

LEGAL ADVISORY REPORT ON:

Regulatory Framework for Issuance of Tokens in British Virgin Islands (BVI)



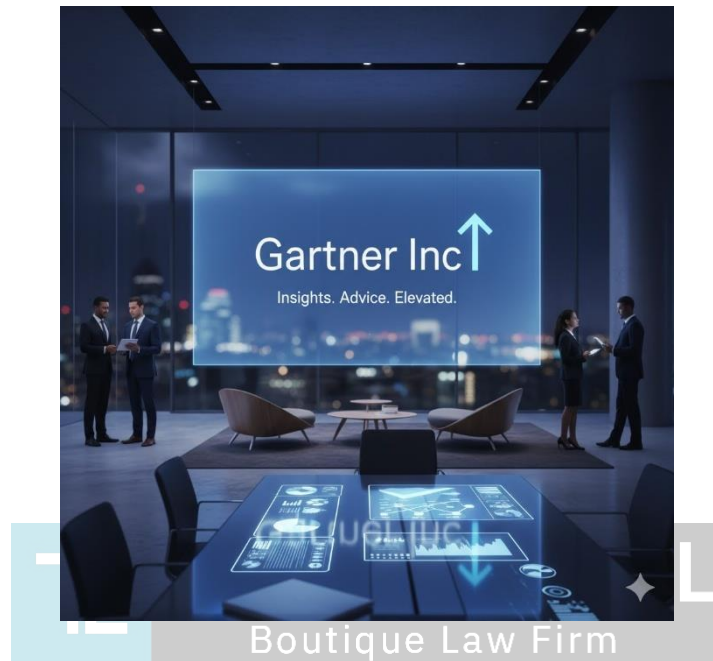
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ABOUT GARTNER INTERNATIONAL

Gartner International (hereinafter the “**Client**”) is a multinational conglomerate with its headquarters in Sharjah, UAE, and operations spanning the globe. It was founded by Nawab Shaji Ul Gartner and has diversified business interests in construction materials, healthcare, renewable energy, plastics, real estate, and sports. Key business interests and initiatives include the following:

- a) Construction materials: The company's flagship brand is Alubond U.S.A., a metal composite material that has become the world's largest of its kind. Gartner International also manufactures a variety of other related products through its subsidiary, Metal Plast Industries.
- b) Real estate: The company has numerous real estate projects, including the “Zim Cyber City,” a tech-driven development in Zimbabwe.
- c) Healthcare: Gartner International has established a telehealth ecosystem called Gartner Med Healthcare and has partnered with India’s Ajeenkya DY Patil Group to launch a virtual hospital.
- d) Renewable energy: The conglomerate has investments in solar energy and other green technologies, reflecting its focus on sustainable industries.
- e) Sports: As the founder of the T10 Cricket League, a ten-over cricket format sanctioned by the International Cricket Council (ICC), Gartner International has a strong presence in the sports world.

With operations spanning across Europe, the USA, Africa, Turkey, India, and the Middle East, Gartner International emphasizes innovation and excellence.

GARTNER UTILITY TOKEN: OVERVIEW AND PURPOSE

The Gartner Utility Token (“**Gartner Token**”) is a blockchain-based digital token developed by Gartner International to serve as the core transactional and participation instrument within the Gartner ecosystem. It is designed as a utility token, meaning its primary purpose is to enable access, interaction, and value exchange within Gartner International’s digital infrastructure, rather than to serve as an investment security. The Gartner Utility Token underpins a digital

economy that connects the company's various business verticals, technology platforms, and community initiatives under a single, transparent, and decentralized value framework.

The Client intends to issue utility tokens against the utilities attached to it; a brief is as under:

- Gartner Properties Utilities: to invest in tokenized real estate, earn returns, and gain long-term UAE residency with a Freezone license.
- Alubond USA Utilities: to use tokens for trade finance security, supplier payments, and manufacturing access in 90 countries.
- UniQube Modular Homes Utilities: to buy smart modular homes, track production, stake for discounts.
- T10 Cricket League Utilities: to stake and gain equity in teams, vote on decisions, unlock 1-on-1 meet & greets, backstage access, and hotel stays.
- Gartner Med Healthcare Utilities: to pay for diagnostics, surgeries, travel, and insurance-backed global telehealth access.
- Gartner Fashion Utilities: to shop premium fashion, earn loyalty tokens, access exclusive drops, and NFT-based wearables.

The Client has sought our Legal Advice on the regulatory front and post discussions at length the client has shown its interest to the following geographical spread:

GEOGRAPHICAL SPREAD:

- a) British Virgin Islands.
- b) Singapore.
- c) Dubai.
- d) Switzerland.

