and guidance; predictable licensing timelines; and active regulatory engagement with industry. This enhances attractiveness for high-quality operators.

Core Directions for Framework Development

In light of the identified gaps and benchmarking insights, the following core directions are proposed for the development of Barbados' Virtual Assets and VASP framework:

1. **Establish a Comprehensive, Standalone Legislative Framework**
 - Introduce clear legal definitions of virtual assets and VASPs
 - Provide a coherent and technology-neutral regulatory structure
 - Ensure flexibility to accommodate innovation and evolving models
2. **Adopt an Activity-Based, Modular Licensing Regime**

- Define distinct regulated activities (e.g., exchange, brokerage, custody, advisory, issuance)
- Allow entities to be licensed for specific combinations of activities
- Align regulatory requirements with the risk profile of each activity

3. Position for Institutional Participation

- Introduce institutional-grade custody and asset safeguarding standards
- Require strong governance, risk management, and internal controls
- Provide clarity on fund structures and interaction with the investment funds regime
- Facilitate participation by institutional investors, asset managers, and service providers

4. Strengthen AML/CFT/CPF Measures for Virtual Assets

- Fully implement FATF-aligned requirements, including the Travel Rule
- Establish risk-based supervisory frameworks for VASPs
- Address risks associated with unhosted wallets and cross-border transactions

5. Introduce Robust Consumer Protection and Market Conduct Rules

- Define disclosure, transparency, and risk warning requirements
- Establish rules to address market abuse and conflicts of interest
- Differentiate between retail and institutional clients, with proportionate safeguards

6. Build Supervisory Capacity and Technical Expertise

- Develop specialized supervisory units or capabilities
- Invest in tools for blockchain analytics and transaction monitoring
- Enhance regulatory understanding of emerging technologies and business models

7. Enable Cross-Border Cooperation and Regulatory Recognition

- Establish clear legal gateways for information sharing
- Facilitate cooperation with foreign regulators
- Position Barbados for participation in international supervisory arrangements

8. Promote Regulatory Clarity, Efficiency, and Engagement

- Publish clear rulebooks and guidance
- Establish defined licensing timelines and service standards
- Engage proactively with industry participants and stakeholders

9. Embed a High-Trust, Credibility-Focused Regulatory Philosophy

- Prioritize quality and compliance over volume of entrants
- Attract well-capitalized, reputable operators
- Align the framework with Barbados' broader international financial services strategy

Taken together, the Commission believes that these reforms would support the positioning of Barbados as a high-trust, well-regulated, and institutionally credible virtual assets jurisdiction, combining the structural clarity of Dubai with the international financial services orientation of the Cayman Islands.

Key Drivers

- Alignment with global standards (e.g., FATF, IOSCO)
- Financial stability
- Risk Management
- Consumer protection
- Innovation and fintech growth
- International competitiveness

Consultation Objectives

- **Validate Core Policy Directions:** To test proposed regulatory approaches against industry realities and global best practices.
- **Identify Risks and Regulatory Gaps:** To surface key vulnerabilities in financial integrity, conduct, and market structure.
- **Develop Industry-informed Solutions:** To incorporate practical, market-informed approaches into the legislative framework.
- **Develop Drafting-ready Inputs:** To produce clear, actionable, stakeholder-validated recommendation for reform capable of being translated directly into legislation, regulations, guidelines and supporting policy.

CONSULTATION QUESTIONS: VASP Framework

As the Commission charts the path toward a credible, competitive, and proportionate regime for the supervision and regulation of virtual assets and VASPs in Barbados, the following questions have been identified to facilitate a focused discussion, including on necessary trade-offs and practical considerations of implementation.

To this end, stakeholders are encouraged to identify clearly what they consider to be non-negotiables vs flexible areas and to make clear, actionable recommendations wherever possible. The Commission is keen to understand areas of consensus, areas of divergence and which next steps may be best approached as immediate actions vs longer term structural reforms.

PILLAR 1: STRATEGIC POSITIONING & POLICY DIRECTION

Objective: Define *what Barbados is trying to become* as a VASP jurisdiction

Core Questions (20 mins)

1. How should Barbados position itself as a jurisdiction for virtual asset activities?
 - Regional hub
 - Niche institutional centre
 - Innovation-focused jurisdiction
 - Balanced model
2. As a late mover, where can Barbados differentiate itself credibly?
3. What are the priority trade-offs we must manage:
 - Innovation vs regulatory certainty
 - Speed to market vs robustness
 - Accessibility vs selectivity
4. What types of firms and activities should Barbados actively attract or discourage (e.g. institutional firms, fintech startups, retail-focused platforms)?
5. What would success look like for the VASP framework over the next 3–5 years?
6. What key performance indicators (e.g. number of licensees, quality of firms, capital inflows, innovation outcomes) should be used to assess success?
7. How important are the following to market confidence:
 - Public register of VASPs
 - Public disclosure of licensing decisions (e.g. refusal/revocations)
 - Publication of enforcement actions

PILLAR 2: REGULATORY PERIMETER & LICENSING FRAMEWORK

Objective: Define *who is regulated, how, and on what basis*

Core Questions (25 mins)

