Virtual Asset Service Providers

Paid-Up Capital Requirements

Guidance Note

FINANCIAL SERVICES AUTHORITY

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1 INTRODUCTION

1.1 This Guidance Note has been prepared by the Financial Services Authority ("the Authority") pursuant to its supervisory and regulatory functions under the Virtual Asset Service Providers Act, 2024 ("the Act") and the Virtual Asset Service Providers (Capital and Other Financial Requirements) Regulations, 2024 ("the Regulations").

1.2 This document is not an exhaustive consideration on the subject, rather aims to provide clarity, explanation, and practical guidance to applicants and licensees on the interpretation and application of paid-up capital requirements applicable to Virtual Asset Service Providers ("VASPs").

1.3 This document does not replace or override the Act, the Regulations, licence conditions, or any directives issued by the Authority. In the event of any inconsistency, the provisions of the Act shall prevail.

1.4 Enquiries relating to the Guidance on Paid-Up Capital Requirements should be forwarded to the Authority:

By Post:	Manager of Virtual Assets Services Supervision Section Financial Services Authority P.O. Box 991 Bois de Rose Avenue Victoria Mahé Seychelles
By e-mail:	vass@fsaseychelles.sc
Telephone:	+248 4 380 800
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2 LEGAL BASIS

2.1 The capital requirements applicable to Virtual Asset Service Providers ("VASP") are established under the Virtual Asset Service Providers Act, 2024 and the Virtual Asset Service Providers (Capital and Other Financial Requirements) Regulations, 2024.

2.2 The Regulations set out the applicable capital framework, including minimum paid-up capital requirements relating to the form and quality of paid-up capital that must be maintained. In particular, Regulation 5(2) provides that paid-up capital shall be in the form of cash, bond, or other security approved by the Authority.

2.3 Compliance with applicable paid-up capital requirements constitutes an ongoing obligation under the Act and the Regulations. A failure, or likely failure, to comply with such requirements may give rise to supervisory and notification obligations under the Act.

3 PAID – UP CAPITAL REQUIREMENTS

3.1 Every VASP shall maintain paid-up capital that is adequate and proportionate to the nature, scale, complexity, and risk of its authorised virtual asset services.

3.2 Paid-up capital applies:

(a) at the point of licensing; and
(b) on a continuous and ongoing basis throughout the life of the licence.

3.3 For the avoidance of doubt, compliance with the paid-up capital requirements constitutes a continuing obligation and is not satisfied merely because the paid-up capital was adequate at the time the licence was granted, and is therefore subject to appropriate changes.

3.4 Flat applicable paid-up capital levels

3.4.1 The applicable minimum paid-up capital level is determined in accordance with Regulation 5(1) and the Schedule to the Virtual Asset Providers (Capital and other Financial Requirements) Regulations, 2024, with reference to the virtual asset service activity for which the licensee is authorised.

3.4.2 Entities not operating as a virtual asset service provider at the date of commencement of the Act, pursuant to Part 1 of the Schedule, the following initial paid up capital shall be demonstrated at the time of license application:

(a) Virtual Asset Wallet Providers – USD 75,000
(b) Virtual Asset Exchange – USD 100,000
(c) Virtual Asset Broking – USD 50,000
(d) Virtual Asset Investment Providers – USD 25,000

3.4.3 These amounts must be evidenced at license application.

3.5 Turnover applicable paid-up capital

(a) Entities not operating as a virtual asset service provider at the date of commencement of the Act.

Part 1 of the Schedule to the Virtual Asset Service Providers (Capital and other Financial Requirements) Regulations, 2024 provides that, as at the beginning of the third year of operation, the minimum paid-up capital requirement shall be equivalent to two and a half per cent (2.5%) of the entity's annual turnover.

Compliance with the 2.5% requirement shall be demonstrated at the time of payment of the entity's third annual licence fee renewal.

For the purpose of this requirement, "annual turnover" shall be understood as the total income derived from the provision of licensed virtual asset services undertaken by the licensee.

In assessing annual turnover, the Authority will have regard to income streams directly attributable to licensed virtual asset services, including, where applicable, transaction

fees, wallet service fees, trading fees, commissions, spreads, and other service-related charges. Income derived from non-licensed activities shall not be taken into account.

For supervisory purposes, annual turnover will be assessed by reference to the licensee's audited financial statements for the last completed financial year, and the Authority may require additional information or breakdowns where necessary.

By way of illustration, where a licensee reports annual turnover of USD 1,000,000 from its licensed virtual asset services, the applicable paid-up capital requirement would be USD 25,000, representing 2.5% of such turnover.

