

World Bank Workshop

VA & VASP Risk-Assessment: Country Experiences – The Bahamas

(As prepared)

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9:30 a.m. Virtual/Zoom Meeting



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



167
Securities
Firms



45 Investment
Fund
Administrators



683 Investment
Funds



246 Financial &
Corporate Service
Providers



3 Digital Assets
Businesses*

Statistics as at 31 December 2021

Virtual Assets Service Providers (VASPs) According to the FATF

A natural or legal person not covered elsewhere under the Recommendations who conducts as a business any activities below for/on behalf of another:

- Exchange between virtual assets and fiat currencies;
- Exchange between one or more forms of virtual assets;
- Transfer of virtual assets;
- Safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and
- Participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

FATF Recommendation 15 - New Technologies

Countries & FIs to Identify & Assess ML/TF Risk:

- Development of new products
- New business practices
- New delivery mechanisms
- Use of new/developing technologies for products (existing or new)

Countries:

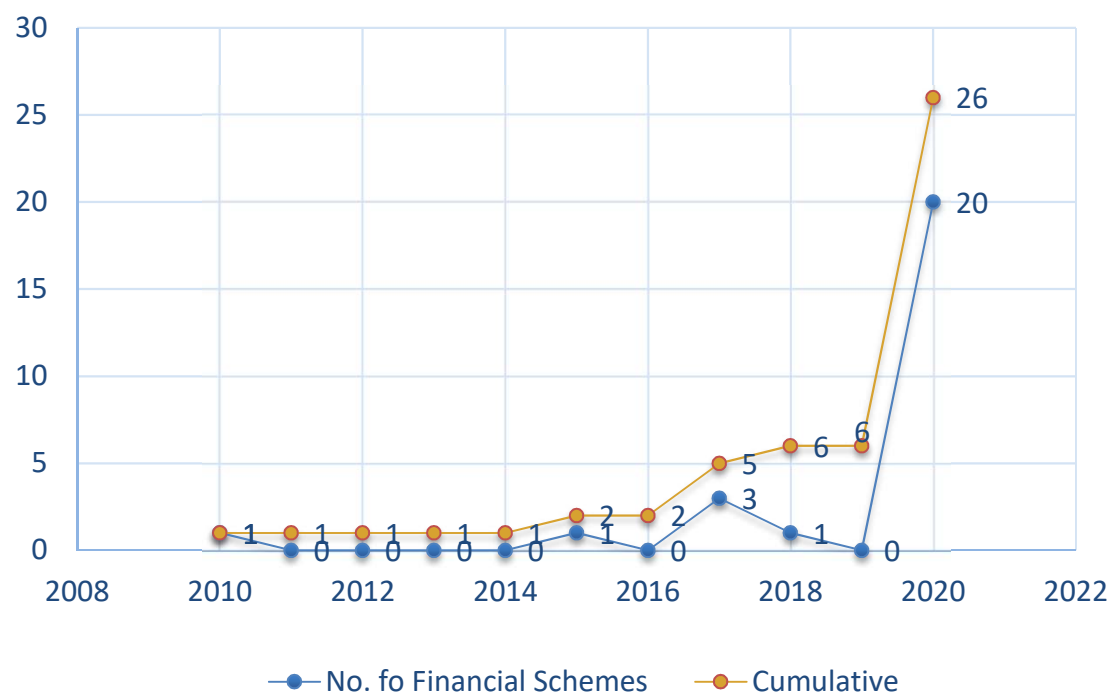
- Virtual Asset Service Providers must be regulated for AML/CFT
- And licensed/registered and subject to regulation for compliance with FATF Recommendations

Financial Institutions:

- Assess risk prior to launch
- Manage and mitigate risk



**Financial Schemes Investigated in The Bahamas:
2010-2020**

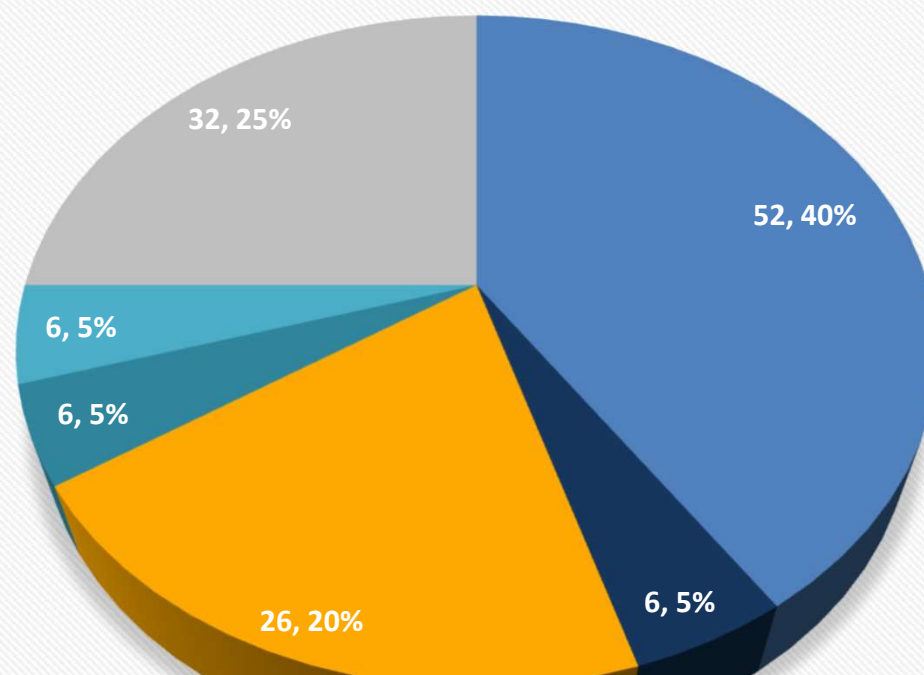


**Frauds Investigated 2010 to 2020
By Type**

Ponzi scheme	2
Asue: Public	3
Pyramid/Asue	2
Pyramid/Forex Training	7
Pyramid/Gifting	4
Pyramid/Investment	1
Pyramid/Sou-Sou	7
Total	26

- SCB continues to receive and investigate complaints including related to financial frauds/schemes (Fraudulent Financial schemes criminalized under the FCSPA)
- These may leverage technology to attract victims, communicate with them, etc. but by-and-large do not involve virtual assets or VA Service Providers (Cash/Money is still the objective/currency of these scams)

Legal/Regulatory Status of AML/CFT Regimes



- Necessary Legislation for VASP AML/CFT Regime (Permit and Regulate)
- Necessary Legislation for VASP AML/CFT Regime (Prohibit)
- In the process of introducing legislation/regulations for VASP AML/CFT Regime
- Approach determined but legislative work not yet commenced (Permit and Regulate)
- Approach determined but legislative work not yet commenced (Prohibit)
- Jurisdiction has yet to determine approach

Source: Findings of FATF Survey conducted March – April 2021 re jurisdictions' approach to and implementation of the revised FATF standards for VAs and VASPs

Chronology in The Bahamas

- FATF 40 Recommendations (2003), Revised February 2012
- Changes to expressly include financial activities involving virtual assets under Recommendation 15 adopted (October 2018)
- DARE comes into effect 14 December 2020
- DARE s. 24 (h) brings digital assets under the Proceeds of Crime Act, 2020 - (POCA s. 5 - 6) and hence under the National Risk Assessment Framework
- DARE includes a Consequential Amendment providing for digital assets to be treated as cash for NRA Framework
- Financial Transactions Reporting Regulations amended in 2021 so the Travel Rule applies (Financial institutions/digital assets businesses must comply, i.e., confirm originator and beneficiary of the transaction for transactions over \$1000)
- AML/CFT Rules specific to digital assets must be implemented

DARE – Industry Snapshot

- Registered Digital Assets Businesses as at 31 December 2021:
 - 1 Digital Asset Exchange
 - 2 FCSPs (FCSPA, 2020 provides for custody of digital assets and wallet service providers)
- **FAQs We are seeing:**
 - Do you have to be compliant with the Travel Rule?
 - Must digital assets businesses maintain a physical presence?
 - If registered under DARE do I also have to register under FCSPA for ancillary business activities (e.g. custody of assets/wallet services)
 - What is the commission's policy regarding Non-fungible tokens?
- Continued strong interest from potential applicants including Digital token exchanges, Initial token offerings (including utility tokens, stable coins), Wallet service providers, Custody of assets, Applications for ATMs present unique concerns
- International operators – Fintech leaders banking in The Bahamas (E.g. Tether)

DARE – Legislative/Regulatory Snapshot

- SCB's Approach to regulation:
 - Establish foundational regulatory regime that allows the industry to develop and SCB to hone its understanding of the industry
 - As industry grows, develop suitably robust regulatory framework
- Priority Focus: Developing AML/CFT Rules specific to DARE legislation
 - Compliant with Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) global standards and best practices, particularly vis-a-vis FATF Recommendation 15
- SCB focused on continuous capacity building including GFIN network, IOSCO related work-streams, University of Cambridge, seminars, webinars

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Thank you!

Q&A

