



For Public Consultation:

## **CARBON CREDIT TRADING BILL, 2022**

The Securities Commission of The Bahamas (the Commission) has issued the Carbon Credit Trading Bill, 2022 for public consultation. The Bill may be found on the Commission's website:

<https://www.scb.gov.bs/legislative-framework/consultation-documents/> .

### **Summary**

The Carbon Credit Trading Bill, 2022 will establish a regulatory framework for the trading of carbon credits in or from within The Bahamas. The key features of the Bill are:

- a) Creation of a regulatory framework for the conducting of carbon trading credits business including carbon trading exchanges, carbon credit verification bodies, and carbon-trading registries;
- b) Requirements for Commission approval of the listing of carbon-trading products on carbon trading exchanges;
- c) Registration requirements for persons wishing to conduct carbon trading business or operate as a carbon exchange;
- d) Mandatory requirements for registrants to maintain adequate financial resources and solvency;
- e) Requirements for registrants to implement and maintain record keeping and data protection measures;
- f) Requirements for registrants to comply with AML and CFT prevention measures and standards; and
- g) Establishment of offences, penalties, and sanctions for breaches of the Bill.

### **Consultation Period**

The consultation period commences **Tuesday 5 July 2022** and ends on **Tuesday 12 July 2022**, during which time the Commission invites the public to share comments with regard to the Bill. Comments may be submitted via email to [SCBConsultation@scb.gov.bs](mailto:SCBConsultation@scb.gov.bs).

Alternatively, comments may be submitted to:

#### **The Executive Director**

Securities Commission of The Bahamas  
Poinciana House  
31A East Bay Street  
P.O. Box N-8347  
Nassau, The Bahamas

**Issued: 5 July 2022**

# CARBON CREDIT TRADING BILL, 2022

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## CARBON CREDIT TRADING BILL, 2022

### A BILL FOR AN ACT TO REGULATE THE TRADING OF CARBON CREDITS IN OR FROM WITHIN THE BAHAMAS

Enacted by the Parliament of The Bahamas

#### PART I – PRELIMINARY

**1. Short title and commencement.**

- (1) This Act may be cited as the Carbon Credit Trading Act, 2022.
- (2) This Act shall come into operation on such date as the Minister may appoint by notice published in the Gazette.

**2. Interpretation.**

- (1) In this Act —
  - “**account holder**” means the person whose name is on an account at a carbon trading registry;
  - “**accredited investor**” has the same meaning assigned to it in the Securities Industry Act;
  - “**carbon credit verification body**” means an entity that —
    - (a) is registered with the Commission under section 24;
    - (b) is accredited as a verification body, by any accreditation body that is a member of the International Accreditation Forum or other organization of accredited bodies recognised by the Commission and who adhere to the ISO Standard 14065 entitled “General principles and requirements for bodies validating and verifying environmental information”;

- (c) has a scope of accreditation that is sufficient to verify any tradeable carbon credit;
- (d) has not been suspended by an accreditation organization that issued an accreditation; and
- (e) uses verification teams that have the necessary competencies to verify any tradeable carbon credit, including at least one individual with a professional designation relevant to the project type;

**“carbon derivative”** means a derivative where the underlying interest is a tradeable carbon credit, but does not include a carbon physical transaction;

**“carbon forward transaction”** means a forward contract where the underlying interest is a tradeable carbon credit;

**“carbon physical transaction”** means a carbon spot contract or carbon forward transaction;

**“carbon security”** means a security linked to tradeable carbon credits, but does not include a carbon physical transaction;

**“carbon spot transaction”** means a spot contract where the underlying interest is a tradeable carbon credit;

**“carbon trading”** means the process of buying or selling tradeable carbon trading products;

**“carbon trading business”** has the meaning given to it in Part III of this Act;

**“carbon trading core principles”** means the principles set forth in Part III of the Climate Change and Carbon Markets Initiatives Act;

**“carbon trading exchange”** means a market place other than a quotation and trade reporting system or ATS that maintains or provides—

- (a) physical facilities where persons may meet to execute trades in carbon trading products; or
- (b) a mechanical, electronic or other system that facilitates execution of trades in carbon trading products by matching offers of purchase and sale;

**“carbon trading product”** means —

- (a) a tradeable carbon credit;
- (b) a carbon linked digital asset;
- (c) a carbon security; or
- (d) a carbon derivative,

and in each case where such carbon trading product is traded either on a carbon trading exchange or over-the-counter;

**“carbon trading registry”** means a carbon trading business that maintains a register of accounts that records the ownership of tradeable carbon credits in accordance with Part III of this Act;

**“clearing facility”** has the meaning assigned to it in the Securities Industry Act;

**“Climate Change and Carbon Markets Initiatives Act”** means the Climate Change and Carbon Markets Initiatives Act, 2022 (*No. 15 of 22*);

**“compliance officer”** means a person appointed by a registrant and approved by the Commission as a compliance officer, and includes a person to whom compliance functions and obligations have been outsourced;

**“Data Protection (Privacy of Personal Information) Act”** means the Data Protection (Privacy of Personal Information) Act (*Ch. 324A*);

**“Digital Assets and Registered Exchanges Act”** means the Digital Assets and Registered Exchanges Act, 2020 (*No. 28 of 2020*);

**“derivative”** means —

- (a) an option, swap, futures contract, forward contract, contract for difference, other financial contract or instrument, or prescribed instrument the market price, value, delivery obligations, payment obligations or settlement obligations of which are derived from, referenced to or based on an underlying interest;
- (b) an instrument or interest that is described as a derivative in an order made by the Commission; or
- (c) an instrument or interest that is within a class of instruments so described by the Commission as being a derivative; but does not include an instrument or interest —
  - (aa) the underlying interest of which is a digital asset or a derivative of a digital asset;
  - (bb) described as not being a derivative in an order made by the Commission;
  - (cc) within a class of instruments so described by the Commission as not being a derivative; or
  - (dd) a spot contract or a forward contract;

**“digital asset”** has the meaning assigned to it in the Digital Assets and Registered Exchanges Act;

**“Financial and Corporate Service Providers Act”** means the Financial and Corporate Service Providers Act, 2020 (*No. 27 of 2020*)

- “Financial Transactions Reporting Act”** means the Financial Transactions and Reporting Act, 2018 (*No. 5 of 2018*);
- “forward contract”** means a contract or arrangement for the sale or purchase of any underlying interest at the forward price where it is intended for a party to the contract or arrangement to take delivery of the underlying interest at a future date;
- “identified risk framework”** has the same meaning assigned to under section 2 of the Proceeds of Crime Act, 2018 (*No. 4 of 2018*);
- “International Accreditation Forum”** means The International Accreditation Forum, Inc;
- “International Standards”** means the standards under —
- (a) the Paris Agreement; or
  - (b) any other international agreement relating to greenhouse gases to which The Bahamas is a party;
- “legal entity”** means an entity incorporated, registered, continued or otherwise established in accordance with —
- (a) the Companies Act (*Ch. 308*);
  - (b) the International Business Companies Act (*Ch. 309*);
  - (c) the Partnership Act (*Ch. 310*);
  - (d) the Partnership Limited Liability Act (*Ch. 311*); and
  - (e) the Exempted Limited Partnership Act (*Ch. 312*);
- “Minister”** means the Minister to whom the responsibility for finance is assigned;
- “money laundering reporting officer”** or **“MLRO”** means the person appointed by a registrant and approved by the Commission as the Money Laundering Reporting Officer having responsibility for receiving and making reports concerning suspicious financial transactions;
- “Paris Agreement”** means the legally binding international treaty on climate change, adopted by 196 Parties at COP 21 in Paris, on 12 December, 2015 and which entered into force on 4 November, 2016 and any successor agreement and related guidance as set out in the First Schedule to the Climate Change and Carbon Markets Initiatives Act;
- “person”** includes a natural person, sovereign or governmental entity, company, partnership, trust, association and any other legal entity, whether corporate or incorporate;
- “registrant”** means any person registered under Part III of this Act or required to be so registered;



“**regulatory decision**” means a decision taken by a Supervisory Authority or its recognised international equivalent, to impose a sanction, suspension, ban or other penalty as a result of misconduct, non-compliance with or breach of any supervisory law;

“**securities**” has the same meaning assigned to it in section 4 of the Securities Industry Act;

“**Securities Commission**” or “**Commission**” means the Securities Commission of The Bahamas continued under section 10 of the Securities Industry Act;

“**Securities Industry Act**” means the Securities Industry Act, 2011 (*No. 10 of 2011*);

“**significant interest**” means beneficial interests cumulatively representing more than ten percent of the issued and outstanding equity interests of the relevant entity;

“**spot contract**” means a contract or arrangement for the sale or purchase of any underlying interest at the price at which it is selling at a given time and place, where it is intended for a party to the contract or arrangement to take delivery of the underlying interest immediately or within a period which must not be longer than the period determined by the market convention for delivery of the underlying interest;

“**Supervisory Authority**” has the same meaning assigned to it in section 2 of the Financial Transactions Reporting Act;

“**tradeable carbon credit**” means a carbon physical transaction which is

- 
- (a) a “carbon credit” as defined in and in compliance with the Climate Change and Carbon Markets Initiatives Act;
- (b) a tradeable offset that is certified voluntarily and is consistent with International Standards;
- (c) a tradeable permit or certificate that is issued by a government pursuant to a cap-and-trade program that is consistent with International Standards; or
- (d) any other carbon mitigation measure recognized under International Standards,

and in each case which is —

- (i) equivalent to one tonne of carbon dioxide (or carbon dioxide equivalent), which can be counted towards an individual, company, country or organization’s greenhouse gas mitigation targets and has not been previously counted toward such mitigation targets; and
- (ii) consistent with the carbon trading core principles;

**“underlying interest”** means in relation to a derivative or a spot contract

- 
- (a) a commodity;
  - (b) any currency, currency index, interest rate, interest rate instrument, interest rate index, securities, securities index, or a group or groups of such financial instruments;
  - (c) the credit of any person; or
  - (d) an arrangement, event, index, intangible property, tangible property or transaction that is, or that belongs to a class of arrangements, events, indices, intangible properties, tangible properties or transactions that is, prescribed to be an underlying interest in relation to a derivatives contract or a spot contract,

but does not include —

- (aa) any arrangement, event, index, intangible property, tangible property or transaction that is, or that belongs to a class of arrangements, events, indices, intangible properties, tangible properties or transactions that is prescribed not to be an underlying interest in relation to a derivative or a spot contract; or
- (bb) any digital asset;

(2) For the purposes of this Act —

(a) in determining whether a person is fit and proper, in addition to considering any other relevant matter including a decision made in respect of the person by the Commission, or other regulator, court or tribunal wherever located, the Commission shall have regard to

- 
- (i) financial status or solvency of the person;
  - (ii) the educational or other qualifications and experience of the person, having regard to the nature of the role or functions that, if the application is allowed or granted, the person will perform;
  - (iii) the ability of the person to carry on the regulated activity competently, honestly and fairly;
  - (iv) the ability of the person to ensure a satisfactory standard of governance organization and operational conduct; and
  - (v) the reputation and character of —
    - (aa) where the person is an individual; or

- (bb) where the person is a legal entity, the legal entity and any director, shareholder, chief executive officer and any other officer;
- (b) a person carries on carbon trading business —
  - (i) in The Bahamas, if irrespective of physical location, the person offers carbon trading business to Bahamian residents from anywhere in the world;
  - (ii) from within The Bahamas, if the person being a legal entity registered or incorporated under the laws of The Bahamas, offers carbon trading business to persons outside or within The Bahamas.