(b) Entities operating as a virtual asset service provider as at the date of commencement of the Act

Pursuant to Part 2 of the Schedule to the Virtual Asset Service Providers (Capital and other Financial Requirements) Regulations, 2024, a licensee operating as a virtual asset service provider at the date of commencement of the Act shall demonstrate paid-up capital equivalent to two and a half per cent (2.5%) of annual turnover at licence application.

For the purposes of this requirement, annual turnover shall be assessed in accordance with the approach set out in Section 3.5(a).

For supervisory purposes, annual turnover will be assessed by reference to income derived from licensed virtual asset services provider and calculated on the basis of the last completed financial year as reflected in audited financial statements.

4 FORM OF PAID UP CAPITAL

4.1 Regulation 5(2) of the Regulations provides that paid-up capital shall be in the form of cash, bond, or other security approved by the Authority.

4.2 The acceptability of any form of paid-up capital under Regulation 5(2) is not automatic and is subject to the Authority's assessment and approval on a case-by-case basis. Cash is the default and preferred form of paid-up capital, however, any reliance on bonds, other securities, or equity-based capital requires the licensee to demonstrate that such capital meets the objectives of paid-up capital under the Act and the Regulations.

4.3 Cash

4.3.1 Cash in paid-up capital refers to fiat currency that has been fully paid into the licensee account and is maintained so as to be readily available to absorb losses on an ongoing basis. Cash shall be held in the currency prescribed in the Regulations, provided that it is held in a bank licensed under the Financial Institutions Act or a financial institution licensed in a country which complies, at a minimum, with Basel II requirements as approved by the Authority, excluding alternative money solutions including payment service providers, electronic money institutions or similar arrangements.[1]

[1] *For the purposes of this Guidance Note, alternative money solutions refer to entities that facilitate the transfer, processing or safeguarding of funds on behalf of customers, including payment service providers (PSPs), electronic money institutions (EMIs) or similar arrangements, without constituting licensed deposit-taking institutions. Such arrangements typically*

4.3.2 The minimum paid-up capital amounts applicable to Virtual Asset Service Providers are prescribed in the Schedule of the Regulations. For initial licensing purposes, the Schedule prescribes, among others, the following minimum paid-up capital amounts, depending on the nature of the authorized virtual asset services:

(a) **Virtual Asset Wallet Provider** — USD 75,000
(b) **Virtual Asset Exchange** — USD 100,000
(c) **Virtual Asset Broking** — USD 50,000
(d) **Virtual Asset Investment Provider** — USD 25,000

4.3.3 Where a licensee is authorized to provide more than one category of virtual asset service, the licensee must ensure that it meets the applicable minimum paid-up capital requirements specified in the Schedule for each activity authorized for, in accordance with Regulation 5(4).

4.3.4 Unless the Authority has expressly approved an alternative form of paid-up capital under Regulation 5(2), the applicable minimum paid-up capital amount must be satisfied in cash. Licensees are required to ensure that the applicable minimum amount is maintained at all times and is not reduced or impaired by operational use, distributions, or other transactions.

4.4 Bond

4.4.1 Bonds may be recognized as paid-up capital only where they constitute debt securities that have been fully paid, are legally owned by the licensee, and are capable of providing a reliable and readily realizable source of value.

4.4.2 Bonds proposed as paid-up capital must be structured in a manner that ensures their availability to the licensee on an ongoing basis and their effectiveness in absorbing losses or supporting regulatory and operational obligations. The value of the bond should be reflective of the same amount prescribed in the Schedule of the Regulations.

4.4.3 Bonds that are illiquid, highly volatile, subject to legal or contractual restrictions, or otherwise incapable of being realized may not be deemed acceptable for the purpose of satisfying the paid-up capital requirements.

4.5 Shares

4.5.1 Shares may be recognized as paid-up capital only where they constitute equity instruments that have been fully paid, are legally issued and held by the licensee, and demonstrate a level of permanence and loss-absorbing capacity consistent with the objectives of paid-up capital under the Act and the Regulations.

4.5.2 Shares proposed as paid-up capital must represent an irrevocable contribution to the licensee and must not be subject to any obligation, arrangement, or expectation of repayment, redemption, or withdrawal. In assessing the acceptability of shares,

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involve pooled or safeguarded accounts held with third-party banks and do not provide the level of control or direct access to funds required for paid-up capital purposes. By way of example, this may include funds held through a payment platform, digital wallet or electronic money account operated by a third-party provider.

the Authority will place emphasis on whether the shares, in substance, provide a stable and enduring source of financial support capable of absorbing losses on a going-concern basis.

