

Subsidiary Legislation made under ss.6(1), 24(3)(v), 44(4), 63(3), 64(3), 150(1), 166(2), 620(1), 621(1) and 627 of, and para.6 of Sch. 10.

## **Financial Services (DLT Providers and VAA Providers) Regulations 2020**

### **LN.2020/012**

		<i>Commencement</i>	<b>15.1.2020</b>
Amending enactments	Relevant current provisions	Commencement date	
LN.2022/067	r. 8(2)	17.3.2022	
2022/102	Sch.	27.4.2022	
2023/259	r. 7(9)	7.9.2023	
2025/045	r. 3	1.4.2025	
2025/254	rr. 1(1), 2, 3, (c), 4(1), 5(1)-(3), 6(1), (2)(a), 7(1), 9(1)-(3), Sch.	27.10.2025	
2026/053	r. 5A	26.3.2026	

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*In exercise of the powers conferred upon the Minister under section 6(1), 24(3)(v), 44(4), 63(3), 64(3), 150(1), 166(2), 620(1), 621(1) and 627 of, and paragraph 6 of Schedule 10 to, the Financial Services Act 2019, the Minister has made the following Regulations.*

**PART 1  
PRELIMINARY**

**Title and commencement.**

1.(1) These Regulations may be cited as the Financial Services (DLT Providers and VAA Providers) Regulations 2020.

(2) These Regulations come into operation on the day of publication.

**Interpretation.**

2. In these Regulations, unless the context otherwise requires—

“the Act” means the Financial Services Act 2019;

“DLT Provider” means a person with Part 7 permission to carry out DLT Provider’s business;

“DLT Provider’s business” means a regulated activity that falls within paragraph 139 of Schedule 2 to the Act;

“Part 7 permission” means permission under Part 7 of the Act;

“the Register” or “the GFSC Register” means the register which is established by the GFSC in accordance with Part 4 of the Act;

“the regulatory principles” means the regulatory principles set out in the Schedule to these Regulations.

“relevant provider” means a DLT Provider or a VAA Provider;

“VAA Provider” means a person with Part 7 permission to carry out VAA Provider’s business;

“VAA Provider’s business” means a regulated activity that falls within paragraph 139A of Schedule 2 to the Act;

“virtual asset” has the meaning given in section 7(1) of the Proceeds of Crime Act 2015.

**PART 2  
AUTHORISATION CONDITIONS**

**Authorisation application.**

3. An application for Part 7 permission to carry on DLT Provider's business or VAA Provider's business must—

- (a) be made in the form and manner that the GFSC directs;
- (b) contain or be accompanied by any documents or information that the GFSC may require;
- (c) be accompanied by the prescribed application fee; and
- (d) comply with any other requirements imposed by or under the Act or these Regulations.

**Authorisation of relevant providers.**

4.(1) The GFSC must not grant a Part 7 permission to carry out DLT Provider's business or VAA Provider's business unless it is satisfied that the applicant will at all times comply with the regulatory principles.

(2) The GFSC must publish guidance on its application of the regulatory principles, including, in particular, any criteria to which it refers in determining whether a person will comply, is complying or has complied with those principles.

(3) This regulation applies without limiting the Act.

**PART 3  
CONDUCT OF BUSINESS**

**Ongoing obligations of relevant providers.**

5.(1) A relevant provider must at all times comply with the regulatory principles.

(2) A relevant provider must promptly inform the GFSC of any event which the relevant provider knows or reasonably suspects may affect its compliance with the regulatory principles.

(3) This regulation applies without limiting a relevant provider's obligations under its Part 7 permission, the Act or any other enactment.

**Restriction on dividend payments.**

5A.(1) A relevant provider may only make a dividend payment if–

- (a) it has notified the GFSC of the intention to make the payment; and
- (b) the GFSC has not objected to the payment being made.

(2) In this regulation a “dividend payment” means a dividend to shareholders or a distribution of capital of any other kind, including capital repayments for a loan to a parent or holding company.

(3) A relevant provider must give the GFSC notice of a proposed dividend payment at the earliest opportunity and, in any event, not less than 30 days before the day on which the relevant provider proposes to declare (or otherwise decide to make) the dividend payment.

(4) A notice under sub-regulation (3) must–

- (a) be made in the form and manner the GFSC directs; and
- (b) contain or be accompanied by such information as the GFSC reasonably requires.

(5) Without limiting sub-regulation (4), the information which the GFSC may require a relevant provider to provide includes, in particular, information to demonstrate that the proposed dividend payment is appropriate in relation to the relevant provider's–

- (a) actual and projected business performance; and
- (b) current and future capital position.

(6) The GFSC may give notice (an “objection notice”) that it objects to the dividend payment being made if, having regard to the information provided and, in particular, the matters in sub-regulation (5), it is not satisfied that the relevant provider has demonstrated that the payment is appropriate.

(7) An objection notice must be given to the relevant provider not less than 15 days before the day on which it proposes to declare (or otherwise decide to make) the dividend payment.

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(8) An objection notice takes effect immediately and requires the relevant provider concerned to refrain from making—

- (a) the proposed dividend payment; or
- (b) any other dividend payment without the GFSC’s consent.

(9) A relevant provider may appeal under section 615 of the Act against an objection notice as if it were a decision notice to which that section applies.

