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ARTICLE

Equity, Digitised: Tokenising Cayman Islands and BVI Fund Interests & Shares

Introduction of Tokenised Equity Interests in the Cayman Islands and BVI: An Overview

The Cayman Islands and the British Virgin Islands ("BVI") occupy a leading position in the global investment funds landscape.

With over 18,000 private funds and 13,000 mutual funds registered with the Cayman Islands Monetary Authority ("CIMA"), and a deep, complementary fund ecosystem in the BVI, both jurisdictions have long served as the domicile of choice for institutional capital. In parallel, Cayman Islands exempted companies are a popular choice for public listings on major stock exchanges, including The Stock Exchange of Hong Kong (the "HKEX"), New York Stock Exchange (NYSE) and Nasdaq, using the jurisdiction's flexible corporate law framework to access global equity capital markets.

Against this established framework, tokenisation (the digital representation of equity or investment interests as tokens on a distributed ledger) has moved rapidly from concept to deployment. Leading commentators predict that the tokenisation of real-world assets will scale to a multi-trillion dollar market by 2030. Crucially, the operational efficiencies inherent in tokenisation, including near-instantaneous settlement, reduced reliance on intermediaries and lower administration costs, have the potential to compress fund operating expenses and, in turn, enhance net returns to investors.

The Cayman Islands has responded decisively, enacting a comprehensive legislative framework in March 2026 that provides statutory clarity for tokenised fund structures, while the BVI continues to track similar demand from managers and allocators.

In the Cayman Islands, the March 2026 reforms comprising amendments to the Mutual Funds Act, the Private Funds Act and the Virtual Asset (Service Providers) Act provide express statutory clarity for tokenised fund structures, including a confirmed exclusion from virtual asset service provider registration for regulated funds issuing tokenised interests. The reforms are examined in sections Challenges of Tokenisation for Investment Funds and Public Companies and Practical Considerations for Adoption.

This article examines the legal, regulatory and practical dimensions of tokenising equity interests in Cayman Islands and BVI structures, addressing both investment funds and publicly listed companies.

Benefits of Tokenisation for Investment Funds and Public Companies

Tokenisation offers compelling advantages for both investment fund structures and publicly listed companies. At its core, it replaces traditional paper-based or book-entry record-keeping with a digital token recorded on a blockchain, unlocking significant efficiencies across the equity lifecycle.

Enhanced Liquidity and Secondary Trading

For investment funds, tokenised interests open up the possibility of controlled secondary trading between whitelisted investors. Token holders can transfer their interests to other approved wallets without the friction of traditional paper-based transfer processes, subject to the usual restrictions and controls applicable to transfers of securities. While early adoption of tokenised fund structures in the Cayman Islands has been concentrated in open-ended vehicles, where tokenisation delivers immediate operational efficiencies in settlement, distribution and investor onboarding, the potential is particularly compelling for closed-ended alternative strategies that have historically offered limited liquidity, as secondary market infrastructure for tokenised interests continues to develop. For publicly listed companies, tokenisation can complement existing exchange-traded liquidity by enabling shareholders to hold and transfer their shares in digital form via the transfer agent's platform, with the potential for near-instant settlement and reduced counterparty risk.

24/7 Trading and Near-Instant Settlement

Blockchain infrastructure enables subscriptions, redemptions and transfers to be processed around the clock, without the constraints of traditional market hours. Settlement can occur on a T+0 (same-day settlement) basis rather than the T+1 or T+2 cycle typical of conventional equity markets.

This aligns with a growing trend among major stock exchanges to explore or implement 24/7 trading capabilities, exemplified by the HKEX's introduction of the Uncertificated Securities Market (USM) regime. Blockchain technology is particularly well-suited to support this shift, given its capacity for continuous, automated operation and near-instant settlement without reliance on traditional market intermediaries.

Fractional Ownership and Broader Investor Access

Tokenisation allows equity interests to be divided into fractional units, lowering minimum investment thresholds and enabling a broader investor base to access strategies, such as private equity, private credit and niche real-world asset funds, that have traditionally been the preserve of large institutional allocators.