4.5.3 Shares that are subject to mandatory redemption, buy-back arrangements, step-up features, or other contractual mechanisms that may result in the return of capital to shareholders are unlikely to be accepted as paid-up capital. The Authority will also consider whether the use of shares as paid-up capital exposes the licensee to undue volatility or undermines the reliability of its capital base.

4.6 Debt Securities

4.6.1 Debt securities, other than bonds addressed under Section 4.4, may be recognized as paid-up capital only where they have been fully paid, are legally owned by the licensee, and possess characteristics that allow them to function, in substance, as a reliable and readily realizable source of value.

4.6.2 In assessing debt securities proposed as paid-up capital, the Authority will have regard to the credit quality of the issuer, the maturity profile of the instrument, its liquidity and marketability, and the certainty of valuation. Debt securities must be structured in a manner that ensures their availability to the licensee without reliance on discretionary third-party actions or future events.

4.6.3 Debt securities that are highly leveraged, structurally complex, subordinated to a degree that materially impairs recoverability, or subject to legal, contractual, or regulatory restrictions on transfer or realization are unlikely to be accepted as paid-up capital.

4.7 Investment Fund Securities

4.7.1 Investment fund securities, including units or shares in collective investment schemes, may be recognized as paid-up capital only in exceptional circumstances and where the Authority is satisfied that such securities provide a high degree of certainty as to value, liquidity, and availability.

4.7.2 Given the inherent variability in fund structures, investment strategies, and redemption mechanisms, investment fund securities are not regarded as a preferred or standard form of paid-up capital. The Authority will adopt a restrictive approach in assessing such instruments.

4.7.3 In assessing investment fund securities, the Authority will have regard to the nature and composition of the underlying assets, the liquidity profile of the fund, the existence of redemption gates, lock-up periods, suspension rights, or side pockets, and the reliability and frequency of valuation. Particular emphasis will be placed on whether the licensee can access or realize the invested capital within a reasonable timeframe under both normal and stressed market conditions.

4.7.4 Investment fund securities that invest predominantly in illiquid assets, employ significant leverage, or rely on complex or opaque structures are unlikely to be accepted as paid-up capital.

5 ASSESSMENT OF PAID-UP CAPITAL

5.1 General Assessment Principles

5.1.1 In assessing the acceptability of paid-up capital, the Authority will place primary emphasis on the substance of the paid-up capital, rather than its accounting, moniker or legal label, and the ability to meet the objectives of paid-up capital under the Act, the Regulations and description under 4.4, 4.5, 4.6 and 4.7. In particular, the Authority will assess whether the proposed capital:

(a) is fully paid and irrevocably contributed to the licensee;
(b) is unencumbered and free from any obligation, arrangement, or expectation that it will be repaid or withdrawn;
(c) demonstrates a sufficient degree of permanence and loss-absorbing capacity;
(d) is available to the licensee without restriction, including during periods of financial stress;
(e) is clearly documented, legally enforceable, and transparently recorded in the licensee's financial records;
(f) does not include features that would undermine its stability or availability, such as mandatory redemption, step-up incentives, or contractual repayment triggers; and
(g) is capable, in substance, of supporting the licensee's regulatory and operational obligations on an ongoing basis.

5.1.2 Where a form of paid-up capital does not clearly meet these principles, the Authority may decline to accept and/or may impose conditions or require alternate options to ensure that the licensee's capital position remains sound and resilient.

5.2 Assessment of Bonds

5.2.1 Where a licensee proposes to rely on bonds as paid-up capital, the Authority will assess whether the bonds satisfy the principles set out in Sections 4 and 5.1 and whether, in substance, they provide a reliable and readily realizable source of value.

5.2.2 In making its determination, the Authority will consider, among others:

(a) the issuer's creditworthiness and regulatory status;
(b) the bond's maturity profile and liquidity characteristics;
(c) the certainty and transparency of valuation; and
(d) whether the bond can be realised without material loss of value or reliance on discretionary third-party actions.

5.2.3 Bonds that fail to demonstrate sufficient liquidity, valuation certainty, or availability are unlikely to be approved as paid-up capital.

5.3 Assessment of Shares

5.3.1 Shares, including share premium or similar equity items, may be submitted to the Authority for assessment as paid-up capital where a licensee considers that such capital satisfies the overarching criteria set out above.

5.3.2 In assessing share capital, the Authority will have regard to the legal basis for the issuance, the source of funds, and the manner in which the capital has been recorded and maintained in the licensee's financial statements. Particular emphasis will be placed on whether the shares have been fully paid, are not subject to repayment or reduction, and remains available for regulatory and operational purposes.

