

CAYMAN FOUNDATIONS FOR TOKEN ISSUANCE & WEB 3 – KEY FACTS

Cayman foundations have become a preferred legal structure for token issuance, Decentralized Autonomous Organizations (DAOs), and Web 3 projects. Unlike traditional companies, they operate without shareholders, providing legal personality, limited liability, and flexible governance—key features that align with decentralized ecosystems.

Introduced under the Cayman Islands Foundation Companies Act, 2017, Cayman foundations allow blockchain projects to hold assets, enter contracts, and engage with traditional financial and legal systems while maintaining decentralized governance structures.

The Cayman Islands' legal certainty, favorable regulatory environment, and tax neutrality make it one of the most attractive jurisdictions for blockchain and digital asset businesses.

KEY ADVANTAGES OF CAYMAN FOUNDATIONS

Legal & Regulatory Benefits

Recognized legal personality:

Can own assets, enter contracts, and engage with financial institutions.

No shareholders:

Aligns with DAOs and decentralized governance models.

Limited liability:

Protects contributors from personal legal risks.

Regulation under the Virtual Assets (Service Providers) Act (VASP Act):

Clear rules for token issuance and blockchain activities.

Economic & Tax Benefits

Tax neutrality:

No corporate, capital gains, income, or withholding taxes.

Political and economic stability:

British Overseas Territory with a strong financial services sector.

No minimum capital requirements:

Cost-effective and easy to establish.

Operational Flexibility

Customizable governance:

Directors and supervisors ensure compliance while allowing community-driven decision-making.

Compatible with DAOs & DeFi:

Provides legal recognition for decentralized projects.

Can be combined with a BVI entity:

Often used for token issuance in combination with a British Virgin Islands (BVI) structure.

CAYMAN FOUNDATIONS IN WEB 3



DAOs & Governance

Cayman foundations provide legal recognition for DAOs, allowing them to:

- Hold treasury assets securely.
- Enter contracts with service providers and exchanges.
- Operate without shareholders, maintaining community-driven governance.
- Protect members from personal liability.



DeFi & Smart Contract-Based Projects

Decentralized Finance (DeFi) protocols often require a legal entity to handle:

- Website hosting, payments, and developer contracts.
- Treasury management and smart contract administration.



NFTs & Metaverse Projects

Cayman foundations offer a legal framework for NFT platforms and Metaverse economies, including:

- NFT ownership and royalty distribution management.
- Governance of virtual assets and decentralized marketplaces.

TOKEN ISSUANCE & COMPLIANCE CONSIDERATIONS

Token Issuance Process:

- 1 Establish the foundation** – Register with the Cayman Islands Registrar of Companies.
- 2 Define tokenomics & smart contracts** – Ensure compliance with financial regulations.
- 3 Assess VASP Act obligations** – Determine if registration with the Cayman Islands Monetary Authority (CIMA) is required.
- 4 Implement AML/KYC procedures** – Conduct due diligence on token purchasers.
- 5 Execute public or private token sale** – IDO, IEO, or direct token distribution.

Regulatory Requirements Under the VASP Act:

- Public token sales require VASP registration.
- Private sales to a limited number of investors may not require registration.
- AML/KYC compliance is mandatory for token issuances.

COMPARISON: CAYMAN ISLANDS VS. BRITISH VIRGIN ISLANDS (BVI)

Feature	Cayman Islands	British Virgin Islands (BVI)
Best For	DAOs, governance, DeFi, NFTs	Token issuance, decentralized exchanges
Legal Structure	Foundation (no shareholders)	Business Company (BC)
Regulatory Framework	VASP Act (structured for compliance)	More flexible for token sales
Cost	Moderate to high	Lower incorporation costs

A common approach is to use a Cayman Foundation for governance and a BVI company for token issuance, balancing compliance with operational efficiency.

Cayman foundations provide a legally recognized, tax-efficient, and governance-friendly structure for Web 3 projects, DAOs, DeFi platforms, and token issuance. Their absence of shareholders, strong legal protections, and regulatory clarity make them an ideal choice for blockchain projects.

For projects seeking a balance between decentralization and legal compliance, combining a Cayman foundation (for governance) with a BVI entity (for token issuance) offers maximum flexibility and regulatory security.

