



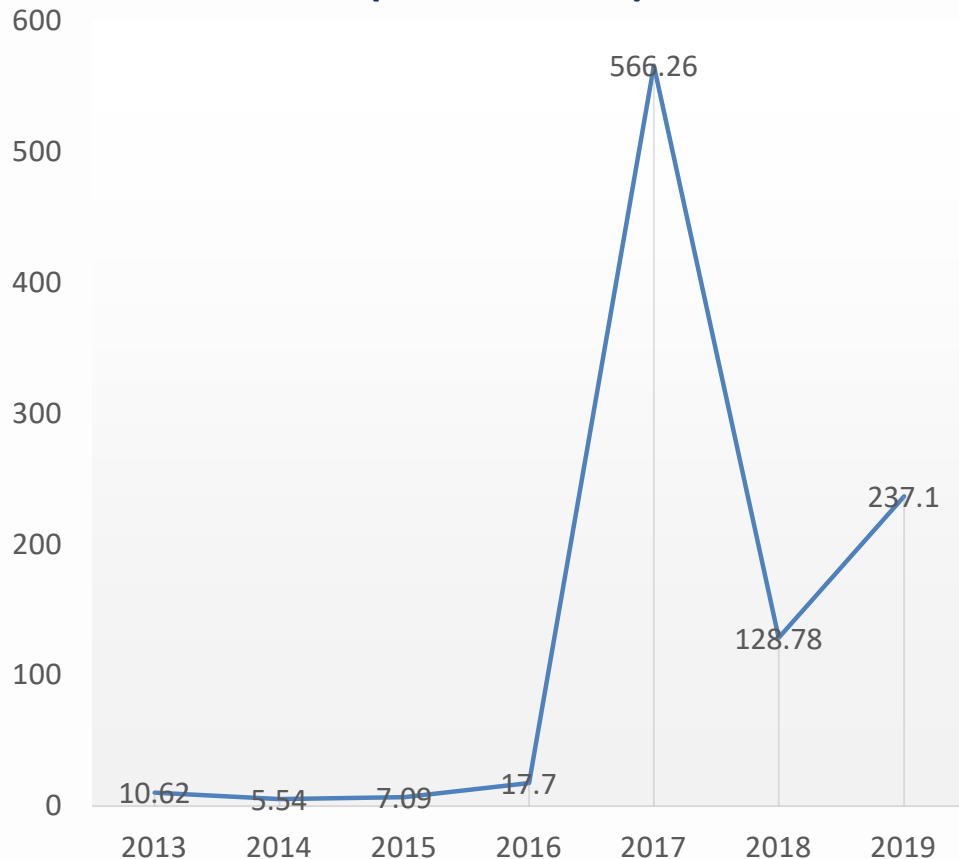
DARE to Innovate:

Fintech Opportunities And the Role of Responsible Regulation

Christina Rolle, Executive Director Securities Commission of The Bahamas

- Development of the Digital Assets and Registered Exchanges Bill, the Emergent Technologies Bill and related amendments to the Financial and Corporate Service Providers Bill.
- AML/CFT provisions
- Investor protection measures