**PART 4  
NOTIFICATION AND REPORTING**

**Duties of auditors.**

6.(1) In the circumstances specified in subsection (2) the auditor of a relevant provider must notify the GFSC of any matters which relate to the affairs of the relevant provider and of which he becomes aware in his capacity as auditor.

(2) The circumstances referred to in subsection (1) are those in which the auditor has reasonable cause to believe that the matters are or are likely to be of material significance for determining either—

- (a) whether a person is a fit and proper person to carry on the relevant provider’s business;
- (b) whether powers under section 69, 97(2), 102 or Part 11 of the Act should be exercised in order to protect investors or customers from a significant risk of loss.

**PART 5  
REGULATORY POWERS**

**Directions.**

7.(1) If it appears to the GFSC that a person is not fit and proper to carry out any function in relation to—

- (a) DLT Provider’s business carried on by a DLT Provider; or
- (b) VAA Provider’s business carried on by a VAA Provider,

the GFSC may direct that the person must not perform a specified function, any function falling within a specified description, or any function as stated in the direction.

- (2) Where the GFSC—
- (a) proposes to issue a direction under sub-regulation (1), it must give the regulated firm and the person concerned a warning notice; or
  - (b) decides to issue a direction under sub-regulation (1), it must give the regulated firm and the person concerned a decision notice.
- (3) Sub-regulation (2)(a) does not apply if the GFSC is satisfied that a warning notice—
- (a) cannot be given because of urgency;
  - (b) should not be given because of the risk that steps would be taken to undermine the effectiveness of the direction; or
  - (c) is superfluous having regard to the need to give notice of legal proceedings, or for some other reason.
- (4) A person aggrieved by a decision notice under sub-regulation (2)(b) may appeal against the decision under section 615 of the Act.
- (5) For the purposes of sub-regulation (3)(a), the GFSC must not consider that urgency exists unless Conditions B and C in section 80(3) and (4) of the Act are met.
- (6) If those conditions are met, the GFSC must give the regulated firm and the person concerned a notice stating that the direction takes effect on the date of the notice or on any later date that may be specified in the notice.
- (7) Sections 80(7) and (8) and 81 of the Act apply to a decision by the GFSC under sub-regulation (3)(a)—
- (a) as if references in those sections to the varying of a permission or the imposing or varying of a requirement (however expressed) were references to the imposition of a direction under sub-regulation (1); and
  - (b) with such other modifications as may be required by the circumstances and context of sub-regulation (3).

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(8) The issue of a decision notice imposing a direction under sub-regulation (1) is a specified regulatory decision to which section 24(3) of the Act applies.

(9) A GFSC decision to issue a decision notice does not fall within sub-regulation (8) if the recipient has received a warning notice and–

- (a) has agreed in writing to the steps proposed in the warning notice being taken; or
- (b) has not made any representations to the GFSC within the notice period specified in section 612(2)(a) of the Act (and in that event the GFSC may regard the facts and matters set out in the warning notice as undisputed).

**Administrative penalties.**

8.(1) Any administrative penalty imposed under section 152 of the Act for a contravention of a regulatory requirement by a person to whom these Regulations apply must be of an amount which does not exceed the higher of the following–

- (a) where the amount of the benefit derived as a result of the contravention can be determined, two times the amount of that benefit;
- (b) in the case of a legal person-
  - (i) £1,000,000; or
  - (ii) 5% of the total annual turnover according to the last available annual accounts approved by its management body;
- (c) in the case of an individual, £250,000.

(2) Where a legal person is a parent undertaking or a subsidiary of a parent undertaking which has to prepare consolidated financial accounts in accordance with Part 7 of the Companies Act 2014, the relevant total turnover for the purpose of sub-regulation (1)(b) is the total annual turnover, (or the corresponding type of income) in accordance with the relevant accounting legislative acts, according to the last available consolidated annual accounts approved by the management body of the ultimate parent undertaking.

**PART 6  
MISCELLANEOUS**

**The Register: relevant providers.**



9.(1) This regulation makes provision as to the contents of the GFSC Register in connection with DLT Provider's business and VAA Provider's business.

(2) The Register must contain such information as the GFSC considers appropriate and must include, at least, a list of DLT Providers and a list of VAA Providers.

(3) The GFSC Register must include details of any variation or cancellation of a relevant provider's Part 7 permission.

(4) If it appears to the GFSC that a person in respect of whom there is an entry in the GFSC Register as a result of any provision of sub-regulation (2) has ceased to be a person in respect to whom that provision applies, the GFSC may remove the entry from the Register.

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**SCHEDULE  
THE REGULATORY PRINCIPLES**

1. A relevant provider must conduct its business with honesty and integrity.
2. A relevant provider must pay due regard to the interests and needs of each and all its customers and must communicate with them in a way that is fair, clear and not misleading.
3. A relevant provider must maintain adequate financial and non-financial resources.
4. A relevant provider must manage and control its business effectively, and conduct its business with due skill, care and diligence; including having proper regard to risks to its business and customers.
5. A relevant provider must have effective arrangements in place for the protection of customer assets and money when it is responsible for them.
6. A relevant provider must have effective corporate governance arrangements.
7. A relevant provider must ensure that all of its systems and security access protocols are maintained to appropriate high standards.
8. A relevant provider must have systems in place to prevent, detect and disclose financial crime risks such as money laundering and terrorist financing.
9. A relevant provider must be resilient and have contingency arrangements for the orderly and solvent wind down of its business
10. A relevant provider must conduct itself in a manner which maintains or enhances the integrity of any markets in which it participates.