



The Bahamas' Framework for Digital Assets Business

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- The development of the Digital Assets and Registered Exchanges Act, 2020, or DARE
- An overview of the Commission's role in the ongoing development of the digital assets space
- Some of the key features of the legislation, including provisions related to the Financial Action Task Force's (or FATF's) Recommendation 15 and the Travel Rule
- The direction of the Regulatory Framework





- DARE Act, 2020 Implemented: Recognized legislative framework for the regulation of digital assets business and the issuance, sale and trade of digital assets.
- Anti-Money Laundering, Countering Financing of Terrorism and Countering Financing of Proliferation Rules specific to digital assets business issued
- Significant registrations and applications
- Established, active Fintech Hub (SCB FITLink)
- Member of IOSCO FinTech Steering Group and the Global Financial Innovation Network (GFIN)
- Preparing a new round of Amendments to update the regime

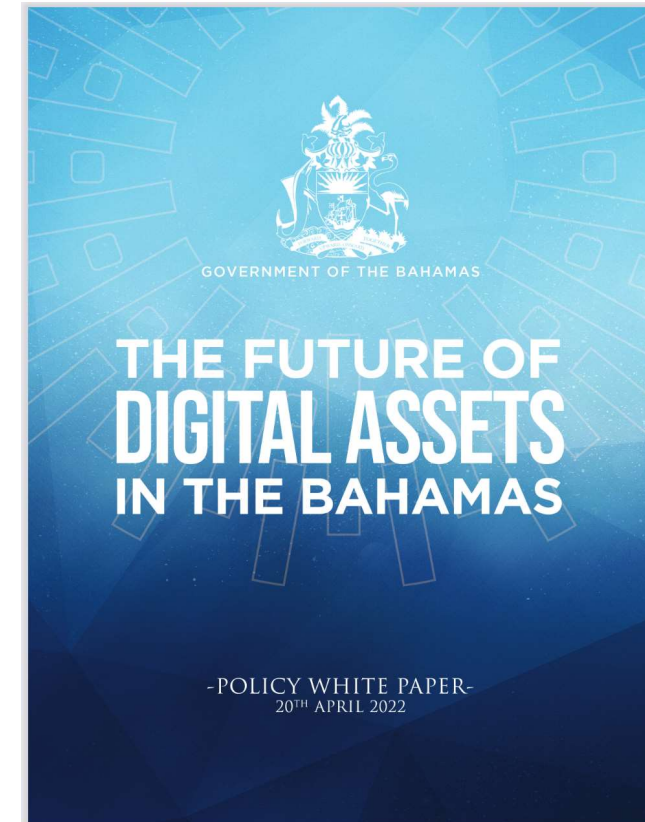
Digital Assets Policy Committee (DPC)

Established to ensure that the Government's policy objectives are met and that all branches of government are aligned and working together

- Chaired by the Prime Minister
- Includes: The Bahamas' Financial Secretary,
- The Governor of the Central Bank of The Bahamas
- The Executive Director of the Securities Commission of The Bahamas
- The Attorney General as chair of the Digital Assets Advisory Panel.

Digital Asset Advisory Panel (DAP)

- Comprised of industry practitioners and leading experts,
- Charged with updating the Government, the Digital Asset Policy Committee (DPC) and the regulator



Benchmarking & Consultancy



Gibraltar

Switzerland

Hong Kong

Thailand

Malta

United States

Development

- Benchmarked 13 jurisdictions
- Engaged External Consultant to support initial research phase
- Careful monitoring of Global Standards (including FATF Recommendation 15)
- Internally drafted
- Industry consultation in development



Introducing DARE: *What it does*

DARE provides for the Securities Commission of The Bahamas to regulate the issuance, sale and trade of digital assets in or from within The Bahamas.

Digital Assets Business

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

Digital Asset

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



- All persons (which includes natural persons, companies, partnerships, trusts and any other legal entity) carrying on or involved in digital assets business operating in/from The Bahamas must be registered or licensed with SCB
- Full identification of founders, beneficial owners, security holders, directors and officers is required
- Financial institutions already licensed or registered with the Commission may apply for registration of additional digital asset business or service
- Licensed businesses must maintain professional conduct requirements including financial requirements (to be prescribed)
- FCSPA, 2020, provides for wallet service providers and custody of digital assets services to be licensable financial services





Supervision and Monitoring

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

DARE: AML/CFT & FATF Recommendation 15

- Compliant with Financial Action Task Force Recommendation 15 re: New Technologies
- SCB takes a risk-based approach to AML/CFT supervision
- DARE brings digital assets business under national AML/CFT risk coordination framework
- Digital Assets business must have systems in place to prevent, detect and disclose money laundering, terrorist financing and suspicious transactions pursuant to Proceeds of Crime Act, 2018 (POCA); the Anti-Terrorism Act, 2018 (ATA) and the Financial Transactions Reporting Act, 2018 (FTRA)
- For sale, exchange or transfer of digital assets, providers must conduct AML/CFT risk assessment, ensure compliance with POCA, ATA and FTRA, and comply with Commission's rules on AML/CFT



Transparency & Beneficial Ownership

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

Information Exchange

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

Closed Loop Business

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



Other Investor Protection/ Market Integrity Measures

- Registrants to maintain data protection measures consistent with the Data Protection (Privacy of Information) Act re customers' personal data
- Commission to maintain register of digital asset business
 - Name and address of digital assets business
 - Regulatory licenses or registrations held by the business including foreign licenses or registrations
 - Names of principals, directors and other persons with management control
 - Conditions imposed by SCB
 - Will be accessible on SCB's website.
- Provides for SCB to establish financial requirements



IOSCO's FinTech Task Force Steering Group

Global Financial Innovation Network (or "GFIN")

Caribbean Group of Securities Regulators' ("CGSR") FinTech Group



SCB FITLink:

Central point of contact for issues related to FinTech including virtual asset business, crowdfunding, distributed ledger technology, artificial intelligence and initial token offerings.