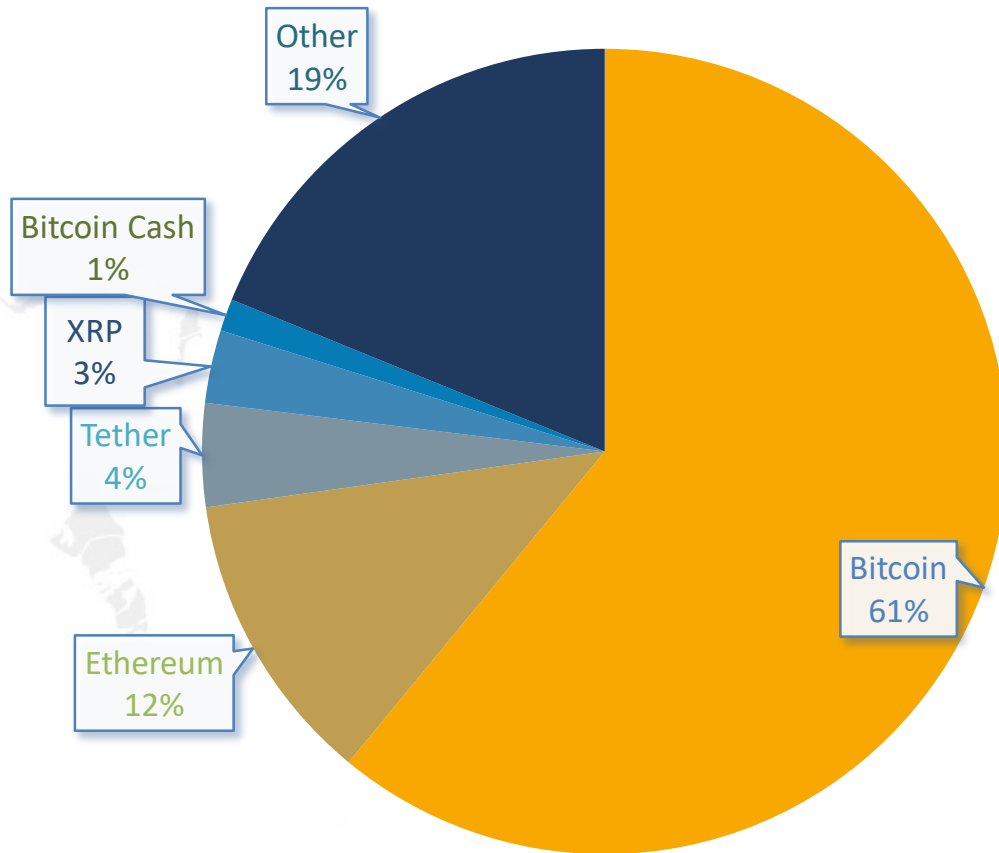
Cryptocurrency Market Capitalization (US\$ Billions)



