



DARE
DIGITAL ASSETS
& REGISTERED
EXCHANGES ACT

**CONSULTATION ON THE DIGITAL ASSETS AND
REGISTERED EXCHANGES BILL, 2023**

PROPOSED BY
THE SECURITIES COMMISSION OF THE BAHAMAS

25 APRIL 2023

I. Developing DARE, 2020

On 14 December 2020, the Digital Assets and Registered Exchanges (DARE) Act came into effect in The Bahamas. The legislation created a legal definition for digital assets and a regulatory framework for digital asset businesses and digital asset activities permitted in The Bahamas. The DARE Act established a robust regulatory framework that was designed: 1) to protect investors and consumers; 2) align with international standards to combat money laundering and the financing of terrorism and weapons proliferation; and 3) manage and mitigate attendant risks. The principles-based legislation established a comprehensive yet flexible regulatory framework necessary to facilitate innovation in the dynamic digital asset industry and foster its development in The Bahamas.

The Securities Commission of The Bahamas (the Commission) commenced development of the DARE Act in mid-2018. The Commission conducted extensive benchmarking of 13 jurisdictions, carefully considering the various regulatory approaches, international standards, and best practices. In tandem, the Commission consulted with other regulators, policymakers, industry participants, and stakeholders.

A key determination resulting from the Commission's research was to create a bespoke legal and regulatory environment for digital assets, rather than to rely on the uncertain perimeters of existing legal and regulatory frameworks to supervise and enforce with respect digital assets. This comprehensive approach has effectively empowered the Commission to regulate digital assets and related activities directly under the DARE Act.

The Commission also determined that the legislation would take an activities-based approach to registration, and a risk-based approach to supervision. These are essential for providing the appropriate levels of oversight for digital asset-related activities to safeguard market integrity and protect investors in the evolving digital asset space.

Crucial to the development of the legislation was ensuring The Bahamas continued to meet its international commitments to the global fight against money laundering, terrorism and proliferation financing (AML/CFT/CPF). Robust AML/CFT/CPF provisions were included, informed by the guidance issued by international standards bodies, including the Financial Action Task Force (FATF). The DARE Act, 2020 was augmented with the introduction of the DARE (AML/CFT/CPF) Rules in March 2022.

DARE has been recognised internationally for its investor protection features and its globally compliant AML/CFT/CPF standards. The Commission has remained committed to ensuring the DARE Act is current and appropriately reflects advancements in the evolving digital asset industry.



II. Amendment and Review of the DARE Act, 2020

Since its enactment, the Commission has continually sought industry feedback, internal reviews, and international assessments of the DARE Act 2020. Additionally, the Commission's continuous monitoring of the digital asset sector reflects a comprehensive and proactive approach that includes the ongoing evaluation of international regulatory advancements as well as benchmarking the DARE Act 2020, with comparable frameworks from jurisdictions such as the European Union, Hong Kong and New York, USA.

Consequently, and in light of lessons learned during the so called "crypto winter" of 2022, the Commission identified aspects of the DARE Act that require further consideration. In April of 2022, the Commission began consolidating its ongoing review of DARE for the purposes of addressing any legislative gaps, ambiguities, and procedural concerns within the legislation. The Commission engaged the international law firm Hogan Lovells to draft the new Digital Assets and Registered Exchanges Bill 2023 (the DARE Bill) and will continue to collaborate with them in the consultation process until the amendments are completed. The DARE Bill 2023 will establish new regulatory frameworks to ensure the Bahamian legislative regime is current, proactive, and compliant with international standards and best practices.

The DARE Bill 2023 encompasses a comprehensive range of digital asset activities and establishes appropriate protection mechanisms for the registration and ongoing supervision of operators that align with prevailing international standards. The new DARE Bill represents an even greater focus on consumer and investor protection, robust risk management as well as market development and innovation. Furthermore, the DARE Bill 2023 explicitly addresses staking services in the context of international standards, making it among the first legislation of its kind.

Highlights of the DARE Bill, 2023:

1. Digital Asset Business Activities Expanded

The DARE Bill 2023 will capture a wider range of digital asset activities relative to international standards. Examples include providing advice on, or the management of digital assets, providing digital assets derivative services, providing DLT network node services, and providing staking services. The Bill provides the ability for the Commission to prescribe additional activities as digital asset businesses, as necessary.



