Licensing Process

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AGENDA

1. **How to apply for a Virtual Asset Business licence in Saint Lucia**

2. **What FSRA looks for / Budgeting for compliance & Prohibited categories of Vas**

3. **Financial Prudential Requirements**

How to apply for a Virtual Asset Business licence in Saint Lucia

Who Must Apply (Recap)

Before starting the process, confirm that your activity requires licensing under the Act:

- **Local Companies** – offering exchange, transfer, custody, or issuance of virtual assets to the public.
- **Foreign VABs** – actively marketing or onboarding Saint Lucian clients must apply or register.
- **Merchants & Agents** – operating on behalf of a VAB must be approved and meet prudential standards.

💡 *Tip:* If uncertain, consult the FSRA early for a scope determination.

Step-by-Step Licensing Journey

Step 1 — Preparation & Pre-Application

- Review FSRA Guidelines to confirm your activity qualifies as a VAB.
- Conduct internal readiness checks:
  - Verify capital and liquidity capacity (Reg. 10 + Basel III overlays).
  - Prepare AML/CFT policies and risk assessments.
  - Conduct an IT and cybersecurity gap analysis.
- Optional pre-filing meeting with FSRA to clarify requirements.

Step-by-Step Licensing Journey

Step 2 — Application Submission (Secs. 5–6 Act; Reg. 3)

Submit a complete application (Schedule 1) including:

- Corporate documents and beneficial ownership structure.
- Management details: UBO, shareholders, directors, officers, and principal representative (local resident).
- Business plan with 3-year financial projections.
- AML/CFT, risk management, and data protection policies.
- Technology and operations description (platforms, custody, recovery).
- Fit and proper declarations for key persons.
- Proof of paid-up capital and safeguarding reserve (≥15% client funds).

Step-by-Step Licensing Journey

Step 3 — Fees , Acknowledgment, FSRA Review & Decision (Reg. 4

- **Application Fee:** Non-refundable (Schedule 2).
- **Licence Fee:** Payable upon approval before licence issuance.
- FSRA reviews and may request further information.
- Conducts due diligence: financial, governance, and IT/cybersecurity readiness.
- FSRA may impose additional conditions (e.g., higher capital, enhanced reporting).

What FSRA looks for

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Budgeting for compliance & Prohibited categories of VAs

Initial Costs for Applicants

Area	Typical Cost Items
Licensing Fees	Application + annual licence fee (Schedule 2 Regs)
Capital Injection	Paid-up capital (XCD 300k–1.3M depending on activity); plus 20% special reserve
Legal & Corporate	Structuring, incorporation, legal opinions, shareholder agreements
Compliance Infrastructure	Policies, risk assessment, travel rules, training
Technology & Cybersecurity	Core blockchain/custody platforms, penetration testing, IT set-up
IT Audit (Pre-launch)	Mandatory independent audit by CISA or equivalent professional

Ongoing Costs

- **Annual Licence Renewal & FSRA Filing Fees**
  - Pay licence renewal by **31 January** each year (Sec. 8 VABA).
- **Cybersecurity & IT Audits**
  - Annual external penetration testing, vulnerability assessment (Reg. 22).
- **AML/CFT Compliance**
  - Ongoing KYC checks, suspicious transaction monitoring, compliance staff or outsourced compliance service.
- **Safeguarding Reserve Maintenance**
  - At least 15% of average client liabilities segregated monthly in escrow/custody.
- **Insurance**
  - Professional indemnity and cyber risk premiums (Reg. 29).
- **External Audits & Reporting**
  - Financial audits, monthly/quarterly safeguarding reports, FSRA periodic reports.
- **Business Continuity & IT Upgrades**
  - Disaster recovery, system scaling as operations grow.

Tip: Smaller firms may use phased compliance strategies — start lean but build capacity as volume grows, provided minimum thresholds are met.

Prohibited Categories

Anonymity-Enhanced Cryptocurrencies (AECs)

- E.g., *Monero (XMR), Zcash (ZEC)*
- Designed to obscure sender, receiver, and transaction details — fail AML/CFT transparency tests.

Privacy Mixers / Tumblers / Coinjoin Protocols

- E.g., *Tornado Cash, Blender.io*
- Intentionally obfuscate transaction trails; linked to money laundering and sanctions evasion.

Algorithmic Stablecoins Without Asset Backing

- E.g., *TerraUSD (UST)*
- Peg stability relies on code or arbitrage, not tangible reserves — systemic risk.

Non-transparent On-Chain Stablecoins

- Tokens lacking clear, auditable reserves or redemption rights.

NFT Schemes Used for Illicit Financial Activity

- NFTs structured to disguise value transfer, avoid AML oversight, or manipulate markets.

Unhosted / Peer-to-Peer Only VA Ecosystems

- Platforms or assets without custodial safeguards or user identification.

FSRA will assess each business model's transparency, auditability. Products or services failing these tests will not receive approval.

Financial Prudential Requirements

Capital Adequacy

Legal basis: Section 12 VABA and Regulation 10; FSRA Guidelines 2025.

Minimum paid-up capital varies by activity type (XCD):

- Exchange (fiat ↔ VA): **500,000**
- Exchange (VA ↔ VA): **400,000**
- Transfer: **350,000**
- Custody / Safekeeping: **750,000**
- Issuance / sale of VA: **300,000**
- More than one activity: **1,300,000**
- Merchants/Agents: **140,000**

Basel III overlays:

- **CET1 ratio ≥ 4.5%** of risk-weighted assets.
- **Leverage ratio ≥ 3%** equity/total assets.
- **Liquidity Coverage Ratio (LCR) ≥ 100%** — enough high-quality liquid assets (HQLA) to cover 30 days of stress outflows.

FSRA can impose **higher capital** if risk profile warrants (complex business models, large customer base, stablecoin issuers).

Practical note: Start-ups must have capital fully paid-in and verifiable at licensing. FSRA will assess sources of funds and may require independent attestation.

Special Reserve Requirement

Legal Basis: FSRA Guidelines

Requirement Overview:
Every licensed VAB must maintain a **Special Reserve** equal to **20% of its issued paid-up capital**.

The reserve must be held **with a bank licensed under the Banking Act, Cap. 12.01** of Saint Lucia.

This reserve must be **segregated** from operational funds and **pledged to the FSRA**.

Failure to maintain the reserve may lead to **sanctions, suspension, or licence revocation** under Section 9 of the Act.

Purpose & Rationale:

- Serves as a **financial safeguard** to ensure continuity during distress.
- Acts as a **prudential buffer** to reinforce solvency and consumer protection.
- Demonstrates the licensee’s **commitment to sound financial management** and long-term sustainability.

Safeguarding of Client Assets in Escrow

In accordance with Section 12 of the Virtual Asset Business Act every Virtual Asset Business shall maintain, at all times, a minimum safeguarding reserve equal to at least fifteen percent (15%) of its average aggregated client liabilities (fiat and virtual assets) calculated over the preceding 30 days.

For the purposes of this section:
Client liabilities means the total fiat and virtual assets owed to clients, valued daily at prevailing market rates.

Safeguarding escrow reserve may be held in one or more of the following forms, as approved by the Authority:

- fiat funds on deposit or in escrow with a licensed financial institution or registered trust company;
- segregated multi-signature or institutional custody wallets holding high-quality liquid virtual assets;
- other arrangements that provide equivalent protection and control.

Thank You
Q&A