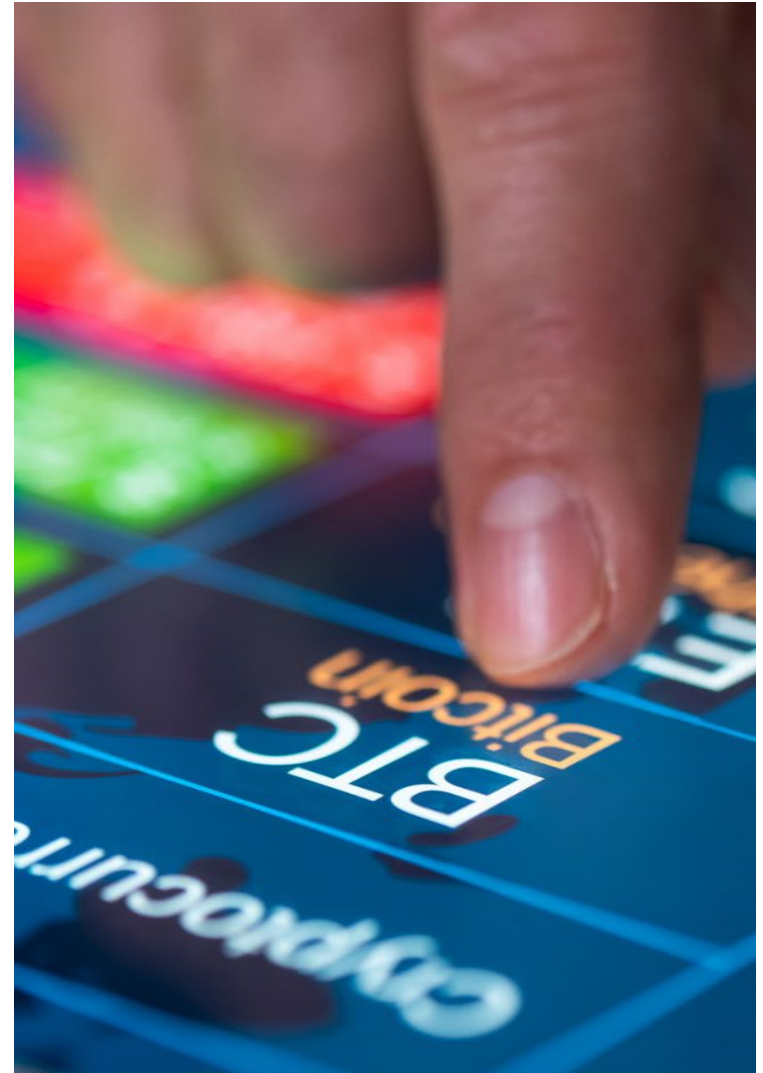
Source: www.statista.com



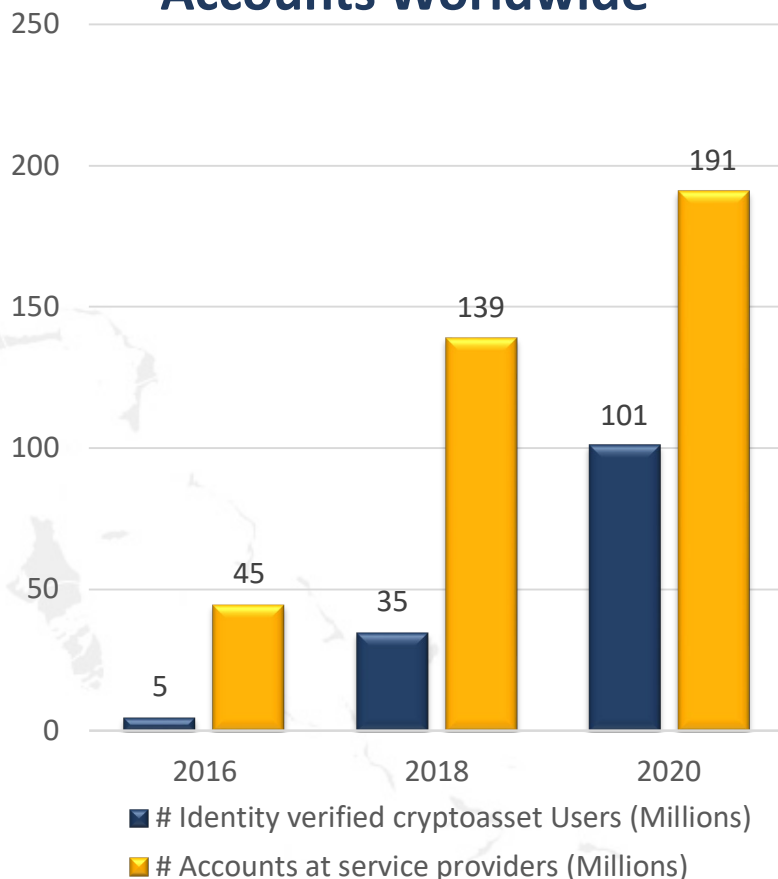
**Cryptocurrency Market Capitalization
(US\$ Billions)**



Source: coinmarketcap



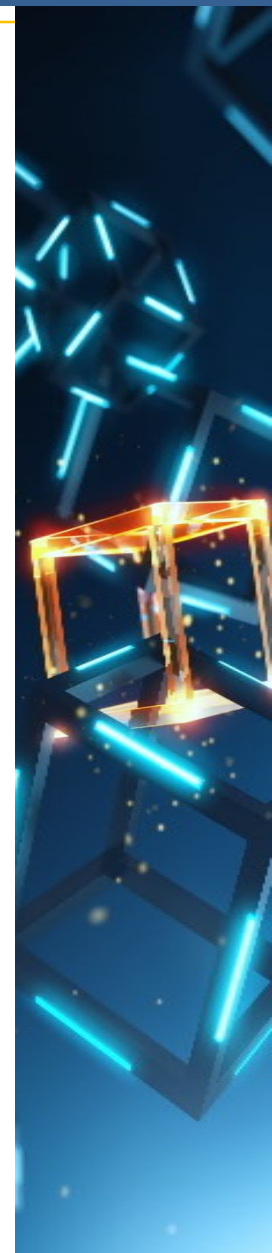
Cryptocurrency Users, Accounts Worldwide



Total number of unique users increased by 189%
(2020 Study vs. 2018 Study)

Total number of accounts increased 37%
(2020 Study vs 2018 Study)

Source: Cambridge Centre for Alternative Finance (CCAF), University of Cambridge, 3rd "Global Cryptocurrency Benchmarking Study", September 2020



Drivers of Legislative Initiative



Global Crypto ecosystem growth represented opportunity for The Bahamas

Pace of Fintech development also brings threats of financial system misuse and investor abuse

Governmental, regulatory and industry will to provide clarity to facilitate orderly market development

Objectives:

- Define legal status
- Introduce regulatory framework
- Address tokens, exchanges and service providers
- Curb illicit activity
- Protect market integrity

Benchmarking & Consultancy



Defining the Space



A word cloud illustrating key concepts in digital asset legislation. The words are arranged in a circular pattern, with 'Digital Assets' being the largest and most central. Other prominent terms include 'Blockchain', 'Non-fungible Token', 'Virtual Currency Token', 'Utility Token', 'Digital Asset Business', 'DLT Platform', 'DLT - "Distributed Ledger Technology"', 'Smart Contract', 'Initial Token Offering', 'Digital Token Exchange', 'Digital Assets Services Provider', and 'Wallet Service Provider (FCSP Bill)'. The colors of the text range from dark blue to light yellow, and the background features a faint map of Southeast Asia.