2. Operating Digital Asset Exchanges

Operators of a digital asset exchange must ensure the systems and controls used in its activities are adequate and appropriate for the scale and nature of its business. A legal entity intending to establish and operate a digital asset exchange that also provides custody of digital assets or custodial wallet services on behalf of third parties must comply with all requirements under the DARE Bill 2023 applicable to digital asset businesses providing custody of digital assets or custodial wallet services. This includes exchanges that provide digital wallet services as an ancillary service to the exchange, which stores private cryptographic keys and enables users to send, receive, and monitor their digital assets. Under the DARE Bill 2023 the Commission is empowered to prescribe additional rules for digital asset exchanges.

3. Custody of digital assets or custodial wallet services

The DARE Bill 2023 will provide for a single framework for persons providing custody of digital assets or custodial wallet services to be registered as digital asset businesses (the relevant provisions applicable to persons providing custody of digital assets originally in the scope of the Financial and Corporate Service Providers Act are brought under the scope of the DARE Act). The new DARE Act will provide a robust approach to protecting client interests and custody or wallet service providers' ability to return client assets, for example by requiring such digital asset businesses to maintain procedures to ensure continued safekeeping and accessibility of digital assets and make the required client disclosures.

4. Staking

This is a first-of-its-kind, dedicated disclosure regime that captures the activity of the staking of digital assets belonging to clients or the operation or management of a staking pool as a business. Under the DARE Bill 2023, authorised registrants must disclose certain information (where applicable), including a summary of the terms of the client agreement, details regarding the staking protocol, details of how the digital assets are staked (including how and for how long assets are locked up), details of rewards or interest to be earned, details of any penalties which may be imposed, and details of how staking participants are chosen to validate transactions.

5. Issuers of Digital Assets

The DARE Act requires that issuers of digital assets in or from within The Bahamas must comply with several obligations aimed at protecting investors, primarily as related to initial token offerings.



These include fit and proper requirements for the issuer, the requirement to prepare an offering memorandum unless an exemption applies, continuing disclosure obligations and purchasers' rights to rescission or damages and withdrawal.

Under the DARE Bill 2023, a voluntary registration regime will be established for persons who issue digital assets from outside of The Bahamas to persons outside of The Bahamas or otherwise not in the scope of the issuer requirements under the DARE Bill 2023. The Commission will keep a register of initial token offerings containing specified information.

6. Stablecoin Issuers

The DARE Bill 2023, establishes a new and comprehensive regulatory framework for stablecoins. The amendments provide a clear definition for stablecoins, provide for the registration of existing stablecoins, specify acceptable forms of reserve assets and establish new requirements for custody and management, segregation, reporting and redemption of reserve assets.

The issuance of algorithmic stablecoins is expressly prohibited.

7. Other aspects of the DARE Bill, 2023

Non-fungible tokens (NFTs) are categorised between whether they are financial or consumer assets, with financial NFTs now falling within the scope of regulation.

Liquidity requirements and reporting are addressed with flexibility for additional requirements by the Commission.

Standards for addressing conflicts of interest and/or connected third party relationships are established.

Transactions or digital assets as part of an affinity or rewards program, which value cannot be taken from or exchanged for legal tender, bank credit or any digital asset are not in scope.

Digital assets used within a game, sold by the publisher or offered on a gaming platform are not in scope.

The new Bill provides certain restrictions on proof of work mining of digital assets in or from within The Bahamas.

The issuance of privacy tokens from within The Bahamas will be expressly prohibited.



Conclusion

With the new DARE Bill 2023, the Commission will create an overarching legislative framework for digital asset businesses that provides specific features for investor protection, robust risk management, and market development while allowing room for digital asset businesses to operate and innovate in The Bahamas. The Commission takes a risk-based approach to regulating digital asset businesses including through registration and ongoing supervision requirements. Under the new Bill, DARE will explicitly address staking services within its scope and in the context of international standards, making it among the first legislation of its kind.

The public is invited to provide feedback on the proposed DARE Bill 2023. The public consultation will run from Tuesday 25 April 2023 through Wednesday 31 May 2023. The public consultation documents are available on the Securities Commission of The Bahamas website www.scb.gov.bs/legislative-framework/consultation-documents. Interested parties may submit their comments via email to DAREconsultation@scb.gov.bs indicating "Public Consultation" in the subject line. Where feedback relates to specific sections of the Bill, these should be identified (e.g. Section 2(a)(i)). Reviewing comments without these references may lead to misinterpretation of the comments. All feedback must be received by 31 May 2023.