Operational Efficiency and Transparency

Tokenised structures, whether fund vehicles or publicly listed companies, create a single, secure ownership ledger that reduces reconciliation burdens, operational risk and duplicative infrastructure. In particular for listed companies where share registrars and transfer agents currently manage complex reconciliation across custodian chains and nominee structures, a blockchain-based register offers a material reduction in manual processing and entry reconciliation. Smart contracts can automate corporate actions, distributions, eligibility controls and compliance checks, improving accuracy and reducing costs. The immutable transaction history provided by the blockchain delivers real-time transparency to fund operators, transfer agents, auditors and regulators alike.

Collateral and DeFi Integration

An emerging but for now largely institutional-pilot use case, particularly for tokenised fund interests, is the potential ability for investors to pledge their tokens as collateral on approved decentralised finance ("DeFi") lending protocols or other regulated digital lending platforms, subject to appropriate smart contract controls, allowlisting and applicable regulatory requirements.

Challenges of Tokenisation for Investment Funds and Public Companies

Notwithstanding the considerable advantages outlined above, the tokenisation of equity interests presents its own challenges that market participants must address.

KYC / AML Compliance in a Tokenised Environment

The transfer of tokenised interests is permitted only between wallets that have satisfied know-your-customer ("KYC") checks, with wallet-level whitelisting, blockchain analytics screening and ongoing sanctions monitoring forming mandatory requirements. Ensuring robust KYC compliance is particularly challenging for funds seeking to provide or access liquidity on decentralised exchanges, where counterparties may be pseudonymous and traditional onboarding processes are difficult to enforce. On-chain anti-money laundering ("AML") is viable, but identity verification and data-subject rights must remain compliant with applicable data protection principles, especially given the use of immutable ledgers. For publicly listed companies, the KYC onboarding and wallet whitelisting process must be carefully articulated between the company and its transfer agent to ensure that only verified, approved wallets can receive or transfer tokens.

The Cayman Islands and BVI anti-money laundering regimes apply in full to tokenised fund and public company structures. While a detailed discussion of these requirements is outside the scope of this article, it is important that all KYC procedures implemented by Cayman Islands and BVI entities — whether funds, publicly listed companies or other vehicles — align onboarding and ongoing monitoring processes to ensure compliance with applicable AML legislation and regulatory guidance.

Risk of Inconsistency Between On-Chain Records and the Statutory Register

The principal practical risk in any tokenised equity structure is divergence between the on-chain ledger and the statutory register, whether the register of members for a company or the register of limited partnership interests for a limited partnership, because legal ownership is ultimately determined by the applicable off-chain legal record rather than the blockchain record. In either case, if a token moves on-chain but the corresponding register or contractual record is not updated, uncertainty as to the legal position of the transferor and transferee may arise. Dual running of on-chain and off-chain books requires rigorous three-way reconciliation, and operational resilience and security considerations differ materially for a fully on-chain model.

Regulatory Gap for Publicly Listed Companies

The Cayman Islands' March 2026 legislative reforms provide express statutory clarity for tokenised mutual funds and private funds, but these reforms do not extend beyond the regulated fund perimeter.

As the Cayman Islands is overwhelmingly the more common jurisdiction of incorporation for publicly listed companies on major international stock exchanges, the analysis below focuses on the Cayman Islands legal framework for tokenisation of listed shares.

For publicly listed companies that are not registered as regulated funds, the tokenisation of shares must be analysed under the Companies Act, the company's memorandum and articles of association ("MAA"), and the Virtual Asset (Service Providers) Act (As Revised) (the "VASP Act"), without the benefit of the express VASP exclusion enacted for tokenised funds.

Practical Considerations for Adoption

Implementing tokenisation of equity interests in a Cayman Islands or BVI structure requires careful planning across several workstreams.

Amendments to Constitutional Documents

The constitutional documents of the fund or company whether an MAA, a limited partnership agreement or an offering memorandum must be amended to accommodate tokenised interests. Key drafting changes include the introduction of new defined terms, provisions confirming that the statutory register (whether the register of members or the register of limited partners) maintained by the administrator is the authoritative source of legal ownership and takes precedence over blockchain records, transfer restriction mechanics requiring operator approval for relevant transfers and appropriate risk disclosures in the offering memorandum.