### **3. Application of Act.**

This Act shall apply to —

- (a) any person who participates in the promotion, marketing, arranging, purchase or sale of carbon trading products; and
- (b) any legal entity carrying on a carbon trading business irrespective of the physical location from which the activity is carried out.

## **PART II – ADMINISTRATION OF ACT**

### **4. Securities Commission to administer Act.**

- (1) This Act shall be administered by the Securities Commission of The Bahamas.
- (2) Pursuant to section 5(1)(a), the Commission shall regulate and supervise carbon trading and carbon trading businesses and their activities in The Bahamas for the purpose of ensuring the —
  - (a) orderly development and continuation of carbon trading activities in The Bahamas; and
  - (b) development and maintenance of investor protection standards with respect to carbon trading business.

### **5. Functions and powers of Commission.**

- (1) For the purposes of this Act, the functions of the Commission are —
  - (a) to regulate, monitor and supervise carbon trading and persons conducting carbon trading business in or from within The Bahamas;
  - (b) to develop rules, guidance and codes of practice in connection with the conduct of carbon trading business;

- (c) to advise the Minister on all matters relating to carbon trading business; and
  - (d) to promote investor education and other conditions that facilitate innovation and development of carbon trading businesses within The Bahamas.
- (2) For the purpose of the discharge of its functions under subsection (1), the Commission shall have the power to —
- (a) approve and regulate a carbon trading business;
  - (b) regulate carbon trading products;
  - (c) make and issue rules on the conduct of carbon trading businesses;
  - (d) take enforcement action against any person for failing to comply with this Act;
  - (e) publish notices, guidelines, bulletins, and policies regarding the interpretation, application or enforcement of the Act and any rules or regulations issued under this Act;
  - (f) prescribe fees payable to the Commission for the purposes of carrying out its functions under this Act;
  - (g) make recommendations to the Minister for regulations;
  - (h) prescribe whether certain carbon trading products may be limited to accredited investors or another class of purchasers; and
  - (i) do all things, and take all actions, which may be necessary or expedient or are incidental to the discharge of any function or power given to the Commission.

## **PART III – REGISTRATION AND REGULATION OF CARBON TRADING BUSINESSES**

### **CARBON TRADING BUSINESSES**

#### **6. Forms of carbon trading businesses.**

A carbon trading business includes the business of —

- (a) a carbon trading exchange;
- (b) a carbon credit verification body;
- (c) a carbon trading registry;
- (d) any registrant under section 9 of this Act whose additional activity relates to or is in connection with a carbon trading product; and
- (e) any other activity which may be prescribed by regulations.

**7. Prohibition to carry on unregistered carbon trading business.**

No person shall carry on or shall be involved in a carbon trading business in or from within The Bahamas, or purport to do so, unless that person is a legal entity registered under section 8 or 9.

**8. Registration of a carbon trading business.**

- (1) Subject to subsection (4), a legal entity intending to provide or which is providing services as a carbon trading business shall apply to be registered under the provisions of this Act by submitting to the Commission, the following –
  - (a) a completed Form 1 set out under Part A of the *First Schedule* which application shall be accompanied by —
    - (i) a copy of a detailed and up to date business plan of the applicant, including financial and operational projections, staffing requirements, and technological requirements, as applicable;
    - (ii) evidence of the applicant’s good standing in accordance with section 277 of the Companies Act (*Ch. 308*);
    - (iii) a certified copy of the applicant’s Memorandum and Articles of Association, or equivalent constitutive documents;
    - (iv) a schedule of proposed fees for services rendered by the business;
    - (v) evidence of the applicant’s registration with any other regulatory authority, if applicable; and
    - (vi) any other information or document as may be required by the Commission;
  - (b) a completed Form 2 set out under Part A of the *First Schedule* in respect of each beneficial owner, security holder, director and officer of the applicant carbon trading business;
  - (c) a completed Form 3 set out under Part A of the *First Schedule* with respect to the Chief Executive Officer and the Compliance Officer; and
  - (d) the application fee as may be prescribed.
- (2) The Commission may grant or refuse an application made under subsection (1).
- (3) A person who intends to register a carbon trading business operating as a carbon trading exchange, shall in addition to complying with subsection (1), also apply for registration in accordance with section 15.
- (4) All registrations shall be renewed annually by the 31<sup>st</sup> day of January of each year and for such renewal, a registrant shall —

- (a) pay the prescribed annual fee; and
  - (b) submit the prescribed Annual Update and Declaration Form, and where applicable, a current copy of the registrant's insurance policy to the Commission.
- (5) Where a registration is not renewed by the annual renewal date, a registrant shall in addition to the outstanding annual fee pay an automatic penalty of ten percent of the prescribed annual fee to the Commission, which penalty shall not be set off against the prescribed annual fee.
- (6) A registration shall be automatically revoked where, more than thirty days have elapsed after the annual renewal date and a registrant has either failed to submit the prescribed Annual Update and Declaration Form or pay the prescribed annual fee.
- (7) Where a registration has been revoked under subsection (6), the registration may be restored by the Commission if, within thirty days of the revocation date, the registrant —
- (a) applies to the Commission for restoration;
  - (b) pays an administrative penalty of twenty percent of the annual fee due; and
  - (c) as applicable, submits —
    - (i) the annual update and declaration form;
    - (ii) a copy of the registrant's insurance policy; or
    - (iii) pays the outstanding annual fee.
- (8) For the purpose of subsection (6), and where a registrant has made no application for restoration under subsection (7), the Commission shall remove the registrant from the register required to be kept and maintained under section 12.

**9. Carbon trading business as additional activity of a person registered with the Commission pursuant to another act supervised by the Commission.**

- (1) Where a person is registered with the Commission pursuant to another act supervised by the Commission and intends to operate a carbon trading business as an additional activity is either —
- (a) registered under the Securities Industry Act as a marketplace, clearing facility or to deal in securities, arrange deals in securities, manage securities or advise on securities;
  - (b) licensed as an investment fund administrator under the Investment Funds Act;
  - (c) registered as a digital asset business under the Digital Assets and Registered Exchanges Act; or

- (d) licensed as a financial or corporate service provider under the Financial and Corporate Service Providers Act,

such person shall apply to be registered under this Act by submitting the completed Form 1 set out under Part B of the *First Schedule*, including, without limitation, a detailed plan as to how such person intends to operate the services related to the carbon trading business in accordance with and in furtherance of the carbon trading core principles.

- (2) Where a person is registered under this Act with respect to one or more carbon trading business activities, and intends to provide an additional carbon trading business service, such person shall apply by submitting a completed Form 1 under Part B of the *First Schedule* to the Commission no later than thirty days prior to commencing the provision of such services, and shall also submit to the Commission —
- (a) a copy of a detailed and up to date business plan, including financial and operational projections, staffing qualifications and requirements, and technological requirements;
  - (b) if the additional business is a carbon trading exchange, a copy of the rules of the carbon trading exchange including rules for admission to listing of carbon trading products on the carbon trading exchange;
  - (c) a copy of a detailed plan setting forth how such person intends to operate the carbon trading business in accordance with and in furtherance of the carbon trading core principles;
  - (d) a schedule of proposed fees for the services to be rendered by the carbon trading business; and
  - (e) the application fee as may be prescribed.
- (3) The Commission shall provide approval for the additional activity within twenty-one days upon receiving an application under subsection (2).

## **10. Duty to notify changes relating to application for registration.**

A person registered under this Act shall immediately notify the Commission by filing the completed Form set out in the *Second Schedule* of any change relevant to its application for registration concerning —

- (a) address for service;
- (b) contact information, including email address and phone numbers;
- (c) physical business address;
- (d) insurance coverage;
- (e) attorneys and corporate officers;
- (f) compliance officer; or
- (g) a money laundering reporting officer.

**11. Financial requirements of carbon trading businesses**

Registrants shall meet all financial requirements as may be prescribed.

**12. Commission to maintain register of carbon trading businesses.**

The Commission shall establish and maintain a register of carbon trading businesses which shall —

- (a) be kept in electronic format and any other format as the Commission may determine;
- (b) include in respect of every carbon trading business —
  - (i) the name and address of the carbon trading business;
  - (ii) the regulatory licenses or registrations held by the business including any foreign licenses or registrations;
  - (iii) the form of carbon trading business of the registrant;
  - (iv) the name of its principals, directors or other person with management control;
  - (v) any conditions imposed by the Commission; and
  - (vi) any other information deemed relevant by the Commission; and
- (c) be accessible for viewing on the Commission’s website.

**13. Commission’s prior approval for certain changes.**

No registrant shall, without the prior written approval of the Commission —

- (a) expand the scope of its activities;
- (b) merge with another entity;
- (c) issue, transfer or otherwise dispose of its shares;
- (d) appoint a new director or partner;
- (e) appoint a CEO, compliance officer or money laundering reporting officer;
- (f) add to or reduce its shareholders;
- (g) change or modify its name; or
- (h) appoint any auditor.

**ADDITIONAL REQUIREMENTS FOR CARBON TRADING EXCHANGES**

**14. Prohibition to operate unregistered carbon trading exchange.**

No person shall offer services as a carbon trading exchange unless registered under this Act.



**15. Application for registration of carbon trading exchange.**

Subject to section 9, a legal entity intending to establish and operate a carbon trading exchange shall in addition to making an application in accordance with section 8 —

- (a) make application to the Commission by submitting Form 1 set out under Part C of the *First Schedule*, which shall include a detailed plan as to how the carbon trading exchange will operate in accordance with and in furtherance of the carbon trading core principles;
- (b) provide to the Commission for its approval a copy of the rules of the exchange including rules for admission to listing of carbon trading products on the exchange; and
- (c) submit to the Commission —
  - (i) the applicable fee as may be prescribed; and
  - (ii) any other document or information the Commission may require.

**16. Approval or refusal of application.**

- (1) The Commission shall approve or refuse an application under this Part in its discretion.
- (2) The Commission may approve an application for registration where satisfied that an applicant under this Part —
  - (a) is incorporated, established or registered under any law of the Commonwealth of The Bahamas;
  - (b) is fit and proper;
  - (c) has sufficient capacity and resources to conduct an activity under this Act; and
  - (d) will operate the carbon trading exchange in a manner consistent with and in furtherance of the carbon trading core principles.
- (3) An applicant shall demonstrate to the Commission that it has —
  - (a) appropriate and sufficient systems and controls to perform its functions and manage its risks, including fraud and market abuse;
  - (b) the ability to meet solvency standards and levels of capital as may be prescribed by regulations; and
  - (c) has designed a carbon trading framework which addresses but is not limited to the following —
    - (i) technology and security;
    - (ii) governance;
    - (iii) scalability;

- (iv) identified risk framework; and
- (v) data protection and storage.