**DIGITAL ASSETS AND REGISTERED EXCHANGES
ACT, 2023**

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DIGITAL ASSETS AND REGISTERED EXCHANGES BILL, 2023

A BILL TO REGULATE THE ISSUANCE, SALE AND TRADE OF DIGITAL ASSETS IN OR FROM WITHIN THE BAHAMAS

[Date of Assent -, 2023]

Enacted by the Parliament of The Bahamas

PART I - PRELIMINARY

1. Short title and commencement.

- (1) This Act may be cited as the Digital Assets and Registered Exchanges Act, 2023.
- (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

“accredited investor” means any person who comes within any of the following categories, or whom the digital asset issuer, exchange or persons selling digital assets reasonably believes comes within any of the following categories, at the time of the issue, transfer or sale of digital asset to that person –

(a) any bank licensed under the Banks and Trust Companies Regulation Act (Ch. 316) or licensed and operating outside of The Bahamas, whether acting in its individual or fiduciary capacity;

(b) any registered firm or company registered to conduct securities business and operating outside of The Bahamas, acting for its own account;

(c) any insurance company registered under the Insurance Act (Ch. 347) or licensed and operating outside of The Bahamas;

(d) any investment fund licensed or registered under the Investment Funds Act (Ch. 369A) or regulated and operating outside of The Bahamas;

(e) any employee benefit plan if the investment decision is made by a plan fiduciary, which is a bank or trust company licensed under the Banks and Trust Companies Regulation Act (Ch. 316), an insurance company registered under the Insurance Act (Ch. 347), or a registered firm, or if the employee benefit plan has total assets in excess of five million dollars;

(f) any director, senior officer or general partner of a digital asset exchange or an issuer of digital assets being offered or sold;

(g) any individual whose individual net worth, or joint net worth with that person's spouse, at the time of the purchase exceeds one million dollars;

(h) any individual who had an individual income in excess of two hundred thousand dollars in each of the two most recent years or joint income with that person's spouse in excess of three hundred thousand dollars in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(i) any person, other than an individual, with total assets in excess of five million dollars not foned for the specific purpose of acquiring the digital assets being offered;

(j) any entity in which all of the equity owners are accredited investors;

(k) the government of The Bahamas or any public authority established in The Bahamas;

(l) the government of any foreign jurisdiction, or any agency of that government;

(m) any person purchasing on behalf of an account that is managed on a fully discretionary basis by that person, if that person is registered to carry on business as a manager of digital assets under this Act or in a foreign jurisdiction;

(n) any person residing outside of The Bahamas who qualifies as an accredited investor, however defined, or has similar status, under the securities legislation of that person's country of residence, or who meets the criteria specified in paragraph (g) or (h) and is otherwise lawfully entitled to purchase the digital asset under the digital asset legislation applicable to such purchase; or

(o) any person that is recognised or designated by the Commission as an accredited investor.

"asset" means movable and immovable property of any kind;

"asset token" means a digital asset that represents a claim against the issuer that -

(a) is intended to represent an asset and is embedded with underlying assets; or

(b) derives its value by reference to an underlying asset; or

(c) is secured by an underlying asset; or

(d) is backed by assets held as collateral for the primary purpose of encouraging price stability;

"approved auditor" means-

(a) a professionally qualified accountant; or

(b) an accountant licensed under The Bahamas Institute of Chartered Accounts Act, 2015 (No. 13 of 2015); and

(c) approved by the Commission to act on behalf of a regulated person;

"The Bahamas Institute of Chartered Accountants" means the Institute continued under section 3 of The Bahamas Institute of Chartered Accounts Act, 2015 (No. 13 of 2015);

"Bar Association" refers to the Bar Association identified in section 3 of the Legal Profession Act (Ch. 64);

"beneficial owner" means a natural person—

(a) who ultimately owns or controls, a customer or the natural person;

(b) on whose behalf a transaction is being conducted; or

(c) who exercises effective control over a legal person or legal arrangement;

"compliance officer" means a person appointed by a registrant and approved by the Commission as a compliance officer pursuant to section 26, and includes a person to whom compliance functions and obligations have been outsourced;

"consensus mechanism" means the rules and procedures by which an agreement is reached, among DLT network nodes, with regards to the state of a distributed ledger

"counsel and attorney" has the same meaning assigned to it under section 2 of the Legal Profession Act (*Ch. 64*);

"digital asset" means a digital representation of value or a right which may be transferred and stored electronically, using distributed ledger technology or similar technology;

"digital asset business" has the meaning assigned to it as in section 6;

"digital asset derivative" means an option, a swap, a future, a contract for difference or any other contract or instrument whose market price, value or delivery or payment obligations are derived from referenced to or based on a digital asset underlying interest;

"digital asset derivative exchange" means a system or platform which facilitates the issuance, distribution, sale, trading or exchange of digital asset derivatives.

