



Overview: Digital Assets and Registered Exchanges Act, 2020

CCAF Fintech and Regulatory
Innovation Live Session: Digital Assets

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SCB is responsible for the administration of:

- Securities Industry Act, 2011
- Investment Funds Act, 2019
- Financial and Corporate Service Providers Act, 2020
- Digital Assets and Registered Exchanges Act, 2020

Licensed or regulated as at 31 December 2021:



161
Securities
Firms



1 Marketplace,
1 Clearing Facility



48 Investment
Fund
Administrators



713 Investment
Funds



340 Financial &
Corporate Service
Providers



Drivers of Legislative Initiative



Global Crypto
ecosystem
growth

Threat of
financial system
misuse and
investor abuse

Governmental,
regulatory and
industry will to
facilitate orderly
market
development

Objectives:

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

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



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
- Full identification of founders, beneficial owners, security holders, directors and officers is required
- Financial institutions already licensed or registered with the Commission may apply for registration of additional digital asset business or service



Transparency & Beneficial Ownership

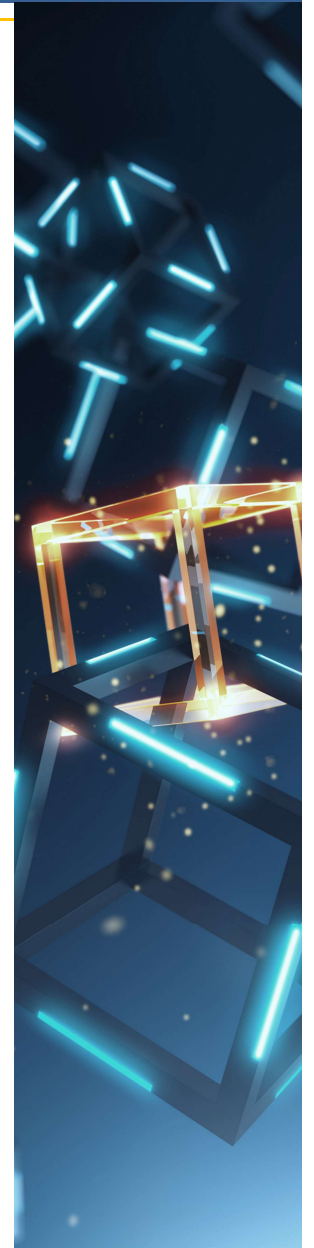
- Beneficial owner in DARE has “the same meaning assigned to it as in section 2 of the Proceeds of Crime Act, 2018”
- SCB has a range of administrative sanctions available under DARE, including banning of a registrant, suspension of a manager, removal of directors, officers and other senior managers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

Information Exchange

- SCB has co-operative power with respect to domestic and international overseas regulatory authorities

Closed Loop Business

- Non-transferable, non-exchangeable, non-fungible (closed loop) business is exempt



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)
- 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



Other Investor Protection/ Market Integrity Measures



- Commission to maintain register of digital asset business
 - 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 (www.scb.gov.bs)
- Duty to maintain professional conduct
 - 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
- Registrants to maintain data protection measures consistent with the Data Protection (Privacy of Information) Act re customers' personal data

Thank you!



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