**17. Adequate systems and controls for carbon trading exchanges.**

A carbon trading exchange shall ensure that the systems and controls used in its activities are adequate and appropriate for the scale and nature of its business, including systems and controls which adequately and appropriately address —

- (a) the recording, storing, protecting and transmission of information;
- (b) the continued operation of the carbon trading exchange in accordance with, and in furtherance of the carbon trading core principles;
- (c) the effecting and monitoring of transactions;
- (d) the operation of the arrangements made for securing the timely discharge, whether by performance, compromise or otherwise, of the rights and liabilities of the parties to transactions;
- (e) the safeguarding and administration of assets belonging to investors; and
- (f) an event of disruption, business continuity and planning.

**18. Carbon trading exchange to satisfy ongoing requirements.**

A carbon trading exchange shall satisfy any ongoing requirements as may be prescribed.

## ADDITIONAL REQUIREMENTS RELATING TO CARBON TRADING REGISTRIES

**19. Opening of account at a carbon trading registry.**

Each carbon trading business shall open and maintain an account at a carbon trading registry for the trading, delivery, receipt and transfer of title to tradeable carbon credits.

**20. Suspension of account at a carbon trading registry.**

- (1) Pursuant to Part VI of this Act, the Commission may order the carbon trading registry to suspend a carbon trading registry account of any carbon trading business for a period of not exceeding one year and shall notify the carbon trading registry of such suspension if the Commission reasonably believes that —
  - (a) any information given in relation to the registration of the carbon trading business was false or misleading in any material particular;

- (b) there has been unauthorised access to the account;
  - (c) the account is used or intended to be used for purposes of a criminal offence;
  - (d) the carbon trading business is operating in violation of this Act; or
  - (e) any tradeable carbon credit in the account was obtained through fraud or any other unlawful means.
- (2) For so long as a carbon trading registry account is suspended —
- (a) no tradeable carbon credits may be purchased and credited into the account; and
  - (b) no tradeable carbon credits in the account may be transferred to another carbon trading registry account or surrendered;
- (3) If the Commission is satisfied that there is good reason to do so, the Commission may —
- (a) extend the period of the suspension for any further period or periods, each not exceeding one year; or
  - (b) lift the suspension before the period of suspension expires.

## **21. Closing of account at a carbon trading registry.**

- (1) Pursuant to Part VI of this Act, the Commission may order a carbon trading registry to close the carbon trading registry account of any carbon trading business in any of the following circumstances —
- (a) if the carbon trading business ceases to be a registrant;
  - (b) if the Commission is satisfied that the account has been, is being or is intended to be used for the commission of any criminal offence;
  - (c) if the account has been inactive for five years from the last transaction carried out on the account;
  - (d) in any other circumstances as may be prescribed.
- (2) Before ordering the closing of the carbon trading registry account, the Commission must give the account holder written notice of the Commission's intention to do so if —
- (a) unless otherwise prescribed, the proposed closure is pursuant to subsection (1)(b) or (c); or
  - (b) the proposed closure is pursuant to circumstances prescribed under subsection (1)(d), and this subsection is prescribed as applying with respect to those circumstances.
- (3) A written notice given under subsection (2) must state —
- (a) the consequences of closing the carbon trading registry account mentioned in subsection (6) below; and

- (b) the date by which any written objection to the proposed closure must be given to the Commission, which must be a date at least thirty days after the date of the service of the notice.
- (4) The Commission must not order the closing of the carbon trading registry account if the Commission receives a written objection from the registered person to the proposed closure by the date mentioned in subsection (3)(b), unless the Commission is satisfied that the objection is frivolous or vexatious or has been withdrawn.
- (5) The Commission may order the closing of the carbon trading registry account if the Commission does not receive a written objection from the registered person by the date mentioned in subsection (3)(b).
- (6) Upon closing the carbon trading registry account of the account holder under this section, the Commission shall have the power to order the carbon trading registry to —
  - (a) cancel all tradeable carbon credits remaining in the carbon trading registry account and remove them from the carbon trading registry account; and
  - (b) refund the registered person an amount equal to the carbon price of any such tradeable carbon credits cancelled and removed.
- (7) An account holder is not entitled to a refund under subsection (6) if the cancellation and removal resulted from the closure of the carbon trading registry account under subsection (1)(b).

## **22. Registration of carbon trading registry**

- (1) No person shall carry on the business of a carbon trading registry in or from within The Bahamas unless that person is a legal entity registered under section 8 or 9.
- (2) The Commission shall only approve a carbon trading registry if such an entity verifies in accordance with —
  - (a) International Standards or by the International Accreditation Forum or other recognized organizations of accredited bodies as determined by the Commission; and
  - (b) the carbon trading core principles.
- (3) A carbon trading registry registered in The Bahamas shall be a carbon trading business subject to the provisions of this Act.

## ADDITIONAL REQUIREMENTS FOR CARBON CREDIT VERIFICATION BODIES

### **23. Verification requirement for tradeable carbon credits.**

Only tradeable carbon credits that have been certified by a carbon credit verification body pursuant to either section 24 or 25 may be —

- (a) transferred on a carbon trading registry;
- (b) traded on a carbon trading exchange; or
- (c) otherwise transacted in by a carbon trading business.

### **24. Approval of carbon credit verification bodies.**

The Commission shall maintain a list of carbon credit verification bodies that do not carry on a carbon trading business in or from within The Bahamas but that are recognized as conducting verification in accordance with International Standards or by the International Accreditation Forum or other organizations of recognized accredited bodies as determined by the Commission and whose verification shall meet the requirement set forth in section 23 of this Act.

### **25. Registration of carbon credit verification bodies.**

- (1) No person shall carry on the business of a carbon credit verification body in or from within The Bahamas unless that person is a legal entity registered under section 8 or 9.
- (2) The Commission shall only approve a carbon credit verification body if such an entity verifies in accordance with International Standards and the carbon trading core principles.
- (3) A carbon credit verification body registered in The Bahamas shall be a carbon trading business subject to the provisions of this Act.

## SUSPENSION, REVOCATION OR SURRENDER OF REGISTRATION

### **26. Suspension or revocation of registration.**

- (1) The Commission may suspend or revoke the registration of a carbon trading business where —
  - (a) the carbon trading business is unable to meet the requirements for continued operation or has failed to comply with the provisions of this Act or any regulations, rules or guidelines made and issued hereunder;
  - (b) suspension or revocation would be in the public interest;

- (c) the carbon trading business is being marketed or advertised in a manner that is fraudulent or misleading;
  - (d) any operator or issuer of the carbon trading business is convicted of a criminal offence involving fraud or dishonesty;
  - (e) the carbon trading business is declared bankrupt or goes into liquidation or makes a composition with its creditors or is otherwise dissolved;
  - (f) at the written request of another competent regulatory authority which is carrying out regulatory functions in relation to the relevant registrant;
  - (g) the carbon trading business is being conducted in breach of this Act or in breach of any other law of The Bahamas;
  - (h) any information furnished to the Commission to obtain registration and during the course of such registration is false or misleading;
  - (i) the registration has been obtained by fraud;
  - (j) the Commission considers that the persons operating the carbon trading business is no longer a fit and proper person to provide the service;
  - (k) the Commission has been furnished with information by or on behalf of the carbon trading business, which is false, inaccurate or misleading;
  - (l) the carbon trading business has not commenced the services it has been authorised to provide within twelve months from the date of issue of the registration;
  - (m) in the case of a carbon trading exchange —
    - (i) the carbon trading exchange is not operating in accordance with and in furtherance of the carbon trading core principles; or
    - (ii) the carbon trading exchange has ceased to provide carbon trading exchange services.
- (2) Subject to subsection (3), where a decision to suspend or revoke a registration has been made, the Commission may issue a notice of suspension to the registrant, at least fourteen days prior to the effective date of the suspension or revocation, and the carbon trading business shall have seven days from the receipt of such notice to respond.
- (3) Notwithstanding subsection (2), the Commission may —
- (a) suspend the registration of the carbon trading business without prior notice, where the Commission deems that an immediate suspension of the registration of the carbon trading business is necessary to protect the public; or

- (b) revoke the registration of a carbon trading business —
  - (i) without suspension, where the carbon trading business has voluntarily surrendered its registration;
  - (ii) without suspension, where any of the matters referred to in section (1)(b) – (m) is of such a nature that it is in the best interest of the public to revoke the registration; or
  - (iii) where, having had its registration suspended, the registrant has failed to comply with any conditions imposed or directions given by the Commission within the stipulated timeline.
- (4) Where the Commission has suspended the registration of a carbon trading business, the Commission may impose such conditions upon or give such directions to the registrant, including the time line for compliance, with which conditions or directions the registrant must comply.
- (5) The Commission may reinstate a suspended registration where satisfied that the carbon trading business has met the conditions imposed or the directions given at the time of suspension.
- (6) The Commission may reinstate a suspended registration with or without conditions in its discretion.
- (7) Upon the revocation of a registration issued under the provisions of this Act, the Commission shall notify —
  - (a) any relevant licensing or regulatory authority; and
  - (b) members of the public,by notice posted on the Commission’s website and published in the Gazette.

## **27. Surrender of registration.**

- (1) With the approval of the Commission, a registrant may voluntarily surrender its registration by written notice to the Commission at any time after the registration has been granted, and such surrender shall be irrevocable.
- (2) Where the Commission approves a surrender of registration, the provisions of section 28 shall apply.

## **28. Process following surrender or revocation.**

- (1) Where —
  - (a) the Commission has issued a notice pursuant to section 26(2) without objection from a registrant; or
  - (b) registration has been voluntarily surrendered,

the registrant shall, within seven days of receiving the Commission's suspension or revocation notice, or submitting its written notice of surrender, prepare and submit a written plan to the Commission setting out the steps the registrant will follow to cease operations.

- (2) The plan required under subsection (1) shall stipulate and provide the details with respect to —
  - (a) the identity of the individual who will manage the registrant's cessation of business operations;
  - (b) the length of time required to cease business operations;
  - (c) the manner in which client files will be closed and secured;
  - (d) client notification procedures; and
  - (e) client transfer procedures where applicable.
- (3) Upon the Commission's approval of a plan submitted by the registrant, the Commission —
  - (a) shall supervise the execution of the plan; and
  - (b) may give directions to the registrant to protect the interest of investors or purchasers, with which such directions the registrant shall comply.

## **29. Winding up or dissolution.**

Where the Commission has revoked a licence in any of the circumstances under section 26(1), the Commission may apply to the court for the —

- (a) registrant to be wound up or dissolved; or
- (b) court supervision of any application by the registrant for winding up or dissolution.

## **DATA PROTECTION**

### **30. Record keeping and prevention of unauthorized data access.**

- (1) A registrant shall implement and maintain where applicable record keeping measures for the accurate collection of information and documents related to the originator and beneficiary of carbon trading products.
- (2) Every registrant shall implement and maintain data protection measures consistent with the Data Protection (Privacy of Personal Information) Act concerning the protection of personal data relative to its customers and as may be prescribed.