5.3.3 Share or similar equity items will not be recognized solely by virtue of their accounting classification. The Authority will assess such items by reference to their economic substance, including whether the underlying funds are accessible, unencumbered, and capable of supporting the licensee's financial position on an ongoing basis.

5.4 Assessment of Debt securities

5.4.1 Where debt securities other than bonds are proposed as paid-up capital, the Authority will assess whether such instruments possess characteristics that allow them to function, in substance, as paid-up capital.

5.4.2 In particular, the Authority will have regard to:

(a) the seniority and recoverability of the instrument;
(b) the existence of structural or contractual features that may impair realization;
(c) the certainty of valuation and marketability; and
(d) the extent to which the instrument exposes the licensee to credit or concentration risk.

5.4.3 Debt securities that are structurally complex, highly leveraged, or subject to transfer or realization restrictions are unlikely to be approved.

5.5 Assessment of Investment funds securities

5.5.1 Where investment fund securities are submitted for assessment as paid-up capital, the Authority will apply a heightened level of scrutiny.

5.5.2 In determining whether such securities may be accepted, the Authority will assess:

(a) the liquidity and redemption profile of the fund;
(b) the composition and risk characteristics of underlying assets;
(c) the presence of redemption restrictions or suspension mechanisms; and
(d) the potential impact of market stress on valuation and accessibility.

5.5.3 Approval, where granted, may be subject to conditions or limitations to mitigate liquidity, valuation, or concentration risks.

6 MAINTENANCE OF PAID UP CAPITAL

6.1 Continuous Obligation

6.1.1 Compliance with paid-up capital requirements constitutes a continuous and ongoing obligation under the Act and the Regulations. Licensees must ensure that paid-up capital:

(a) is maintained at or above the applicable minimum amount prescribed in the Schedule; and
(b) continues to comply with the approved form and conditions under Regulation 5(2), where applicable.

6.1.2 Compliance is not satisfied solely because paid-up capital was adequate at the time of licensing or approval.

6.2 Monitoring and Internal Controls

6.2.1 Licensees are expected to maintain appropriate internal controls and monitoring arrangements to ensure that:

(a) their paid-up capital position is reviewed on an ongoing basis and in any event on an annual basis at the close of the financial year;
(b) any actual or potential shortfall is identified promptly; and
(c) the form, availability, and integrity of paid-up capital remain compliant with the applicable regulatory requirements, with appropriate considerations had to this Guidance Note.

6.2.2 Where paid-up capital includes non-cash or equity-based components, licensees must pay particular regard to valuation, liquidity, and any features that may affect availability or permanence.

6.3 Notification of Capital Shortfalls

6.3.1 A licensee is required to maintain, at all times, the minimum paid-up capital prescribed under the Act and applicable Regulations.

6.3.2 Where a licensee becomes aware, or has reasonable grounds to believe, that its paid-up capital has fallen below the applicable minimum requirement, or no longer complies with the approved form or conditions, such circumstances may constitute substantial non-compliance with the Act.

6.3.3 In such circumstances, section 18(1)(b) of the Act requires that the Authority be notified in writing within twelve (12) hours of the director becoming aware, or having reason to believe, that such non-compliance has occurred or may occur.

6.3.4 Pursuant to section 18(2), the licensee must, within five (5) working days of providing such notification, furnish the Authority with a written report setting out the particulars of the situation and the mitigating measures to be undertaken.

6.3.5 For the avoidance of doubt, the identification of a capital shortfall does not, of itself, predetermine the supervisory outcome. However, failure to notify the Authority in accordance with section 18 constitutes a contravention of the Act and may give rise to enforcement action under section 32.

6.3.6 Licensees are therefore expected to implement internal monitoring mechanisms to ensure the timely identification and escalation of any capital deterioration.

6.4 Remediation and Capital Restoration

6.4.1 Within five (5) working days of the notification referred to in Section 6.3, the licensee must submit to the Authority a written remediation plan setting out:

(a) the nature and cause of the shortfall or non-compliance;
(b) the corrective measures to be undertaken, including any proposed capital injection or restructuring; and
(c) the expected timeframe for restoring full compliance.

6.4.2 The Authority may, having regard to the circumstances, allow a reasonable further period for capital restoration where it is satisfied that appropriate steps are being taken.

6.5 Supervisory Action

Where a licensee fails to notify the Authority, fails to submit an adequate remediation plan, or fails to restore compliance within an acceptable timeframe, the Authority may take supervisory or enforcement action in accordance with the Act.