Scope of Legal Advisory: Our Legal Advice will cover the attributes mentioned below, the water-flow is structured as under:

- a) Interpretation of Utility Tokens
- b) Regulatory Framework.
- c) Creation of Legal Structure at BVI.
- d) AMF/CFL Compliances.
- e) An overview of Marketing Regulations in Major Locations.

EXPLAINING TOKENS

Before navigating towards the attributes described above, it's critical to understand the kinds of relevant tokens at this juncture, namely utility tokens and security tokens. These have been explained comprehensively as under:

I. UTILITY TOKEN:

A utility token is a type of digital asset, typically issued on a blockchain, whose primary function is to grant holders access to a specific product, service, or feature within a decentralized application (dApp) or ecosystem provided by the issuer. It functions as a digital "key" or voucher, deriving its value from the demand for the utility it unlocks, rather than from ownership of the underlying company or a claim on future profits. Here is a comprehensive breakdown:

- a. Access and Usage:** The fundamental purpose is to enable users to interact with a decentralized platform. This can include:
 - i. **Paying for Services:** Acting as the required currency for services within the platform (e.g., paying for decentralized storage, computing power, or transaction fees).
 - ii. **Unlocking Features:** Granting access to premium content, specialized tools, or enhanced functionalities.
 - iii. **Incentivization:** Rewarding users for positive contributions, such as providing data, creating content, or securing the network.
- b. Closed Ecosystem:** A genuine utility token is generally designed to be used only within the specific ecosystem of its issuer. Its value is tied directly to the adoption and usage of that platform.
- c. Programmable:** They are often created using smart contract standards (like Ethereum's ERC-20) which programmatically define their function, distribution, and use cases.

Under BVI law- utility tokens that are used within a specific ecosystem; are not traded for profit and are not considered securities or regulated activities under the VASP Act.

II. SECURITY TOKEN

A Security Token is a blockchain-based digital representation of ownership or rights to an underlying real-world asset or enterprise, such as shares, bonds, real estate, or other financial instruments. Because they embody an investment contract with an expectation of profit, they are regulated under securities laws, similar to traditional stocks or bonds. The foundational concept behind security tokens is tokenization, which involves converting a conventional financial asset or ownership right into a digital token recorded on a blockchain. These tokens can represent equity (digital shares in a company), debt (bonds or revenue-sharing agreements), or asset-backed instruments (fractional ownership of real estate, art, or commodities). Security tokens carry legally enforceable rights, including voting power, dividends, interest, or liquidation preferences. What distinguishes them technologically is programmable compliance, where regulatory conditions such as investor verification, jurisdictional limits, and transfer restrictions are built directly into the token's smart contract automating legal adherence. By enabling fractional ownership, security tokens transform traditionally illiquid, high-value assets into easily divisible and tradable digital instruments, thereby broadening investor access and enhancing market liquidity.

SECURITY TOKEN OFFERING (STO)

A Security Token Offering (STO) is the regulated process by which a company issues its security tokens to investors. An STO is the regulated alternative to the legally ambiguous Initial Coin Offering (ICO). The company must file necessary documentation with regulatory bodies and adhere to all relevant securities laws in the jurisdictions where the token is offered. In essence, Security Tokens are bridging the gap between Wall Street and Web3, aiming to bring the efficiency, transparency, and automation of blockchain to regulated capital markets.

REGULATORY LANDSCAPE

BRITISH VIRGIN ISLANDS (BVI)

The issuance of utility tokens in the British Virgin Islands (BVI) is generally not a regulated activity in and of itself under the primary virtual asset legislation, provided the token only grants the purchaser the ability to purchase goods and services and does not have characteristics of an “investment”. The key regulatory considerations in the BVI are:

I. Virtual Assets Service Providers Act, 2022 (VASP Act)

- a) The VASP Act regulates entities that provide a “virtual assets service” in or from within the BVI, requiring them to register as a Virtual Asset Service Provider (VASP) with the Financial Services Commission (FSC).
- b) Crucially, the sole act of issuing a virtual asset is generally not considered a "virtual assets service" under the VASP Act and does not require VASP registration.
- c) However, if the issuer also provides other services related to the token as a business on behalf of another person, such as:
 - Hosting wallets or maintaining custody of another person's virtual asset.
 - Providing financial services related to the issuance, offer, or sale of a virtual asset (as defined in the VASP Act).
 - Operating an exchange.

Then, only the entity would likely be required to register as a VASP.