## CONDUCT AND COMPLIANCE

### **31. Duty to maintain professional conduct.**

Every carbon trading business registered under this Act shall, in conducting its business activities —

- (a) act honestly and fairly;
- (b) act with due skill, care and diligence;
- (c) observe and maintain a high standard of professional conduct;
- (d) refrain from engaging in any improper or illegal conduct;
- (e) maintain adequate financial resources and solvency;
- (f) have effective arrangements in place for the protection of client assets and money;
- (g) operate the carbon trading business in accordance with the carbon trading core principles;
- (h) have effective corporate governance arrangements consistent with guidelines issued by the Commission; and
- (i) have systems in place to prevent, detect and disclose money laundering, terrorist or proliferation financing and suspicious transactions pursuant to the provisions of the Proceeds of Crime Act, the Anti-Terrorism Act and the Financial Transactions and Reporting Act.

### **32. General duty to comply and cooperate.**

- (1) Every carbon trading business shall comply with this Act and shall —
  - (a) deal openly and honestly and cooperatively with the Commission;
  - (b) duly provide information relevant to the operations of the carbon trading business as the Commission may require; and
  - (c) submit to on-site or off-site examinations of the carbon trading business as required by the Commission in the exercise of its functions.
- (2) For the purpose of subsection (1), compliance with this Act shall be considered a part of the minimum criteria for continued registration.

## ANTI-MONEY LAUNDERING, COUNTERING THE FINANCING OF TERRORISM AND PROLIFERATION PREVENTION MEASURES

### **33. Prevention of money laundering and countering proliferation and terrorism financing.**

Where a carbon trading business provides services involving the sale, exchange, or transfer of a tradeable carbon credit, it shall, with respect to its own activities and such tradeable carbon credits, for the purpose of risk management and the prevention of money laundering and countering proliferation and terrorism financing —

- (a) conduct a risk assessment;
- (b) implement and maintain policies and procedures to ensure compliance with provisions of the Proceeds of Crime Act, Anti-Terrorism Act and the Financial Transactions Reporting Act; and
- (c) comply with the rules, policies and guidelines made and issued by the Commission on risk management and the prevention of money laundering and countering proliferation and terrorism financing.

## **PART IV – APPROVAL OF CARBON TRADING PRODUCTS**

### **34. Approvals of carbon trading products.**

- (1) An application for approval of a carbon trading product shall be —
  - (a) submitted using Form 1 set out under Part D of the *First Schedule*;
  - (b) accompanied by —
    - (i) the application fee as may be prescribed; and
    - (ii) any supplementary information requested by the Commission.
- (2) The Commission shall within thirty days from the receipt of the application, determine whether the application meets the requirements of this Act.
- (3) Filings, regulation and disclosure with respect to carbon securities shall follow the provisions of Part IX and other pertinent provisions of the Securities Industry Act.
- (4) Filings, regulation and disclosure with respect to carbon linked digital assets shall follow the provisions of Part IV and other pertinent provisions of the Digital Assets and Registered Exchanges Act.
- (5) A carbon trading exchange shall apply for listing of a carbon trading derivative no later than forty-five days before such carbon trading derivative is listed on the carbon trading exchange.

- (6) Tradeable carbon credits that are accredited by a carbon credit verification body may be listed on a carbon trading exchange without application for listing or other action on the part of the Commission.

**35. Approval of application.**

Where, following a review of the application and documents submitted in relation to a carbon trading product, the Commission does not object to the application for registration, the Commission shall thereafter approve the carbon trading product.

**36. Powers of Commission in connection with the approval process.**

The Commission may —

- (a) order the modification of a carbon trading product;
- (b) suspend any carbon trading product listing with notice in writing to the carbon trading exchange if the Commission reasonably suspects that the listing is in breach of this Act or in a manner that is injurious to the public;
- (c) require the amendment or removal of any advertisement, material or publication on the carbon trading exchange’s website concerning the carbon trading product which the Commission considers as inaccurate or misleading; or
- (d) publish a notice advising the public of any action taken pursuant to this section.

## **PART V – INVESTIGATION AND COOPERATION**

**37. Power to inspect and investigate.**

- (1) The Commission shall have power to conduct on-site or off-site inspections of the business of any registrant under this Act to determine whether such person is complying with —
  - (a) the provisions of this Act or any regulations, rules or guidance issued in accordance with the provisions of this Act;
  - (b) the Financial Transactions Reporting Act and any other anti-money laundering or counter-financing of terrorism laws; or
  - (c) any other relevant law.
- (2) Notwithstanding subsection (1), the Commission shall have power to conduct such investigation as it considers necessary for the purpose of satisfying itself that —

- (a) a person registered under this Act is complying with subsection (1) (a), (b), or (c); or
- (b) no persons that are required to be registrants but are not so registered are engaged in an activity regulated under the provisions of this Act.

**38. Agents to conduct inspections and investigations.**

- (1) The Commission may engage a qualified person to conduct an inspection or investigation (“hereinafter referred to as an agent”), at the expense of the registrant, on behalf of and the direction of the Commission in accordance with section 39.
- (2) The person engaged as an agent under subsection (1) shall, at the conclusion of an inspection or investigation, produce and submit to the Commission, a written report of the findings of the inspection or investigation.

**39. Cooperative power.**

- (1) At the request of a domestic regulatory authority, the Commission may exercise its powers under this Act to assist with the performance by the domestic regulatory authority of its functions.
- (2) Notwithstanding section 28(1) of the Securities Industry Act the Commission may provide information, documents or material it has acquired in the exercise of its functions under this Act to any other domestic regulatory authority where the Commission considers such information may be relevant to the functions of such other domestic regulatory authority or as a necessary part of a framework for consolidated supervision, oversight or regulation of the financial services sector.
- (3) The Commission may provide assistance to an overseas regulatory authority where satisfied that —
  - (a) such assistance may be relevant to the functions of the overseas regulatory authority and is intended to enable such authority to carry out the supervision, investigation or enforcement to which the request relates;
  - (b) overseas regulatory authority has given a written undertaking that any material obtained pursuant to its request shall not, except with the approval or consent of the Commission be —
    - (i) used for any purpose other than a purpose that is specified at the time of the request; and
    - (ii) disclosed to any third party, other than a designated third party;

- (c) the material requested is of sufficient importance to the carrying out of the supervision, investigation or enforcement to which the request relates and cannot reasonably be obtained by any other means;
  - (d) the matter to which the request relates is of sufficient gravity; and
  - (e) the provision of the requested assistance will not be contrary to the national interest of The Bahamas or the interest of the investing public.
- (4) The Commission may, in determining whether to provide assistance to an overseas regulatory authority, consider whether —
- (a) the act or omission that is alleged to have breached the law or regulatory requirement to which the request relates would, if it had occurred in The Bahamas, be enforceable under this Act;
  - (b) the overseas regulatory authority has given or is willing to give an undertaking to the Commission to —
    - (i) comply with a future request by the Commission to the overseas regulatory authority for similar assistance; and
    - (ii) contribute towards the costs of providing the assistance that the overseas regulatory authority has requested.
- (5) Pursuant to subsection (3), and notwithstanding any obligations as to secrecy or restrictions on the disclosure of information by virtue of any written law, any rule of law, any contract or any rule of professional conduct, the Commission may in relation to a request from an overseas regulatory authority —
- (a) transmit to the overseas regulatory authority any material in the possession of the Commission that is requested by the authority;
  - (b) order any person to furnish the Commission with any material that is requested by the overseas regulatory authority, that the Commission may then transmit to that authority;
  - (c) order any person to give the Commission assistance in connection with a request made by an overseas regulatory authority; or
  - (d) order any person to make an oral statement to the Commission on any information requested by the overseas regulatory authority, record such statement, and transmit the recorded statement to that authority.
- (6) A person shall not be required to disclose information or produce a document which that person would be entitled to refuse to disclose or produce on the grounds of legal professional privilege in court proceedings, and the information or documents shall be deemed to be privileged if it was given to the person as a professional legal advisor —

- (a) by, or by a representative of, a client of the advisor in connection with the giving of legal advice to the client;
  - (b) by, or by a representative of, a person seeking legal advice from the advisor; or
  - (c) by any person —
    - (i) in contemplation of, or in connection with, legal proceedings; and
    - (ii) for the purpose of those proceedings.
- (7) Where a person in possession of any document required to be produced in response to an order made under subsection (5) claims a lien on the document —
- (a) the requirement to produce the document shall not be affected by the lien;
  - (b) no fees shall be payable for or in respect of the production; and
  - (c) the production shall be without prejudice to the lien.
- (8) No civil or criminal proceedings, except for an offence under subsection (9) shall lie against any person, who in compliance with an order made under subsection (4), —
- (a) furnishes the Commission with any information or material in any form, including any document or copy thereof;
  - (b) makes a statement to the Commission in good faith; or
  - (c) gives assistance to the Commission by doing or omitting to do any act, if the doing or omission of the act is done in good faith.
- (9) It shall be an offence, punishable on summary conviction to a fine not exceeding one hundred thousand dollars, for any person, in response to an order made under subsection (4), to —
- (a) without reasonable excuse, refuse or fail to comply with the order;
  - (b) knowingly furnish the Commission with any false or misleading information or material in any form, including any document or copy thereof; or
  - (c) knowingly make a statement to the Commission that is false or misleading in a material particular.
- (10) In the exercise of its cooperative power under this section, the Commission shall have authority to enter into a memoranda of understanding with an overseas regulatory authority subject to the following —
- (a) the memoranda of understanding shall be —

- (i) for the mutual and reciprocal assistance of an overseas regulatory authority, or any designated third party, in carrying out supervision, investigation or enforcement functions;
  - (ii) related to the consolidated supervision with an overseas regulatory authority, or designated third party; or
  - (iii) for the purpose of the Commission’s supervision, investigation or enforcement functions under this Act, or any other lawful purpose;
- (b) the scope of the memoranda of understanding shall not exceed the Commission’s powers under the provisions of this section; and
- (c) notice of the memoranda of understanding is issued to the Ministry of Finance and published on the Commission’s website and in the Gazette.
- (11) For the purpose of this section —
- “designated third party”** includes —
- (a) a person or body responsible for supervising the relevant regulatory authority;
  - (b) any authority responsible for carrying out the supervision, investigation or enforcement of laws alleged to have been breached; or
  - (c) any authority of the foreign jurisdiction, other than the requesting overseas regulatory authority, exercising a function that corresponds to a regulatory function of the Commission under this Act;
- “domestic regulatory authority”** means the body or person in The Bahamas that exercises regulatory, supervisory, enforcement or similar functions as the Commission, and includes —
- (a) regulators supervising financial institutions;
  - (b) securities exchanges;
  - (c) self-regulatory organisations;
  - (d) law enforcement agencies;
  - (e) other governmental or regulatory agencies or Competent Authority; and
  - (f) any other Bahamian authority, as may be approved by the Commission and published in the *Gazette*;
- “enforce”** means to enforce through criminal, civil or administrative proceedings;
- “material”** means any document or information in any form;
- “overseas regulatory authority”** means an authority in a jurisdiction outside The Bahamas that exercises similar functions as the

Commission regulating carbon trading businesses and activities, and includes a designated third party;

“**supervision**” in relation to an overseas regulatory authority, means the taking of any action for the supervision of —

- (a) a carbon trading exchange or any other person regulated or supervised by the overseas regulatory authority; or
- (b) the issue of or trading in carbon trading products in the foreign jurisdiction of the overseas regulatory authority.