CIMA Requirements for Investment Funds

Following the March 2026 legislative reforms, CIMA has implemented a registration process for tokenised funds comprising a preliminary questionnaire covering seven areas:

1. Fund classification
2. Token offering characteristics
3. Transfer and redemption mechanics
4. Technology infrastructure
5. Risk disclosure
6. Record-keeping
7. AML / KYC

Temporary conditions are imposed pending the promulgation of new CIMA rules, including requirements that records be securely maintained and auditable, that any impairment to records or systems be notified to CIMA, that an annual confirmation letter (auditor-confirmed) be provided, and that the operator demonstrate appropriate expertise. CIMA's approval timeline is typically two to three weeks once the questionnaire is filed, and the drafting and CIMA workstreams should run in parallel.

As of May 2026, CIMA has implemented these temporary measures for all tokenised mutual and private funds as the basis for approval until new rules are finalised.

Service Providers

Tokenisation introduces a new layer of service providers alongside the traditional fund ecosystem. In addition to the fund's existing directors, investment manager, administrator and auditor, a tokenised fund will typically appoint a tokenisation agent and a liquidity provider.

For listed companies, the transfer agent plays a central role in maintaining the ROM, minting and administering tokens, operating the KYC and whitelisting process, and ensuring synchronisation between on-chain records and the statutory register. The appointment and mandate of each service provider should be documented with clear delineations of responsibility, service levels for ROM updates, incident response and rollback procedures and audit trail requirements.

Additional Considerations for Publicly Listed Companies

For publicly listed companies, the implementation pathway involves additional steps beyond those applicable to funds, including a detailed analysis of the company’s position under the VASP Act, structuring and documentation of the transfer agent mandate, board and (where required) shareholder approvals for any amendments to the MAA, and coordination with the relevant stock exchange on any disclosure or operational requirements arising from the adoption of a tokenised share structure.

The Future of Tokenised Fund Interests and Shares in the Cayman Islands and BVI

The tokenisation of equity interests in Cayman Islands and BVI structures represents a meaningful evolution in how ownership of fund interests and company shares is evidenced, recorded and transferred. The Cayman Islands' March 2026 legislative reforms have established a comprehensive, coherent statutory framework that positions the

jurisdiction at the forefront of regulated tokenisation globally.
The BVI is advancing along the same trajectory, guided by the same principles of legal continuity and investor protection, with tokenised fund interests structured within the existing fund regimes under the Securities and Investment Business Act.

For investment funds, the trajectory is well established: tokenised funds are not a reinvention of the fund product but an upgrade on traditional structures, delivering measurable efficiencies in settlement, compliance, cost reduction and distribution. For publicly listed companies, the pathway is more novel and involves additional legal and regulatory considerations, but is achievable within the existing Cayman Islands legal framework. While challenges relating to operational resilience, KYC infrastructure, secondary market maturity and the evolving global regulatory landscape remain, the direction of travel is clear. As secondary token markets mature, institutional allocators grow more comfortable with on-chain record-keeping, and the regulatory frameworks in the Cayman Islands and the BVI continue to develop, the next phases of innovation in tokenised equity securities are likely to be pioneered in, and not merely serviced from, both jurisdictions. The managers, funds and listing vehicles that embrace tokenised structures early and thoughtfully will be best positioned to lead the next decade of global fund and capital markets innovation.

How the Maples Group Can Help

The Maples Group is a leading service provider offering clients a comprehensive range of legal, fiduciary, fund administration, regulatory and compliance, and entity formation and management services across the Cayman Islands, the BVI, Ireland, Jersey and Luxembourg. Through its international law firm, Maples and Calder, the Maples Group advises global financial, institutional, business and private clients on the full spectrum of issues arising from the tokenisation of equity interests in investment funds and publicly listed companies.

Investment Fund Tokenisation

Our global Funds & Investment Management team provides expert legal advice on every aspect of the tokenised fund lifecycle, including structuring, constitutional document drafting, CIMA registration and questionnaire completion, smart contract governance, offering document preparation, and ongoing regulatory compliance. We have advised on a number of the market's leading tokenised fund mandates across the Cayman Islands and BVI.

Tokenised Listed Share Structures

Our Corporate teams advise publicly listed Cayman Islands companies on the legal and regulatory framework for tokenising existing or newly issued shares, including MAA analysis, regulatory positioning, transfer agent mandate structuring, ROM and synchronisation requirements.

Regulatory and Compliance

Our Regulatory & Financial Services team advises on regulatory perimeter, VASP Act analysis, AML / KYC and ongoing supervisory compliance for fund and corporate tokenised structures.

Further Assistance

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