

THE BRITISH VIRGIN ISLANDS (BVI) FOR BLOCKCHAIN & WEB 3 PROJECTS

The British Virgin Islands (BVI) is a top choice for blockchain and Web 3 projects, particularly for token issuance, decentralized finance (DeFi), and decentralized autonomous organizations (DAOs). The jurisdiction offers a stable legal framework, tax neutrality, strong privacy protections, and flexible corporate structures, making it an attractive destination for startups and established businesses alike.

The BVI's legal system is based on English common law, providing a predictable and well-established regulatory environment. With the introduction of the Virtual Assets Service Providers (VASP) Act in 2023, the BVI has taken proactive steps to regulate virtual asset businesses, ensuring compliance with international financial standards while fostering innovation.

KEY ADVANTAGES OF THE BVI FOR BLOCKCHAIN PROJECTS



Tax Neutrality:

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



Confidentiality & Privacy:

No public disclosure of company directors or shareholders, ensuring high levels of privacy.



Cost-Effectiveness:

Lower incorporation and maintenance costs compared to other financial hubs like Dubai or Singapore.



Legal Stability:

Operates under English common law, providing predictability and security for businesses.



Fast & Efficient Incorporation

A BVI Business Company (BC) can be set up within a few days.



Flexible Regulatory Framework:

The VASP Act provides clear guidelines for token issuance and virtual asset services while allowing businesses to operate with flexibility.

CORPORATE STRUCTURES FOR TOKEN ISSUANCE & WEB 3 PROJECTS

The BVI Business Company (BC) is the most commonly used structure for blockchain projects. BCs provide flexibility in governance and operations, making them ideal for token issuance, holding digital assets, and engaging in DeFi activities. BCs can be established quickly, require no minimum capital, and can be operated with a single director, making them a cost-effective and efficient solution.

For projects requiring multiple token issuances or distinct operational streams, Segregated Portfolio Companies (SPCs) offer a unique advantage. SPCs allow businesses to create separate portfolios within one entity, ensuring clear separation of assets and liabilities.

Many decentralized projects, such as DAOs (Decentralized Autonomous Organizations), prefer orphan structures, where the company is controlled by a purpose trust or foundation rather than traditional shareholders. This aligns with the decentralized ethos of Web 3 and allows for independent governance without direct ownership. A common industry setup combines a Cayman Foundation for governance with a BVI token issuance company.

BVI'S ROLE IN WEB 3 INNOVATION

DeFi

(Decentralized Finance)

The BVI's flexible corporate structures make it a prime jurisdiction for DeFi platforms. These platforms require a jurisdiction that allows innovation while ensuring compliance with international regulations.

The VASP Act provides legal certainty, helping DeFi projects operate securely while benefiting from the BVI's tax-neutral environment.

NFTs

(Non-Fungible Tokens)

NFT marketplaces and projects benefit from the BVI's legal framework, which supports token issuance and trading.

By leveraging Business Companies (BCs) or SPCs, NFT projects can manage their assets effectively while ensuring compliance with international regulations.

DAOs

(Decentralized Autonomous Organizations)

For DAOs, the BVI offers legal wrappers that integrate with decentralized governance models. By using orphan structures or purpose trusts, DAOs can hold assets, enter into contracts, and interact with traditional financial systems while maintaining their decentralized nature. This structure may also help protect DAO members from personal liability.

TOKEN ISSUANCE & REGULATORY COMPLIANCE

Steps for Token Issuance

1. **Incorporate a BVI Business Company (BC)** or another suitable entity.
2. **Develop the token's legal framework** to ensure compliance with the VASP Act.
3. **Assess whether FSC registration is required**, depending on the nature of the project.
4. **Implement AML/KYC procedures** to meet regulatory obligations.
5. **Conduct due diligence on token purchasers** and establish compliance policies.

Regulatory Considerations

- The VASP Act governs virtual asset service providers, requiring some projects to register with the BVI Financial Services Commission (FSC).
- Anti-Money Laundering (AML) & Know Your Customer (KYC) regulations must be followed, including transaction monitoring and customer due diligence.
- Economic Substance Requirements may apply, requiring companies to demonstrate local presence if they fall under certain categories.

SETTING UP A BVI COMPANY FOR BLOCKCHAIN PROJECTS

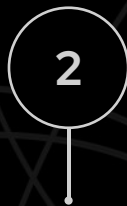
Step-by-Step Process



Preliminary Planning

Engage legal advisors to determine the best corporate structure.

Assess compliance obligations under the VASP Act.



Company Incorporation

Submit incorporation documents to the BVI Registrar of Corporate Affairs.

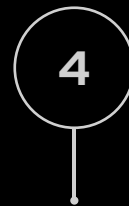
The process is typically completed within a few days.



Regulatory & Compliance Setup

Register with the FSC under the VASP Act, if required.

Implement AML/KYC measures to meet global compliance standards.



Ongoing Compliance & Maintenance

Maintain a registered office and meet economic substance requirements (if applicable).

Ensure regular reporting to the FSC (if required) and adherence to all compliance obligations.



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