## **PART VI – OFFENCES, PENALTIES AND SANCTIONS**

### **OFFENCES AND PENALTIES**

#### **40. Offence.**

- (1) A person who fails to comply with the provisions of this Act commits an offence.
- (2) Every carbon trading business or any of its employees, managers, officers or other connected persons, who —
  - (a) fails to cooperate with the Commission, commits an offence and is liable on summary conviction to a fine not exceeding fifty thousand dollars or imprisonment not exceeding six months or both fine and imprisonment;
  - (b) obstructs or assaults any person appointed by or acting on behalf of the Commission in the conduct of an examination, inspection or an investigation, commits an offence and is liable on summary conviction to a fine not exceeding one hundred thousand dollars or imprisonment not exceeding five years or both fine and imprisonment.
- (3) For the purposes of subsections (2), it shall not be relevant whether the employee, manager, officer or connected person was acting on specific instruction of any individual having control or responsibility for the management or operation of the carbon trading business.

#### **41. Liability of officer, director, etc.**

Where an offence under this Act has been committed and it is proved that the offence occurred with the consent or connivance or gross negligence of any officer, director, manager, partner, or person purporting to act in any such capacity, each such person shall also be guilty of the offence.



**42. General penalty.**

Any person who commits an offence under this Act for which no penalty is provided shall be liable on indictment or summary conviction to a fine not exceeding five hundred thousand dollars or imprisonment up to five years or both a fine and imprisonment.

**43. Misrepresentations.**

A person who —

- (a) wilfully makes any misrepresentation in any document required to be filed or submitted under this Act;
- (b) wilfully makes any statement or gives any information required for the purpose of this Act which he knows to be materially false or misleading; or
- (c) knowingly fails to disclose any fact or information required to be disclosed for the purposes of this Act,

commits an offence and shall be liable on indictment or summary conviction to a fine not exceeding five hundred thousand dollars in respect of each instance or imprisonment up to ten years or to both fine and imprisonment.

## SANCTIONS

**44. Administrative sanction.**

(1) Notwithstanding any other action which may be taken by the Commission, where there has been a failure to comply with this Act, the Commission may impose an administrative sanction for such failure, which sanction may include but not be limited to —

- (a) issuing a public reprimand;
- (b) banning a registrant from carrying on certain activities or operations;
- (c) setting conditions or restrictions on a registrant;
- (d) issuing an order —
  - (i) requiring that a registrant complies with a direction issued by the Commission;
  - (ii) withdrawing an exemption or waiver;
  - (iii) prohibiting a person from acting as a director, partner, or officer of a legal entity;
  - (iv) prohibiting a person from being appointed as auditor;
  - (v) requiring a registrant to make changes to its practices and procedures;

- (vi) for restitution;
  - (vii) for the registrant to temporarily suspend a manager;
  - (viii) for the registrant to remove a director, officer or other senior manager of general partner; or
  - (ix) for disgorgement of profits or unjust enrichment;
  - (e) appointing a person, at the expense of the registrant, to —
    - (i) oversee the affairs of the registrant and report to the Commission; or
    - (ii) assume control of a registrant's affairs who shall, subject to necessary modifications, have all of the powers of a person appointed as a receiver or manager of a business appointed under the law governing bankruptcy or winding up;
  - (f) applying to the court for an order to take such action as the Commission considers necessary to protect the interest of clients or creditors of a registrant;
  - (g) with respect to subsection (1)(d)(ix), requiring a registrant to pay an administrative penalty not exceeding twice the amount of such profits or unjust enrichment;
  - (h) notifying the International Accreditation Forum, third party verification bodies or other recognized international organizations involved in the certification or supervision of carbon trading credit products;
  - (i) revoking a licence pursuant to section 26; or
  - (j) imposing any other penalties, sanctions, or remedies as the circumstances of the case may require.
- (2) The sanctions and actions under subsection (1) may be imposed by the Commission where satisfied that a registrant has —
- (a) breached any provisions of this Act;
  - (b) failed to comply with the Financial Transactions Reporting Act;
  - (c) failed to satisfy the criteria of a carbon credit verification body; or
  - (d) failed to comply with any guidelines issued by the Financial Intelligence Unit pursuant to section 15 of the Financial Intelligence Unit Act.
- (3) Where the Commission imposes a sanction or takes action pursuant to subsection (1) —
- (a) the order shall be in writing;
  - (b) the order shall specify the breach committed by the registrant and the sanction imposed by the Commission;
  - (c) a copy of the order shall be given to the registrant; and

- (d) the order may be enforced in the same manner as an order of the court.

## **PART VII – MISCELLANEOUS**

### **45. Appeals.**

- (1) Any person aggrieved by a decision of the Commission may appeal that decision.
- (2) An appeal under this section shall be to the Supreme Court in accordance with rules of court within thirty days after the Commission's decision has been made.
- (3) Notwithstanding that an appeal has been filed with the court, such appeal shall not act as a stay of the Commission's decision unless the court grants a stay until the disposition of the appeal.
- (4) The Secretary to the Commission shall certify to the Supreme Court —
  - (a) the Commission's decision, together with a statement of reasons for that decision; and
  - (b) the record of correspondence or other material between the Commission that is relevant to the appeal.
- (5) A decision of the court shall not preclude the Commission from making any further decisions upon new material or significant change in the relevant circumstances.

### **46. Administrative proceedings and reviews.**

- (1) Any person directly affected by a decision of the Executive Director or any employee exercising delegated authority from the Commission shall be entitled to a hearing and review that decision.
- (2) A request for the hearing and review of a decision shall be made by notice in writing to the Commission within thirty days after the date the decision was issued.
- (3) Upon a hearing and a review, the Commission may by order confirm the decision under review or make such other decision as the Commission considers proper.
- (4) Notwithstanding the fact that a person requests a hearing and review under subsection (3), the decision under review takes effect immediately but the Commission may grant a stay until disposition of the hearing and review.

**47. Fees.**

- (1) The fees payable in respect of this Act shall be in such amounts as prescribed by the Commission from time to time.
- (2) The fees payable under this Act shall —
  - (a) be payable to the Commission;
  - (b) not form part of the Consolidated Fund; and,
  - (c) be applied by the Commission for the purpose of exercising its powers and performing its functions and duties under this Act.

**48. Rules.**

- (1) In carrying out the purposes of this Act, the Commission may make rules providing for such matters as may be necessary or expedient for giving effect to such purposes, functions and responsibilities.
- (2) The Commission may make Rules to apply and dis-apply the application of this Act to —
  - (a) a person or class of persons;
  - (b) a carbon trading product or class of carbon trading products; or
  - (c) a carbon trading business or class of carbon trading businesses.
- (3) The Commission shall publish, in a daily newspaper of general circulation in The Bahamas and on its website, at least sixty days or some shorter period before the proposed effective date thereof —
  - (a) a copy of any proposed rule; and
  - (b) a concise statement of the substance and purpose of the proposed rule.
- (4) In publishing rules under this Act, the Commission shall give interested parties a reasonable opportunity to make representation with respect to the proposed rules.
- (5) Notwithstanding the requirement to publish and the time period set out in subsection (3), the Commission is not required to comply where —
  - (a) the rule makes no material substantive change in an existing rule;
  - (b) the rule only grants an exemption or relieves a restriction and is not likely to have substantial impact on the interests of person other than those who benefit under it;
  - (c) the Commission, for good cause finds that compliance is impracticable or unnecessary and publishes a concise statement of the reasons for it; or
  - (d) the Commission concludes that there is an urgent need for the proposed rule and compliance would be prejudicial to the public interest.

- (6) The Commission shall furnish the Minister with a copy of the final rule or amendment and where no objection to the rule is made by the Minister within thirty days after the rule was furnished, subsection (8) shall apply.
- (7) Where the Minister objects to a rule or any amendment to a rule, the Commission shall be provided with notice in writing of the reasons for the objection.
- (8) A rule, or any amendment thereof, shall be effective on the date it is published in the Gazette or such later date as may be specified in the rule or amendment.

**49. Regulations.**

The Minister may, after consultation with the Commission, make regulations necessary or expedient for carrying out the purposes of this Act and giving effect to the functions and responsibilities of the Commission under this Act.

**50. Guidelines.**

The Commission may publish guidelines regarding any regulations or rules made pursuant to this Act provided that such guidelines shall not be taken as having the force of law.

**51. Consequential amendments.**

The Acts listed in the first column of the table in the *Third Schedule* are amended to the extent shown in the second column.

**52. Transitional.**

Notwithstanding the provisions of any other law, any person who immediately before the commencement of this Act was engaged in any activity or business regulated under this Act shall —

- (a) be deemed to be engaged in such activity under the provisions of this Act; and
- (b) apply to the Commission for registration within ninety days of the commencement of this Act.

## FIRST SCHEDULE

### PART A

#### Form 1

(section 8)

#### APPLICATION FOR REGISTRATION AS CARBON TRADING BUSINESS

##### **Item 1 – Name of applicant**

State full legal name of the applicant.

##### **Item 2 – Type of Registration Application**

Indicate the carbon trading business for which registration is sought —

- (a) a carbon trading exchange;
- (b) carbon trading registry;
- (c) a carbon credit verification body;
- (d) Other.

##### **Item 3 – Full Business Contact Details of applicant**

State the applicant's principal business address, including website, and provide email address, telephone numbers and fax numbers. If the applicant operates more than one address in The Bahamas, provide details for each office.

##### **Item 4 – Full Details on Beneficial Owner, Significant Interests Holder, Directors, and Officers**

Provide completed Form 2 for each beneficial owner or security holder [1], director, and officer of the applicant.

If the carbon trading products of the applicant are traded on another carbon trading exchange in any jurisdiction, provide full details of listing.

Provide a list of all affiliates of the applicant and indicate nature of relationship, businesses the affiliate is in, where incorporated, etc.

##### **Item 5 – Full Details on Persons to be Carrying on Carbon Trading Business on Behalf of applicant**

Provide completed Form 3 for each person who is to carry on carbon trading business on behalf of the applicant, including Chief Executive Officer Compliance Officer.

##### **Item 6 – Discipline History**

State whether the applicant or any director, officer or significant interest holder of the applicant has ever been –

- (a) disciplined by any exchange, regulatory authority or professional association in any jurisdiction or been denied admission, registration or renewal or had its membership or registration revoked;
- (b) declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud;
- (c) involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn;
- (d) dismissed from any office or employment or barred from entry to any profession or occupation; or
- (e) compulsorily wound up or made any compromise or arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims.

If so, please provide full details.

**Item 7 – Operational Capabilities**

Provide a detailed description of the applicant's operational capabilities, including the physical premises, cybersecurity protocols, data management systems, data protection systems, risk management systems, banking, clearing and custody arrangements, communication capabilities, as applicable.

Provide names and addresses of principal bankers, custodians, asset service providers and other service and technical providers, as applicable.

**Item 8 – Policies and Procedures**

Provide a summary of the applicant's written supervisory, internal controls and risk management policies and procedures, including listing of carbon trading products (in the case of a carbon trading exchange), the creation and maintenance of carbon trading registry reports (in the case of registries), cybersecurity operations, operational controls, AML/CFT policies and controls, reporting policies, code of conduct, etc. as applicable.