Blockchain
Non-fungible Token
Digital Assets
Virtual Currency Token
Utility Token
Digital Asset Business
DLT Platform
DLT - "Distributed Ledger Technology"
Smart Contract
Initial Token Offering
Digital Token Exchange
Digital Assets Services Provider
Wallet Service Provider (FCSP Bill)

Key Definitions

Digital Asset

- a digital representation of value distributed through a DLT Platform where value is embedded or in which there is a contractual right of use and includes without limitation digital tokens;

Digital Token or Token

- virtual currency token; asset token; utility token; non-fungible token; and
- any other digital representation of value designated by the Commission to be a digital token for the purposes of the Bill

Digital Asset Services Provider

- under an agreement as part of its business, can undertake a digital asset transaction on behalf of another person or has power of attorney over another person's digital assets or
- operates as a market maker for digital assets.

Key Definitions

Digital Assets Business

- a digital token exchange;
- providing services related to a digital token exchange;
- operating as a payment service provider business utilising digital assets;
- operating as a digital asset service provider, including providing DLT platforms that facilitate —
 - (i) the exchange between digital assets and fiat currencies;
 - (ii) the exchange between one or more forms of digital assets; and (iii) the transfer of digital assets;
- participation in and provision of financial services related to an issuer's offer or sale of a digital asset;
- any other activity which may be prescribed by regulations.

FATF Recommendation 15 - New Technologies

Countries & FIs Identify & Assess ML/TF Risk:

- new products/business practices
- new/developing technologies

Financial Institutions:

- assess risk prior to launch
- manage and mitigate risk

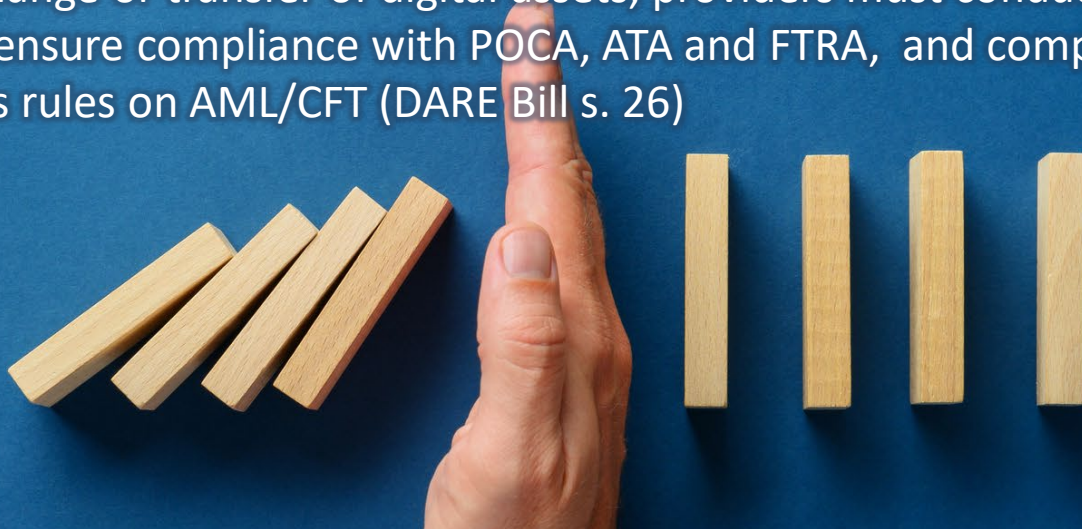
Countries:

- Virtual Asset Service Providers must be regulated for AML/CFT
- And licensed/registered and subject to FATF Recommendations



Risk Based Approach

- Digital Assets business must have systems in place to prevent, detect and disclose money laundering, terrorist financing and suspicious transactions pursuant to Proceeds of Crime Act, 2018 (POCA); the Anti-Terrorism Act, 2018 (ATA) and the Financial Transactions Reporting Act, 2018 (FTRA) (DARE Bill, s. 24)
- S. 24 Brings digital assets business under national AML/CFT risk coordination framework
- For sale, exchange or transfer of digital assets, providers must conduct AML/CFT risk assessment, ensure compliance with POCA, ATA and FTRA, and comply with Commission's rules on AML/CFT (DARE Bill s. 26)