8. Should the regime be:
 - Activity-based
 - Entity-based
 - Hybrid
9. Which activities must require licensing (e.g. custody, exchange, transfer, brokerage)?
10. What should be explicitly excluded from regulation?
11. Should licensing be tiered or risk-based, and if so, based on:
 - Custody of assets
 - Retail exposure
 - Size and complexity
 - Scale/volume
11. What should be the minimum (“non-negotiable”) requirements at licensing, versus those that can be phased? (e.g. blockchain analytics tools, transaction monitoring capabilities, governance frameworks, real-time monitoring capabilities)
13. Should there be requirements for:
 - Local presence
 - Accountable representative
14. How can licensing be:
 - Robust enough for credibility
 - Efficient enough to remain competitive

PILLAR 3: PRUDENTIAL, OPERATIONAL & RISK MANAGEMENT FRAMEWORK

Objective: Ensure firms are financially sound, operationally resilient, and risk-aware

Core Questions (25 mins)

15. What prudential requirements are appropriate for VASPs in Barbados:
 - Capital
 - Liquidity
 - Safeguarding of client assets
16. How should requirements scale across different business models?
17. What are the key operational risks the Commission should address:

- Custody risk
 - Cybersecurity
 - Technology dependency
 - Outsourcing
 - Other?
18. Should certain capabilities be mandatory at licensing, such as:
- Transaction monitoring systems
 - Blockchain analytics
 - Risk management frameworks
19. How should the Commission approach:
- Outsourcing of critical functions
 - Reliance on third-party technology providers
20. What governance structures are necessary to ensure:
- Effective oversight
 - Independent control functions
 - Strong risk culture

PILLAR 4: MARKET CONDUCT, CONSUMER PROTECTION & MARKET INTEGRITY

Objective: Protect users while ensuring fair, transparent markets

Core Questions (20 mins)

21. How should the framework distinguish between:
- Retail clients
 - Institutional participants
22. Should certain products or activities be restricted to institutional clients?
23. What are the most critical consumer protection measures:
- Risk disclosures
 - Suitability requirements
 - Complaints and redress mechanisms
24. How should custody and asset segregation be regulated?
25. Which market integrity risks are likely to be most relevant to Barbados:
- Market manipulation
 - Insider trading
 - Conflicts of interest
 - Fraud
 - Other?

26. What specific rules should be introduced to address these risks?
27. How can the Commission prevent misleading or inappropriate ESG/“green” or “safe crypto” claims?

PILLAR 5: AML/CFT/CPF (TARGETED & RISK-BASED)

Objective: Ensure alignment with international standards without overburdening the framework

Core Questions (15 mins)

28. What are the most significant ML/TF/PF risks in the Barbados context?
29. How should the Commission implement a risk-based approach to:
 - Customer due diligence
 - Transaction monitoring
31. How should VASPs conduct and update enterprise-wide and product-level risk assessments?
32. What trigger events should require risk reassessment?
33. How should VASPs address challenges related to:
 - Non-face-to-face onboarding
 - Identity fraud
 - Beneficial ownership verification
 - Unhosted wallets
 - Cross-border counterparties
32. What is an appropriate threshold for Travel Rule compliance in Barbados?
33. How should the Commission define:
 - Transmission timelines
 - Rejection and hold protocols
 - Error handling requirements
34. Should blockchain analytics tools be mandatory?
35. What records should be retained (e.g. wallet addresses, transaction hashes), and for how long?
36. How should VASPs implement:
 - Sanctions screening
 - Asset freezing
 - Reporting obligations
37. How do different custody models (custodial, non-custodial, hybrid) affect compliance?
38. What are likely to be the key challenges in:
 - STR/SAR reporting quality

- Beneficial ownership identification

PILLAR 6: SUPERVISION, ENFORCEMENT & REGULATORY CREDIBILITY

Objective: Ensure the regime is credible, enforceable, and outcomes-driven

Core Questions (10 mins)

39. What supervisory approach is most effective:
 - Risk-based
 - Data-driven
 - Thematic
40. What areas should be prioritised for supervisory testing (e.g. using tools such as on-sit examinations, data reporting and thematic reviews)?
41. What enforcement tools are essential:
 - Licence revocation
 - Fines
 - Removal of management
 - Asset seizure
42. Are there any recommended sector-specific adjustments to ladder of intervention?
43. What should the Commission publish to demonstrate:
 - Supervisory effectiveness
 - Enforcement outcomes

PILLAR 7: IMPLEMENTATION, TRANSITION & COMPETITIVENESS

Objective: Ensure the framework is deliverable and market-ready

Core Questions (5–10 mins)

44. What are likely to be the key implementation challenges for industry?
37. What transition period is appropriate for:
 - Existing operators
 - New entrants
39. What are the most important quick wins vs longer-term structural reforms?
40. What additional factors (e.g. tax clarity, regulatory responsiveness) are critical to competitiveness?

FINAL PRIORITISATION QUESTION

(5 mins)

“What are the top three actions the Commission must prioritise in the next 12 months to establish a credible, competitive, and proportionate VASP regime in Barbados?”