Attach a complete copy of these policies and procedures.

**Item 9 – Financial Statements**

The following must be submitted—

Where the applicant has been established within six months of the date of the application and applicant has not commenced operations —

- (a) a statement from the Chief Executive Officer (or equivalent) of the applicant confirming that the applicant has not commenced trading since the date of establishment and that no financial statements have been produced or dividends declared;
- (b) statements of financial position, of the applicant from the establishment of the applicant to the current date; and
- (c) No more than three-year financial projections of the applicant.

For all other applicants –

- (a) audited financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment;
- (b) the auditor's report accompanying the audited financial statements; and
- (c) the interim financial statements of the applicant for the prior two quarters, certified by the Chief Executive Officer (or equivalent) to be true and complete.

If the applicant has any significant interests holders that are companies, the applicant must also submit for each such security holder —

- (a) audited financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment;
- (b) the auditor's report accompanying the audited financial statements; and
- (c) the most recent interim financial statements signed by the Chief Executive Officer (or equivalent), and the Financial Controller (or equivalent) to be true and complete.

**Item 10 – Other Regulatory Approvals**

If the applicant is registered, licensed or authorized by any other regulatory authority in The Bahamas or elsewhere, provide details of that status, including name of authority, type of registration, license or authorization, date of approval, registration number, etc.

**Item 11 – Business Plan**

Provide a copy of the applicant's detailed and up to date business plan, inclusive of financial and operational projections, staffing requirements, a description of products and/or services offered, target market, and technological requirements, etc.

**Item 12- Compliance with Carbon Trading Core Principles**

Provide a copy of the applicant's detailed statement as to how the applicant will comply with the carbon trading core principles and in furtherance thereof.

**Item 13 – Contact Person at applicant**

Give the name, business telephone number, and email address of a senior official of the applicant who is knowledgeable about the application and who may be contacted to discuss it.

**Item 14 – Date the Application**

**Item 15 – Certification and Signature**

Include the signature of two senior officers certifying the following statement —

"We, the undersigned, hereby affirm that to the best of our information, knowledge and belief that —

- a. the applicant is currently in compliance with all the applicable provisions of the Act; and



- b. the contents of this form and any attachments provided with this form are true, correct and not misleading."

**WARNING:** Intentional misstatement or failure to disclose information may constitute an offence.

Required attachments:

1. Copy of the applicant's written supervisory, internal controls and risk management policies and procedures.
2. A copy applicant's detailed and up to date business plan, inclusive of financial and operational projections, staffing requirements, a description of products and/or services offered, target market, and technological requirements, etc.
3. Copies of required financial statements.
4. Evidence that the company has adequate insurance and regulatory capital.
5. An organizational chart for the firm together with job descriptions for each position. (Include total number of employees in the company).
6. Evidence of the applicant's good standing in accordance with section 277 of the Companies Act (*Ch. 308*).
7. A certified copy of the applicant's Memorandum and Articles of association, or equivalent incorporation documents.
8. A schedule of proposed fees for services rendered by the business.
9. Evidence of the applicant's registration with any other regulatory authority, if applicable.
10. Completed Form 2 of the First Schedule in respect of each beneficial owner, significant interest holder, director and officer of the applicant carbon trading business.

Note that where the applicant is a publicly traded entity in The Bahamas or elsewhere, Form 2 is only required to be provided for significant interests holders of the applicant.

**FORM 2**

**PERSONAL QUESTIONNAIRE FOR DIRECTOR, BENEFICIAL OWNER,  
OFFICER AND SIGNIFICANT INTEREST HOLDER FOR PERSONS  
REGISTERED UNDER PART III**

General Instructions:

If insufficient space is provided, please attach a separate sheet of paper.

**WARNING:** Intentional misstatement or failure to disclose information may constitute an offence.

<b>A. Personal Details</b>	
1. Name of the registered person (firm, marketplace, etc.) in connection with which this questionnaire is being completed.	
2. Full legal name of representative: Surname, Given names.	
3. List any previous names of the applicant.	
4. Indicate role(s) in which representative will be acting	Director ( ) Beneficial Owner ( ) Officer ( ) Significant Security Holder ( )
5. Home address	Previous Address 1: Date at this Address:  Previous Address 2: Date at this Address:  Additional as applicable
6. Previous home addresses during the last ten years (With relevant dates)	
7. Date of Birth Place of birth (including town, state and country)	
8. Citizenship	Bahamas ( ) Other ( ) please specify
9. Identification number (Passport No., Number: Voters Registration No., National Identification No., Social Security No., Type: Tax Identification No. or specify other type)	Identification No.: Identification Type:
<b>B. Employment &amp; Education History</b>	

<p>10. Present occupation or employment including:</p> <ul style="list-style-type: none"> <li>i. the name and address of the employer</li> <li>ii. the nature of business</li> <li>iii. title of position held; and</li> <li>iv. relevant start date</li> </ul> <p>Provide the name, position and telephone number of a reference</p>	
<p>11. Prior occupations and employment during the last ten years, including:</p> <ul style="list-style-type: none"> <li>i. the name and address of the employer</li> <li>ii. the nature of business</li> <li>iii. title of position held, and</li> <li>iv. relevant dates (leave no period unaccounted for)</li> </ul>	
<p>12. List prior experience with creation, promotion, purchase or sale of carbon trading products or managing, ownership or operation of a carbon trading business (if none, state none)</p>	<p>For each employer, provide the name, position and telephone number of a reference</p>
<p>13. List companies of which the applicant —</p> <ul style="list-style-type: none"> <li>(a) is a current director or holding significant interest;</li> <li>(b) has been a director or held significant interest (as defined in section 2 of the Act) at any time during the last ten years</li> </ul> <p>(Specify the name of the entity, the country of incorporation, and the nature of business in each case)</p>	<ul style="list-style-type: none"> <li>(a) Current director or holding significant interest</li> <li>(b) has been a director or held a significant interest at any time during the last ten years</li> </ul>
<p>14. Describe the formal education or training the applicant has in carbon trading business (including professional qualifications or degrees and year in which they were obtained).</p>	<p>Please provide evidence of status with any professional membership indicated.</p>
<p>15. Are you or have you ever been a director, officer, held significant interest holder, or been an employee of any other entity registered with the Commission?</p>	<p>No ( ) Yes ( ) If yes, please provide full details.</p>
<p>16. Have you been licensed or registered to work in a similar capacity in any other</p>	<p>No ( ) Yes ( ) (if yes, attach full details, including copy of evidence of</p>

jurisdiction?	such registration or license)
<b>C. Discipline History</b>	
17. Have you or any person with which you were associated as a director, manager, officer or significant interest holder, in any jurisdiction, been disciplined by any stock exchange, securities regulatory body or professional association or been denied admission, registration or renewal or had a membership or registration revoked?	No ( ) Yes ( ) (if yes, attach full details)
18. Have you or any person with which you were associated as a director, manager, officer or significant interest holder, in any jurisdiction, ever been declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud?	No ( ) Yes ( ) (if yes, attach full details)
19. Have you at any time been involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn?	No ( ) Yes ( ) (if yes, attach full details)
20. Have you, in any jurisdiction, been dismissed from any office or employment or barred from entry to any profession or occupation?	No ( ) Yes ( ) (if yes, attach full details)
21. Has any person with which you were associated as a director, manager, officer or significant interest holder, in any jurisdiction been compulsorily wound up or made any arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims, either while you were associated with it or within one year after you ceased to be associated with it?	No ( ) Yes ( ) (if yes, attach full details)
22. In carrying out your duties will you be acting on the directions or instructions of any other person?	No ( ) Yes ( ) (if yes, attach full details)
<b>Date:</b>	<b>Signature of applicant:</b>

***Attestation:***

*"I, the undersigned, hereby affirm that to the best of my information, knowledge and belief the contents of this form and any attachments provided with this form are true, correct and not misleading and that I am in compliance with all the applicable provisions of the Act. I undertake that as long as I continue to be a director, significant interest holder, manager, or officer of the registered person named in item 1, I will —*

- (i) continue to comply with all the applicable provisions of the Act, and*
- (ii) notify the Commission immediately of any material changes affecting the completeness of the answers to any of the questions above.*

*"I also hereby authorize the Commission to make such enquiries and seek such further information as it thinks appropriate in verifying the information given in this Personal Questionnaire, or in any other documents submitted as part of this application, for the purposes of performing its due diligence and background checks. I understand that the results of these checks may be disclosed to the person who submitted this application."*

Other documents to be attached:

1. A copy of Work Permit or Permanent Residence Permit (for Non-Bahamian citizens).
2. A copy of the applicant's passport.
3. Applicant's current Police Certificate from applicant's home country (not more than three months old) or an affidavit in acceptable form, if the Police Certificate is not available and a current Bahamian police certificate (if residing in The Bahamas), or if not available, an affidavit in acceptable form.
4. Two recent photographs of applicant, individually signed on the back by the applicant.

**FORM 3**

**APPLICATION FOR REGISTRATION AS CEO OR COMPLIANCE OFFICER  
OF CARBON TRADING BUSINESS**

**General Instructions:**

If insufficient space is provided, please attach a separate sheet of paper.

**WARNING:** Intentional misstatement or failure to disclose information may constitute an offence.

<b>A. Personal Details</b>	
1. Name of the registered person (firm, carbon trading exchange, carbon trading registry, carbon credit verification body, etc.) in connection with which this questionnaire is being completed.	
2. Full legal name of representative: Surname, Given names.	
3. List any previous names of the applicant.	
4. Indicate role(s) in which representative will be acting	For which CEO ( ) Compliance Officer ( ) Other ( )
5. Indicate if this is an application for reinstatement of a previous registration	No ( ) Yes ( ) (if yes, attach full details)
6. Home address	Previous Address 1: Date at this Address:  Previous Address 2: Date at this Address:  Additional as applicable
7. Previous home addresses during the last ten years (With relevant dates)	
8. Date of Birth Place of birth (including town, state and country)	
9. Citizenship	Bahamas ( ) Other ( ) please specify
10. Identification number (Passport No., Number: Voters Registration No., National Identification No., Social Security No., Type: Tax Identification No. or specify	Identification No.: Identification Type:

other type)	
<b>B. Employment &amp; Education History</b>	
<p>11. Present occupation or employment including:</p> <p>i. the name and address of the employer</p> <p>ii. the nature of business</p> <p>iii. Title of position held; and</p> <p>iv. relevant start date</p> <p>Provide the name, position and telephone number of a reference</p>	
<p>12. Prior occupations and employment during the last ten years, including —</p> <p>i. the name and address of the employer</p> <p>ii. the nature of business</p> <p>iii. Title of position held, and</p> <p>iv. relevant dates (leave no period unaccounted for)</p>	For each employer, provide the name, position and telephone number of a reference
<p>13. List companies of which the applicant —</p> <p>(a) is a current director or holding significant interest</p> <p>(b) has been a director or held significant interest (as defined in section 2 of the Act) at any time during the last ten years</p> <p>(Specify the name of the entity, the country of incorporation, and the nature of business in each case)</p>	<p>(a) Current director or holding significant interest</p> <p>(b) has been a director or held a significant interest at any time during the last ten years</p>
<p>14. Describe the formal education or training the applicant has in carbon trading business (including professional qualifications or degrees and year in which they were obtained).</p>	Please provide evidence of status with any professional membership indicated.
<p>15. List the ownership, management, compliance or operational experience the applicant has in the creation, promotion, purchase or sale of carbon trading products and a carbon trading business (if none, state none)</p>	
<p>16. Are you or have you ever been a director, officer, held significant interest holder, or been an employee of any other</p>	No ( ) Yes ( ) If yes, please provide full details.