Licensing/Registration

- Overall, legislation focuses on the regulation of what FATF refers to as “virtual assets service providers” (VASPs)
- All persons (which includes natural persons, companies, partnerships, trusts and any other legal entity) carrying on or involved in digital assets business operating in/from The Bahamas must be registered or licensed with SCB (s. 7)
- Full identification of founders, beneficial owners, security holders, directors and officers is required (s. 8 and Form 2)
- Financial institutions already licensed or registered with the Commission may apply for registration of additional digital asset business or service (s. 9)



Supervision and Monitoring

- SCB has authority:
 - to suspend or revoke registration, including for activities not covered by DARE if to protect the public (s. 19);
 - to refuse application as a digital asset business (s. 16)
 - to inspect and investigate including for AML/CFT related laws (s. 39)
- Registrants have a duty to comply and cooperate, and must provide information about their operations as the Commission requires (s. 25 and s. 41(5))
- Clear penalties (s. 42-45) and SCB can enforce administrative sanctions (s. 46)
- Records must be maintained according to FTRA requirements (s. 26)
- FTRA and POCA amended to specifically address digital assets and digital assets business (Fifth Schedule)

Transparency & Beneficial Ownership

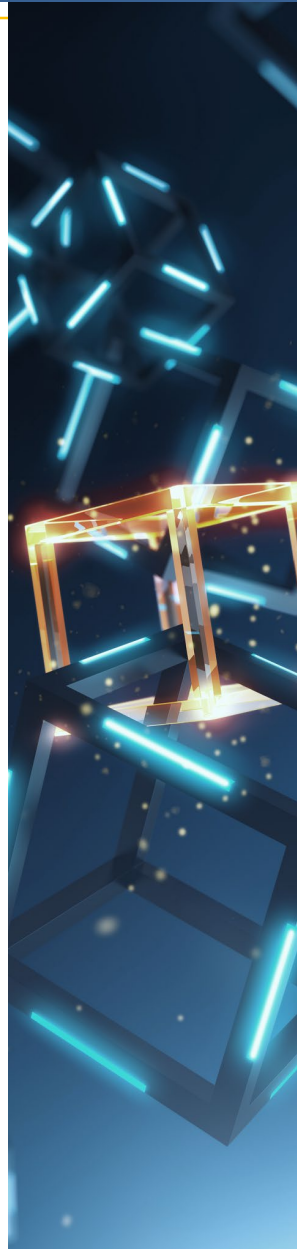
- Beneficial owner in DARE has “the same meaning assigned to it as in section 2 of the Proceeds of Crime Act, 2018”
- SCB has a range of administrative sanctions available under DARE, including banning of a registrant, suspension of a manager, removal of directors, officers and other senior managers or general partners.

Information Exchange

- SCB has co-operative power with respect to domestic and international overseas regulatory authorities (s. 41)

Closed Loop Business

- Non-transferable, non-exchangeable, non-fungible (closed loop) business is exempt (s. 3(e))



Other Investor Protection/ Market Integrity Measures

- Commission to maintain register of digital asset business (s. 12)
 - Name and address of digital assets business
 - Regulatory licenses or registrations held by the business including foreign licenses or registrations
 - Names of principals, directors and other persons with management control
 - Conditions imposed by SCB
 - Will be accessible on SCB's website.
- Duty to maintain professional conduct includes (s. 24)
 - Duty to act fairly, honestly, with due skill, care and diligence
 - Have effective arrangements to protect client assets and money
 - Maintain adequate financial resources and solvency
 - Have effective corporate governance
- Provides for SCB to establish financial requirements (s. 11)
- Registrants to maintain data protection measures consistent with the Data Protection (Privacy of Information) Act re customers' personal data (s. 23)

The background of the slide is a deep blue gradient. It features several 3D wireframe cubes. One cube in the center-right is brightly lit with glowing blue lines. To its left, another cube is partially visible, glowing with a warm orange light. Several other cubes are scattered in the background, some appearing blurred or dimmer. Small, golden-yellow particles are floating throughout the scene, adding a sense of depth and movement.

Thank you!