"digital asset exchange" or **"exchange"** means a system or platform which facilitates the sale, trading or exchange of digital assets for fiat currency or digital assets;

"digital asset structured product" means a digital asset which is associated with a pool of digital assets entitling the digital asset holder to receive regular payments that depend on the income flow from the underlying digital assets.

"digital currency" means a digital form of currency issued by a government or a central bank;

"distributed ledger" means an information repository that keeps records of transactions and that is shared across, and synchronised between, a set of DLT network nodes using a consensus mechanism;

"Distributed Ledger Technology" or **"DLT"** means a technology that enables the operation and use of distributed ledgers;

"DLT network node" means a device or process that is part of a network and that holds a complete or partial replica of records of all transactions on a distributed ledger;

"fiat currency" means coin and money of a jurisdiction that is designated by the government of that jurisdiction as legal tender;

"founder" means any person who beneficially owns or is entitled to a significant interest in the issuer or organizer;

"identified risk framework" has the same meaning assigned to under section 2 of the Proceeds of Crime Act, 2018 (*No. 4 of 2018*);

"initial token offering" or **"ITO"** means an offer by an issuer to the public for the sale of a digital asset in exchange for fiat currency or another digital asset;

"issuer" means the entity contractually responsible for issuing the digital asset;

"issuing digital assets" means generating digital assets, including minting or creating new digital assets;

"legal entity" means an entity incorporated, registered, continued or otherwise established in accordance with - the Companies Act (*Ch. 308*); the International Business Companies Act (*Ch. 309*); the Partnership Act (*Ch. 310*); the Partnership Limited Liability Act (*Ch. 311*); and the Exempted Limited Partnership Act (*Ch. 312*);

"money laundering reporting officer" or **"MLRO"** shall have the same meaning as defined in the Digital Assets and Registered Exchanges (Anti-Money Laundering and Countering the Financing of Terrorism) Rules, 2022;

"non-fungible token" means a digital asset which is not interchangeable with any other type of digital asset, and which may represent rights or assets which are not fungible:

"offering memorandum" means a document, whether a notice, circular, advertisement, or whitepaper issued to the public or accessible electronically inviting applications or offers to subscribe for or purchase digital assets or offering digital assets for subscription or purchase;

"organizer" if different than the issuer, means a person who, acting alone or in conjunction with one or more other persons, procures the organization and formation of an issuer and the promotion and issuance of digital assets through an issuer;

"person" includes a natural person, company, partnership, trust, association and any other legal entity, whether corporate or incorporate;

"privacy token" means any digital asset that enables or allows in any way reduced transparency and increased obfuscation of its source or destination in respect of a transaction undertaken in connection with such digital asset, including by way of the hiding, anonymising, obscuring or preventing the tracing through distributed public ledgers or discovery of any of the following information:

- (i) a transfer of such digital asset;
- (ii) the identity of the current or former holder of such digital asset;
- (iii) the wallet address associated with the holder or the parties to a transaction concerning such digital asset;
- (iv) the identity of parties to a transaction concerning such digital asset;
- (v) the value of the digital asset transaction; or
- (vi) the beneficial owner of such digital asset.

"registrant" means a person that is registered in accordance with section 8 or 9 of this Act;

"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, noncompliance with or breach of any supervisory law;

"reserves" or "reserve assets" means the assets backing the value of a stablecoin;

"securities" has the same meaning assigned to it in section 2 of the Securities Industry Act, 2011 (*No. 10 of 2011*);

"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*);

"Securities Industry Regulations" means the Security Industries Regulations, 2012 (*S.I. No.50 of 2012*);

"significant interest" means beneficial interests cumulatively representing more than ten percent of the issued and outstanding equity interests of the organizer or issuer;

"smart contract" means a form of technology arrangement consisting of a computer protocol or an agreement concluded wholly or partly in an electronic form, which is automatable and enforceable by computer code, though some parts may require human input and control and which may be enforceable by ordinary legal methods or by a mixture of both;

"transfer" means to conduct a transaction on behalf of another person that moves a digital asset from one digital asset address or account to another;

"stablecoin" means an asset token designed to or that purports to have its value fixed or pegged relative to one or more reference assets, including but not limited to fiat currency, legal tender, commodities, or digital assets, for the primary purpose of encouraging price stability.