entity registered with the Commission?	
17. Have you been licensed or registered to work in a similar capacity in any other jurisdiction?	No ( ) Yes ( ) (if yes, attach full details, including copy of evidence of such registration or license)
<b>C. Discipline History</b>	
18. Have you or any person with which you were associated as a director, manager, officer or significant interest holder, in any jurisdiction, been disciplined by any stock exchange, securities regulatory body or professional association or been denied admission, registration or renewal or had a membership or registration revoked?	No ( ) Yes ( ) (if yes, attach full details)
19. Have you or any person with which you were associated as a director, manager, officer or significant interest holder, in any jurisdiction, ever been declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud?	No ( ) Yes ( ) (if yes, attach full details)
20. Have you or any person with which you were associated as a director, manager, officer or significant interest holder, in any jurisdiction, ever been declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud?	No ( ) Yes ( ) (if yes, attach full details)
21. Have you at any time been involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn?	No ( ) Yes ( ) (if yes, attach full details)
22. Have you, in any jurisdiction, been dismissed from any office or employment or barred from entry to any profession or occupation?	No ( ) Yes ( ) (if yes, attach full details)
23. Has any person with which you were associated as a director, manager, officer or significant interest holder, in any jurisdiction been compulsorily wound up or made any arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet	No ( ) Yes ( ) (if yes, attach full details)



received full settlement of their claims, either while you were associated with it or within one year after you ceased to be associated with it?	
24. In carrying out your duties will you be acting on the directions or instructions of any other person?	No ( ) Yes ( ) (if yes, attach full details)
<b>Date:</b>	<b>Signature of applicant:</b>

**Attestation:**

*"I, the undersigned, hereby affirm that to the best of my information, knowledge and belief the contents of this form and any attachments provided with this form are true, correct and not misleading and that I am in compliance with all the applicable provisions of the Act. I undertake that as long as I continue to be a director, significant interest holder, manager, or officer of the registered person named in item 1, I will*

- (i) continue to comply with all the applicable provisions of the Act, and*
- (ii) notify the Commission immediately of any material changes affecting the completeness of the answers to any of the questions above.*

*"I also hereby authorize the Commission to make such enquiries and seek such further information as it thinks appropriate in verifying the information given in this Personal Questionnaire, or in any other documents submitted as part of this application, for the purposes of performing its due diligence and background checks. I understand that the results of these checks may be disclosed to the person who submitted this application."*

Provide Intended Date of Employment of the applicant:	
Notice: The Registered Carbon Trading Business is required to give immediate notice to the Commission if the applicant does not commence employment with the Carbon Trading Business on the date above.	
Authorisation from Chief Executive Officer (or equivalent) or Director of Registered Carbon Trading Business	
<b>Date</b>	<b>Signature:</b>  <b>Title</b>

Other documents to be attached:

1. A copy of Work Permit or Permanent Residence Permit (for Non- Bahamian citizens).
2. A copy of the relevant pages of the applicant's passport (to include name, date of birth, nationality, signature, expiration date and photograph).
3. Applicant's current Police Certificate (not more than three months old) or an affidavit in acceptable form, from both applicant's home country and The Bahamas (if currently residing in The Bahamas) if the Police Certificate is not available.
4. Two recent photographs of applicant, individually signed on the back by the applicant.
5. Copy of any relevant degree, educational courses passed, and professional qualifications.
6. An application fee to be submitted with this application as prescribed.

**PART B**

**FORM 1**

(section 9)

APPLICATION BY A PERSON THAT IS ALREADY LICENSED OR REGISTERED WITH THE COMMISSION AND INTENDS TO OPERATE A CARBON TRADING BUSINESS AS AN ADDITIONAL ACTIVITY

**Item 1: Full Name of applicant:**

--

**Item 2: License/Registration Number:**

--

**Item 3: Current Registration**

--

Dealing as agent only, including underwriting	
Dealing as agent or principal, including underwriting	
Dealing as agent or principal, including underwriting, restricted to CFDs	
Arranging deals in securities	
Managing securities on a discretionary basis	
Advising on securities	
Market Place or Clearing Facility	
Financial and Corporate Service Provider	
Investment Funds Administrator	
Digital Asset Business	

**Item 4 – Types of Carbon Trading Business**

Carbon Trading Business	Yes
Carbon Trading Exchange	
Carbon Credit Verification Body	
Custodian	

Carbon Trading Registry	
Clearing Facility	
Trade Repository	
Other (specify)	

**Item 5 - Current Regulatory Capital**

- i. Evidence that the applicant meets its current regulatory capital requirements calculated in accordance with the applicable rules.
- ii. Evidence of how the applicant will meet the additional regulatory capital required for the Carbon Trading Business it intends to provide.

If the capital does not meet the minimum capital requirement for the proposed activity(s) under the law, the applicant must, prior to approval for the proposed carbon trading business, provide evidence to the Commission as to how the applicant will increase its regulatory capital to satisfy the minimum capital requirement.

**Item 6 – Details of Information Security Officer**

For the proposed carbon trading business (s), identify the Information Security Officer who will be responsible for overseeing and implementing the registrant’s cybersecurity and data protection program. Include names, addresses, relevant experience, qualifications, rank in the organization, etc.

If the Information Security Officer is to be outsourced, provide the name(s), experience and contact information of the person and/or entity that will provide the outsourced service.

**Item 7 – Any Other Relevant Details**

Include any other information relevant to the Commission’s consideration of this application.

**Item 8 – Contact Person**

Give the name, business telephone number and email address of a senior official (CEO or equivalent) of the applicant who is knowledgeable about the application and who may be contacted to discuss it.

**Item 9 – Date the Application**

**Item 10 – Certification and Signature**

Include the signature of the Chief Executive Officer and Treasurer certifying the following statement:

“We, the undersigned, hereby affirm that to the best of our information, knowledge and belief that

- a. the applicant is currently in compliance with all the applicable provisions of the Securities Industry Act, the Investment Funds Act, 2020, and/or the Financial and Corporate Service Providers Act under which they are registered, as well as the Carbon Credit Trading Act, 2022; and
- b. the contents of this form and any attachments provided with this form are true, correct and not misleading.”

**WARNING:** Intentional misstatement or failure to disclose information may constitute an offence.

Required attachments:

1. Copy of the applicant’s updated and detailed business plan, including financial and operational projections, staffing qualifications and requirements, and technological requirements.
2. A schedule for the proposed fees for the carbon trading business to be rendered.
3. An application fee must be submitted with this application.  
Where the applicant intends to operate a carbon trading exchange, in addition to the attachments previously listed, the following must be provided:
4. Rules of the carbon trading exchange, including rules for admission to listing of carbon trading products on the carbon trading exchange.
5. Evidence of the applicant’s good standing in accordance with section 277 of the Companies Act (Ch. 308).
6. Certified copy of the applicant’s Memorandum and Articles of Association, or equivalent constitutive documents.
7. Evidence of the applicant’s registration with any other regulatory authority, if applicable.
8. Completed form with respect to each beneficial owner, security holder, director and officer of the applicant’s carbon trading business.

**PART C**  
**FORM 1**  
(section 15)

APPLICATION FOR REGISTRATION OF CARBON TRADING EXCHANGE

**Item 1 - Name of applicant**

State the full legal name of the applicant.

**Item 2 - Type of Application**

State whether the applicant is applying for registration as any carbon trading business other than a carbon trading exchange.

**Item 3 - Full Business Contact Details of applicant**

State the applicant's principal business address and provide email addresses, telephone numbers and fax numbers. If the applicant operates at more than one address in The Bahamas, provide details for each office.

**Item 4 - Full Details on Security Holders, Directors and Officers, the carbon trading products of the applicant, or carbon trading exchange in any jurisdiction**

Provide completed Form 2 of Part A for each security holder, director and officer of the applicant.

If the carbon trading products of the applicant are traded on an exchange in any jurisdiction, provide full details of the listing.

Provide a list of all affiliates of the applicant and indicate nature of relationship, business the affiliate is in, where .it is incorporated etc.

**Item 5 - Discipline History**

State whether the applicant or any director, officer or significant security holder of the applicant has ever been:

- (a) disciplined by any stock exchange, regulatory authority or professional association in any jurisdiction or been denied admission, registration or renewal or had its membership or registration revoked;
- (b) declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud;
- (c) involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn;
- (d) dismissed from any office or employment or barred from entry to any profession or occupation; and
- (e) compulsorily wound up or made any arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims. If so, please provide full details.

**Item 6 - Operational Capabilities**

Provide a detailed description of the applicant's operational capabilities, including the physical premises, trading system, clearing and settlement systems, security, communication and market surveillance systems, and staff resources, as applicable.

**Item 7 - Policies and Procedures**

Provide a summary of the applicant's written internal controls, risk management policies and procedures, and compliance with International Standards. Attach a complete copy of these policies and procedures.

**Item 8 - Compliance with Carbon Trading Core Principles**

Provide a copy of the applicant's detailed statement as to how the applicant will comply with the carbon trading core principles and in furtherance thereof

**Item 9 - Rules**

Provide a summary of the applicant's rules/proposed rules including rules regarding membership, compliance with International Standards, listing, business conduct and clearing and settlement, as applicable. Attach a complete copy of these rules.

**Item 10 - Financial Statements The following must be submitted:**

Where the applicant has been established within six months of the date of application and the applicant has not commenced operations:

- (a) a statement from a senior officer of the applicant confirming that the applicant has not commenced trading since the date of establishment and that no financial statements have been produced or dividends declared; and
- (b) a statement of financial position, showing the minimum financial resources required as at a date not more than 21 days before the date of the application.

For all other applicants —

- (a) financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment; and
- (b) the most recent interim financial statements certified by the Chief Executive Officer and the Treasurer to be true and complete.

If the applicant has any significant security holders that are companies, the applicant must also submit for each such security holder: (a) financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment; and (b) the most recent interim financial statements certified by the Chief Executive Officer and the Treasurer to be true and complete.

**Item 11 - Proposed Fees**

Provide a summary of the proposed fee schedule, including, as applicable, fees for membership, listing, execution of trades, clearing and settlement and any other charges. Attach a copy of the complete schedule.

**Item 12 - Other Regulatory Approvals**

If the applicant is registered, licensed or authorized by any other regulatory authority in The Bahamas or elsewhere, provide details of that status, including the name of the regulatory authority, type of registration, license or authorization, date of approval, registration number, etc.

**Item 13 - Business Plan**

Provide a summary of the applicant's business plan for the next three years, which shall include financial and operational projections, staffing requirements and listing projections, as applicable.