II. Securities and Investment Business Act, 2010 (SIBA)

- a) Utility tokens are typically not captured by the SIBA, which regulates “investment business” (i.e., dealing with “investments” such as securities, mutual fund interests, etc.).
- b) The FSC guidance clarifies that virtual assets that are only used as a means of payment for goods and services and only provide the purchaser with an ability to purchase goods and services (i.e., a pure utility token) generally do not constitute an "investment" under SIBA.

- c) If a token confers benefits or rights beyond mere utility, such as a right to a share of profits, governance rights, or other features akin to a traditional security it may be classified as an “investment” and subject to SIBA licensing requirements for the issuer. A brief, SIBA,2010 relevant to Licensing for issuing /securities:
- d) Here is a concise comparative table detailing the British Virgin Islands (BVI) SIBA (Securities and Investment Business Act) license requirements for security tokens, including cost and timeline indications:

LICENSING REQUIREMENT AND COST

License Type	Regulator & regulatory Act	Application Requirements	Approximate Costs (USD)	Timeline (months)
Security Token Issuer License	FSC (BVI Financial Service Commission) SIBA,2010	Business plan, governance, AML/KYC, personnel and ownership info, compliance documentation	\$30,000	4-6
Virtual Asset Exchange License	SIBA + VASPA (Virtual Assets Service Provider Act,2022)	Similar + exchange operation docs, ongoing compliance policies	\$10,000	3-6
Ongoing Compliance (annual)	SIBA, AML	FSC, Regular audits, KYC refresh, regulatory filings	\$10,000–\$25,000+ p.a.	Annual updates, ongoing

Key Points and Process

- a. SIBA is triggered where the token confers investment/ownership/equity/debt rights; and utility tokens are excluded unless structured otherwise.
- b. All security token activities involving investment business (issuance, management, advice, custodial services) will require SIBA licensing; Schedule 3 of SIBA covers each category.
- c. The application requires full compliance documentation and evidence of corporate structure, AML/KYC, and fit-and-proper personnel.
- d. Typical regulatory approval timelines vary based on completeness of documentation and responses; delays can arise due to requests for additional information.
- e. Ongoing compliance - KYC refresh, audits, reporting to the FSC, and maintenance of licensed status.

This table reflects indicative regime costs and timelines for SIBA-based security token licensing in BVI. To apply for a SIBA security token license in the British Virgin Islands, applicants must prepare a comprehensive documentation set and pay associated fees. Below is a concise outline of the main requirements and costs.



REQUIRED DOCUMENTS:

- a) Cover Letter explaining the business activity.
- b) Detailed Business Plan (model, token structure, tech, compliance, marketing, financials).
- c) Memorandum & Articles of Association (company constitution).
- d) Organizational and Group Structure Chart.
- e) Details of Key Personnel (securities experience, qualifications).
- f) Information on Corporate Shareholders (audited accounts, exchange listings).
- g) Personal Questionnaires for directors/shareholders.
- h) Two Character References and Police Clearance Certificates for natural persons.
- i) Auditor Consent Letter.
- j) Evidence of Professional Indemnity Insurance.
- k) Compliance Manuals (AML/KYC, internal controls, risk assessment, data security, client asset handling).

- l) Details of AML officers, reporting officers.
- m) Subcontracting Arrangements and Agency Agreements (if applicable).
- n) Consent to On-site Inspection by BVI FSC.
- o) Proof of Physical Presence in BVI (address documentation).

FEES

- a) Application Fee: USD 1,000 to USD 2,500 (based on business type and trust numbers).
- b) Licensing Fee: USD 14,000 -16,000, paid on grant of license (annual fee thereafter).
- c) Annual Renewal Fee: USD 14,000 -16,000 (subject to revision; payable to BVI FSC).
- d) Compliance Manual Drafting: from USD 8,000 (legal/advisory, if outsourced).
- e) Other Legal and Professional Fees: Typically, USD 15,000 - 30,000 for setup and professional support. This checklist ensures robust regulatory compliance for the SIBA license regime to operate a security token business in the BVI, covering both document and cost requirements.

VASP / REGULATED TRIGGERS

- a) If the business model involves operating a recognized VASP (such as custody, wallet, or exchange services), or if the utility token substantially resembles a security or investment, full AML/CFT obligations apply.
- b) Requirements for Regulated Entities:
 - a. Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) for higher-risk clients.
 - b. Appointment of a Money Laundering Reporting Officer (MLRO).
 - c. Record retention for say 5 years
 - d. Ongoing transaction monitoring and suspicious activity reporting (STR).
 - e. Submitting annual AML/CFT returns.
 - f. Complying with the AML Code and the VASP AML Guide.