7 APPLICATION FOR ASSESSMENT AND APPROVAL OF PAID-UP CAPITAL

Attached with this guidance note as annex 1, is the application form for assessment and approval of paid-up capital under Regulation 5(2).

Annex 1

Instructions for completing the application form

- This form is used by applicants and licensees to submit information to the Authority for the assessment of paid-up capital under Regulation 5(2).

- The form must be completed in English. All answers should be **TYPED** or written in **INK** and in **BLOCK LETTERS**. Any documents submitted in any other languages are required to have certified English translation appended.

- No question should be left unanswered. Where a question does not apply, write **"Not Applicable"** or **"N/A".**

- This application form must be completed and submitted to the Financial Services Authority along with the license application where the request for approval is in line with new operations.

- Incomplete submissions may be returned without assessment.

- Submission of this form does not guarantee approval. The Authority retains full discretion in determining whether the proposed paid-up capital is acceptable.

- The declaration on this form must be signed by a duly authorised person.

- If there are any changes in the information furnished in the form prior to the completion of the review of this form, the Authority should be notified immediately.

- The Authority reserves the right to enquire further information or documentation from the applicant.

- The completed application form and other required documents, should be submitted to;

  The Chief Executive Officer
  Financial Services Authority
  P.O BOX 991
  Bois De Rose Avenue
  Victoria
  Mahé
  Seychelles
  ATTN: **VASS Section**

NOTE: Failure to disclose and submit all necessary information may lead to the Authority rejecting the application

SECTION A – APPLICATION DETAILS

Name of Licensee / Applicant	
Company Registration Number	
License Number (if applicable)	
Type of Submission (tick one):	☐ New license application
	☐ Existing licensee applying for alternative paid-up capital form
	☐ Change to previously approved paid-up capital structure

SECTION B – AUTHORISED AND PROPOSED SERVICES

List all virtual asset services for which the license has been granted or is being sought	
Principal Place of Business	

Contact Person for this Submission

Name	
Title	
Email	
Telephone	

SECTION C – PAID -UP CAPITAL REQUIREMENT DETAILS

Applicable Minimum Paid-Up Capital

License	Minimum Paid-up Capital
☐ Virtual Asset Wallet Provider	USD 75,000
☐ Virtual Asset Exchange	USD 100,000
☐ Virtual Asset Broking	USD 50,000
☐ Virtual Asset Investment Provider	USD 25,000
Total	

SECTION D – ALTERNATE FORM OF PAID-UP CAPITAL

Form(s) of Paid-Up Capital for which approval is sought (tick all that apply)	Bonds ☐
	Debt Securities ☐
	Investment funds securities ☐
If other, please specify	

Description of alternate form of paid-up capital

Provide a concise description of the proposed alternative form of paid-up capital, having regard to the applicable principles set out in Section 4 of the Guidance Note, including its legal form, economic substance, liquidity, availability, and ability to support the licensee's regulatory and operational obligations

Total Paid-Up Capital

Total Amount of Paid-Up Capital	
Value (if non-cash instrument)	

SECTION E – CONFIRMATION OF CAPITAL CHARACTERISTICS

By ticking the box below, the applicant confirms that the proposed paid-up capital

Is fully paid and irrevocably contributed;	☐
Is free from any charge, pledge, lien, or other encumbrance;	☐
Is not subject to any obligation requiring repayment;	☐
Is available to the licensee without restriction; and	☐
Can support the licensee's financial position and absorb losses where required.	☐

DECLARATION

I have been duly authorised by the applicant to make this application on its behalf.

I declare that the information contained in this application is true, complete and accurate to the best of my knowledge, information and belief and that, if any of the information contained in or appended to this application is discovered to be false, I may be liable to prosecution.

The applicant agree:

- to furnish any further information that the Authority may require when considering this application,
- to notify the Authority immediately of any material changes in the information provided in this application within 7 days, and
- that any person named within this application form is authorised to release any information requested by the Authority.

Dated this _____ day of _____

Signature: .....

Position/Title: .....

Name: .....

Official Stamp

(If applicable): .....

SUPPORTING DOCUMENTATION

Attach all supporting documentation indexed to the Paid-Up Capital Assessment Submission prepared in accordance with Annex 1. Documents may include but are not limited to:

Proof of payment / bank statements;	☐
Legal instrument documentation (shares; securities; bonds);	☐
Updated share register (if applicable);	☐
Valuation reports for non-cash instruments;	☐
Audited financial statements;	☐
Resolutions authorizing contributions / issuances.	☐