**Item 14 - Contact Person at applicant**

Give the name, business telephone number and email address of a senior official of the applicant who is knowledgeable about the application and who may be contacted to discuss it.

**Item 15 - Date the Application**

**Item 16 - Certification and Signature**

Include the signature of the Chief Executive Officer and treasurer certifying the following statement

“We, the undersigned, hereby affirm that to the best of our information, knowledge and belief that:

- a. The applicant is currently in compliance with all the applicable provisions of the Act and these Regulations; and
- b. The contents of this form and any attachments provided with this form are true, correct and not misleading.”

**WARNING:** Intentional misstatement or failure to disclose information may constitute an offence.

Required attachments:

1. Copy of the applicant's internal controls and risk management policies and procedures.
2. Evidence of the applicant's good standing with the Registrar of Companies.
3. Certified copy of the applicant's Memorandum and Articles of Association, or equivalent incorporation documents.
4. Copies of required financial statements.
5. Copy of the rules of the carbon trading exchange or clearing facility, including rules regarding membership, listing, business conduct, and clearing and settlement, as applicable.
6. A schedule of the proposed fees, including fees for membership, listing, execution of trades, clearing and settlement and any other charges.
7. Evidence of the applicant's registration with any other regulatory authority, if applicable.
8. Copy of the applicant's detailed business plan for the next three years, including financial and operational projections, staffing requirements and listing projections, as applicable.
9. Completed Form 4s for each security holder, director and officer.
10. Application fee must be submitted with this application.



**PART D**  
**FORM 1**  
(section 34)

APPLICATION FOR APPROVAL OF TRADEABLE CARBON CREDIT OR  
CARBON DERIVATIVE

Item 1: Full Name of applicant
Item 2: License/ Registration Number
Item 3: Carbon Trading Product Title
Item 4: Relevant Rulebook Chapter
Item 5: Contract Unit
Item 6: Minimum Price Fluctuation
Item 7: Commodity Code
Item 8: Listing Schedule
Item 9: First Listing Month
Item 10: Termination of Trading
Item 11: Settlement Method
Item 12: Final Settlement
Item 12: Algorithmic Matching Method
Item 13: Block Trade Minimum Threshold
Item 14: Trading and Clearing Hours
Item 15: Narrative Description
Item 16: Additional Product Terms

APPLICATION FOR APPROVAL OF CARBON SECURITY OR CARBON  
LINKED DIGITAL ASSET

Carbon Security: In addition to the requirements under the Securities Industry Act, the Commission may request information related to but not limited to the carbon trading core principles.

Carbon Linked Digital Asset: In addition to the requirements under the Digital Assets and Registered Exchanges Act, the Commission may request information related to but not limited to the carbon trading core principles.

**SECOND SCHEDULE**

(section 10)

NOTICE OF CHANGE OF INFORMATION

PERSON REGISTERED UNDER THE CARBON CREDIT TRADING ACT  
ACTIVITIES

**Item 1 - Name**

State full legal name of the person registered or licensed under the Act.

**Item 2 - Full Business Contact Details**

State the person's principal business address and provide email address(es), telephone numbers and fax numbers.

**Item 3 - Category of Registration**

State the person's category or categories of registration or license held under the Act.

**Item 4 – Full Details of Changes Giving Rise to Notice**

Information on Application Form: Attached and marked as an exhibit to this notice is a statement of particulars of any change to any information set out in the person's application to the Commission for registration or licensing, including any claims or changes to the registrant's or registrant's insurance coverage.

**Item 5 - Contact Person**

Give the name, business telephone number and email address of a senior official of the registered or licensed person who is knowledgeable about the notice and who may be contacted to discuss it.

**Item 6 - Date the Notice**

**Item 7 - Certification and Signature**

Include the signature of a senior officer certifying the following statement —

"I, the undersigned, hereby affirm that to the best of my information, knowledge and belief the contents of this form and any attachments provided with this form are true, correct and not misleading."

**WARNING:** Intentional misstatement or failure to disclose information may constitute an offence.

### THIRD SCHEDULE

(section 51)

#### CONSEQUENTIAL AMENDMENTS

<p>Financial Transactions and Reporting Act, 2018 (<i>No. 5 of 2018</i>)</p>	<p>The Financial Transactions and Reporting Act, 2018 (<i>No. 5 of 2018</i>) is amended –</p> <p>(a) in section 2, by the insertion in the appropriate alphabetical order of the following—</p> <p>“<b>carbon trading</b>” has the same meaning assigned to it in the Carbon Credit Trading Act, 2022;</p> <p>“<b>carbon trading business</b>” has the same meaning as assigned in the Carbon Credit Trading Act, 2022;”</p> <p>(b) in section 3(l), by the deletion of paragraph (l) and the substitution of the following paragraphs —</p> <p>“(l) a carbon trading business for the purpose of monitoring and risk assessment; and</p> <p>(m) any other category of institutions that the Minister may by order designate.”.</p>
<p>Proceeds of Crime Act, 2018 (<i>No. 4 of 2018</i>)</p>	<p>The Proceeds of Crime Act is amended in section 2 —</p> <p>(a) by the insertion in the appropriate alphabetical order of the following—</p> <p>”<b>carbon trading</b>” has the same meaning as assigned in the Carbon Credit Trading Act, 2022;</p> <p>“<b>carbon trading business</b>” has the same meaning as assigned in the Carbon Credit Trading Act, 2022;”</p>

## **OBJECTS AND REASONS**

The Carbon Credit Trading Bill, 2022 Bill is complementary to the Climate Change and Carbon Market Initiatives Act, 2022, and establishes a framework for regulating secondary market activity for carbon credits and other carbon trading businesses.

This Bill was prepared by and will be administered by the Securities Commission of The Bahamas and aims to introduce the regulation of the trading of carbon credits and enable the Commission to provide certainty for those persons who have been enquiring on participation in this growing sector. It will establish one of the only formal regulatory frameworks for carbon trading in the world and incorporate both best practices of internationally standard setting bodies, such as the United Nations Framework Convention on Climate Change (“UNFCCC”), and the policies of a number of leading carbon credits jurisdictions involved in carbon trading and related activities.

The Bill contains seven Parts. Part I of the Bill contains the preliminary provisions of the Bill and provides for the Short Title and Commencement in clause 1 of the Bill. The interpretation and Application provisions of the Bill are found in clauses 2 and 3.

Part II of the Bill sets out the administration provisions specifically stipulating that the Commission will administer the Bill in clauses 4 to 5.

Part III of the Bill deals with carbon trading business. Carbon trading business is defined in clause 6 as including a carbon trading exchange, a carbon credit verification body and a carbon-trading registry. Clause 7 prohibits unregistered carbon trading businesses.

Clauses 8 – 13 address the registration of carbon credit businesses. Clause 8 requires the registration of a carbon trading business and the annual renewal of such registration. Clause 9, permits persons registered under the Securities Industry Act, 2011, Investment Funds Act, 2019, or the Financial and Corporate Service Providers Act to apply to add a carbon trading business as an additional activity to their current licenses. Clause 10 requires registrants to notify the Commission immediately of certain changes affecting the information initially submitted for registration.

Clause 11 requires registrants to maintain adequate financial resources, and solvency. Clause 12 requires the Commission to establish and maintain a register of carbon trading business that is accessible to the public. Clause 13 requires the prior written approval of the Commission for specific matters related to the registrant e.g. the expansion of a registrant’s activities, mergers, the appointment or replacement of certain officers and parties to the carbon trading business.

Clauses 14 – 18 set out additional requirements for carbon trading exchanges. Clause 14 prohibits the operation of unregistered carbon trading exchanges and carbon

trading exchanges are required to be registered by the Commission in clause 15. Clause 16 authorizes the Commission to approve or refuse an application for registration of a carbon trading exchange and establishes the basis for such approval or refusal. Clause 17 requires a carbon trading exchange to implement appropriate systems and controls and clause 18 imposes continuing obligations on a carbon trading exchange.

Clauses 19 – 22 set out additional requirements for carbon trading registries. Clause 19 requires carbon-trading businesses to open and maintain an account at a carbon-trading registry to facilitate the trading, delivery, receipt and transfer of title of tradeable carbon credits.

Clause 20 empowers the Commission in certain circumstances, to suspend activities on the account of any carbon trading business held at a carbon-trading registry. The Commission may order a carbon-trading registry to close a the registry's account of any carbon trading business, if the account is de-registered or inactive or is being used or intended to be used for criminal activity, as provided in clause 21. Clause section 22 requires persons to register to carry on the business of a carbon-trading registry.

Clauses 23 – 25 address verification bodies. Clause 23 requires that only verified carbon credits to be traded on a carbon trading exchange. Clause 24 requires the Commission to maintain a list of recognized carbon credit verification bodies and requires the registration of verification bodies in clause 25 of the Bill.

Clauses 26 – 29 set out provisions related to the revocation and surrender of registrations of carbon-trading businesses. Clause 26, stipulates the circumstances in which the Commission can suspend or revoke the registration any carbon trading business. Clause 27 provides for the surrender of a registration with the Commission and the process following the surrender or revocation of a registrant is outlined in clause 28. Clause 29 outlines the process for winding up and dissolution of a carbon trading business.

Clause 30 imposes a duty on registrants to implement and maintain record keeping and data protection measures. Clauses 31 and 32 address conduct and compliance. Clause 31 imposes a duty on registrants to maintain professional conduct, including the duty to act honestly and fairly. Registrants are required in clause 32 to comply with the Bill and to cooperate with the Commission.

Clause 33 requires registrants to comply with AML and CFT prevention measures and standards.

Part IV of the Bill deals with the approval of carbon trading products in clauses 34 through 36. Clause 34 stipulates that a carbon trading exchange must apply for listing of a carbon-trading derivative. Clause 35 provides the conditions on which the Commission will approve the trading of a carbon trading product and clause 36 outlines the Commission's authority to approve carbon trading products for trading.

Part V sets out provisions relating to the Commission's powers of investigation and cooperation in clauses 37 to 39. Clause 37 empowers the Commission to inspect and investigate registrants for compliance. Clause 38 empowers the Commission to appoint Inspectors and clause 39 provides for the Commission to provide assistance to a domestic or overseas regulatory authority.

Part VI sets out the offences, penalties and sanctions for breaches in clauses 40 to 44.

Clause 40 provides that failure to comply with the Bill, regulations, rules or guidance is an offence. Clause 41 provides that officers and directors are liable for offences committed under the Bill. Clause 42 provides a general penalty for offences under the Bill and the offence of misrepresentation is provided for in clause 43. Clause 44 stipulates the administrative penalties that may be imposed by the Commission.

Part VII sets out the miscellaneous provisions in clauses 45 to 52 in the Bill. Clause 45 provides a right of appeal for aggrieved persons. Clause 46 provides the right for any person affected by a decision of the Executive Director or any employee to have a hearing and review of that decision.

Clause 47 provides for Fees to be paid to the Commission. The Commission is authorized to make Rules in clause section 48. Clause 49 provides for the Minister to make regulations. Clause 50 empowers the Commission to publish guidelines. Clause 51 sets out consequential amendments to existing Acts and clause 52, provides transitional provisions giving persons ninety days after the commencement of the Bill to apply for registration.