For this, designing an AML/CFT Policy is essential which has to adhered in order to fulfil all the relevant compliances.

LEGAL STRUCTURE

The process of handling proceeds from ICO utility tokens in the British Virgin Islands (BVI) revolves around the use of an SPV (Special Purpose Vehicle), which acts as the legal entity for raising and holding funds. Utility token offerings in the BVI generally avoid strict regulatory treatment and allow broad operational flexibility, but best practice entails formal planning, documentation, and transparent fund flows throughout the entire lifecycle of the ICO.

Key Steps in Handling ICO Proceeds

When establishing a BVI SPV (Special Purpose Vehicle) for an ICO, a specific license is generally not required unless the planned activities fall within regulated categories as explained and elaborated in above paras. However, key considerations around licensing, registration, and compliance will depend on the ICO's structure, the nature of the tokens issued, and the specific activities undertaken. Here's a breakdown:



General Requirements for a BVI SPV

- a) **Company Registration:** The first step is to incorporate a BVI company. For most ICO-related projects, a BVI business company (BVI BC) is the entity you'll set up. This process is relatively straightforward and doesn't require a license just to create the company.
- b) **No Specific License to Issue Tokens:** In general, the BVI does not require a specific license to issue digital tokens or conduct an ICO, unless your project is offering services that are regulated.

Licensing Requirements Depending on the Nature of the ICO:

While an SPV established in the BVI generally does not require a specific license to launch an ICO, certain circumstances may trigger the need for additional regulatory approvals or licenses, depending on the nature of the offering and associated activities.

- a) **Regulated Activities:** If your ICO involves specific activities such as financial services, investment management, custodianship, or tokenized securities (i.e., security tokens), you may need to apply for an appropriate license. The BVI Financial Services Commission (FSC) oversees these activities.
- b) For example, if you are offering security tokens (tokens that represent ownership in real-world assets like shares or debt), you might fall under the BVI's Securities and Investment Business Act (SIBA), which could require you to register with the FSC as a licensed entity.
- c) If your ICO is providing services such as money transmission, wallet services, or is categorized as a virtual asset service provider (VASP), then licensing under the Financial Services (Virtual Assets) Act, 2020 (VAS Act) may be required.
- d) **AML/KYC Compliance:** If you're raising significant funds, you will also need to ensure that your ICO complies with Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations. The BVI has AML laws in place, and if your ICO involves handling significant amounts of money, you'll need to ensure you're compliant with these requirements. While the BVI doesn't require a license specifically for ICOs, compliance with AML/KYC is a must.



CONCLUSION

In view of the foregoing analysis, it is evident that the classification of a token as a security or utility depends primarily on its underlying rights, economic features, and intended use within the ecosystem. For the proposed token structure, issuance through a BVI Business Company provides an efficient, flexible, and internationally recognized framework, while ensuring clear segregation between the operational and token issuance functions. By maintaining the token's utility character, limiting it strictly to access or functional rights, supported by appropriate legal documentation, AML/KYC controls, and jurisdictional compliance the client can mitigate regulatory risks and position the project for lawful and transparent deployment within the BVI. Based on the foregoing analysis and subject to the assumptions, qualifications, and limitations set out herein, we are of the opinion that the classification of a token as a security or utility under applicable law depends primarily on its structure, functionality, and the rights attached to it.

For the client's proposed token model, issuance through a BVI Business Company constitutes the most suitable and efficient structure, providing regulatory clarity, operational flexibility, and tax neutrality. Provided that the token is limited to genuine utility functions granting access or use rights within the platform, without investment or profit-sharing features—and supported by appropriate contractual terms, AML/KYC compliance measures, and transparent disclosures, such issuance should not fall within the scope of regulated securities or investment activity under BVI law. Accordingly, the client may proceed with the proposed structure, subject to ongoing legal and regulatory review as the project develops and applicable guidance evolves.

For Security & Hybrid Tokens; Regulatory Approval

For Utility Tokens, no approval per se and can immediately be commenced

We express that in Part II of our report, we'll navigate the client to Regulatory Landscape, SML/CFT compliances, Market Regulations of 3 other Jurisdictions, once we receive a formal approval from the client about these jurisdictions. This comparison will give the client more clarity on regulatory part as well compliance part on other major jurisdictions.

This advice is solely as per the Client's requirements to understand the insights about the nature and types of Tokens and relevant regulatory nuances. The opinion is strictly limited to the laws of the British Virgin Islands and basis the available information.



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