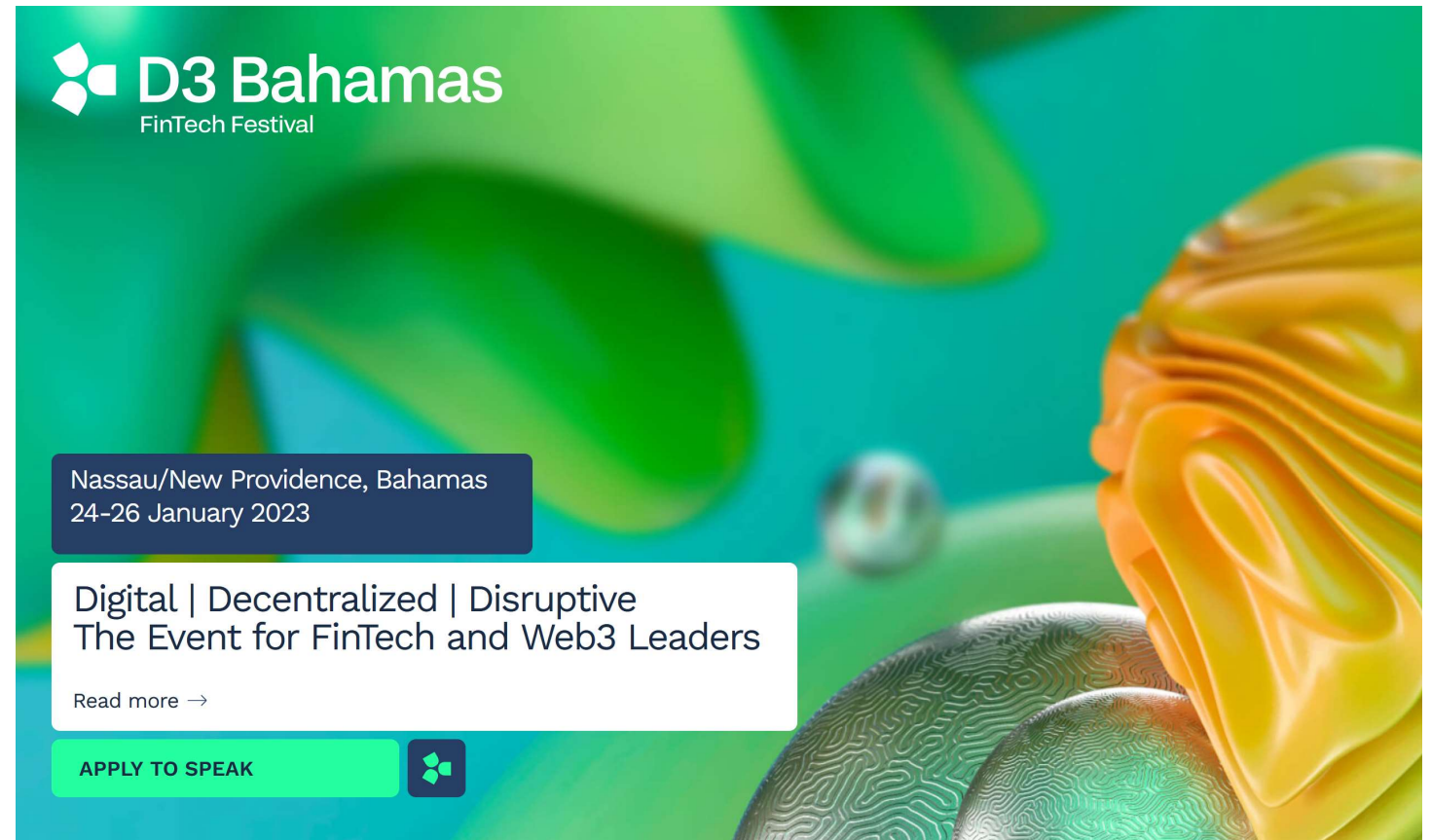
- Assist FinTech innovators and incumbents with navigating the Commission's digital asset regulatory landscape;
- Research, establish, and create policy, rules, and guidelines for FinTech-related products and services;
- Educate the Commission's staff about emerging FinTech trends, opportunities and risks; and
- Consult with domestic and overseas regulatory authorities regarding innovative technologies," amongst other things.



Upcoming Amendments to the Framework Being Prepared for Public Consultation

Areas to be addressed include:

- Stable Coins
- Non Fungible Tokens
- Staking
- Framework for Derivatives of Crypto Assets
- Decentralized Finance (DeFi)



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Thank you!



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