"staking" means the process of locking up digital assets for a certain period of time in return for a reward or for interest

"Supervisory Authority" has the same meaning assigned to it in section 2 of the Financial Transactions Reporting Act, 2018 (*No. 5 of 2018*);

"utility token" means a right of access or a discount represented in binary format to an application, utility or service but which does not, directly or indirectly, provide the holders thereof with any of the following contractual or legal rights --

- (a) ownership or equity interest in the issuer or in any person or pool of assets;
- (b) entitlement to a share of profits, losses, assets or liabilities of the issuer or any other person or pool of assets, except in the event of the liquidation of the issuer, to receive a portion of the original subscription price paid at the time of the initial token offering;
- (c) legal status as a creditor; or
- (d) entitlement to receive distribution of profits, revenues, assets or other distributions from the issuer or any other person or pool of assets;

"virtual currency token" means a digital representation of value which can be digitally traded and functions as -

- (a) a medium of exchange;
- (b) a unit of account; or
- (c) a store of value,

that is not a digital currency, and does not have legal tender status or carry any security or guarantee in any jurisdiction;

(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 -
- (b) where the person is an individual, the individual himself; or
 - (c) where the person is a legal entity, the legal entity and any director, shareholder, chief executive officer and any other officer.
 - (d) A person carries on digital asset business -
 - (i) in The Bahamas, if irrespective of physical location, the person offers digital asset business services to a person who is not an accredited investor residing in The Bahamas, from anywhere in the world; and
 - (ii) from within The Bahamas, if the person, whether or not a legal entity registered or incorporated under the laws of The Bahamas, offers digital asset business services to persons from or through a place in The Bahamas; and
 - (e) A person shall not be deemed to be carrying on digital asset business in or from within The Bahamas solely due to the presence of data servers or maintenance of other parts of a digital asset exchange in The Bahamas.

3. **Application of Act.**

- (1) This Act shall apply to
 - (a) any person who as organizer, issuer, founder, purchaser or investor participates in the formation, promotion, maintenance, organization, sale or redemption of an initial token offering; and
 - (b) any legal entity carrying on a digital asset business irrespective of the physical location from which the activity is carried out. Subject to subsection (2), this Act shall apply to the relevant digital asset business activity being carried out by such legal entity, and the Securities Industry Act, Investment Funds Act, and the Financial and Corporate Service Providers Corporation Act shall not apply unless otherwise prescribed by the Commission or by this Act.
- (2) This Act shall not apply to -
 - (a) a person only by reason of his acting in a professional capacity on behalf of persons engaged in procuring the organisation, promotion, issuance, sale or trade of digital assets; or

- (b) security tokens which for the purpose of this Act is a digital asset which when issued or traded has one or more of the same characteristics as a security as defined under Part I of the *First Schedule* of the Securities Industry Act, except where the digital asset constitutes a digital asset derivative, in which case this Act shall apply and the Securities Industry Act shall not apply; or
- (c) transactions or digital assets in which a person grants a value as part of an affinity or rewards program, which value cannot be taken from or exchanged with the person for legal tender, bank credit or any digital asset; or
- (d) a digital representation of value issued by or on behalf the publisher and used within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform; or
- (e) non-fungible tokens which, when considered in terms of their nature and function in practice rather than their designation by the issuer (including the characteristics, use and manner in which a non-fungible token is offered, sold or resold, and the rights attached to the non-fungible token), are not used for payment or investment purposes, and are not digital representations of any other financial asset
- (f) electronic representations of a fiat currency, security or any other financial asset.

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 the issuance of digital assets, digital asset businesses and their activities in The Bahamas for the purpose of ensuring the -
 - (a) orderly development and continuation of digital asset activities in The Bahamas; and
 - (b) development and maintenance of investor protection standards with respect to the digital asset business and initial token offers.

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 the issuance of digital assets and persons conducting digital asset business in or from within The Bahamas;
 - (b) to maintain surveillance over the digital assets sector and ensure orderly, fair and equitable dealings in digital assets;
 - (c) to foster timely, accurate, fair and efficient disclosure of information to the investing public and digital asset markets;
 - (d) create and promote conditions that facilitate the orderly development of the digital asset markets;
 - (e) to develop rules, guidance and codes of practice in connection with the conduct of digital asset business and token offers;

- (f) to promote public education regarding digital assets markets and its participants including awareness of the benefits, risks and liabilities associated with investing in digital assets and receiving services from digital asset businesses;
 - (g) to reduce systemic risk;
 - (h) to provide protection to investors from unfair, improper or fraudulent practices; and
 - (i) to promote the integrity of the digital asset markets and reduce the extent to which it is possible for digital asset business to be used for a purpose connected with financial crime;
 - (j) to perform any other function conferred or imposed on it by securities laws or Parliament; and
 - (k) to perform any other function conferred or imposed on it by digital asset laws or Parliament.
- (2) For the purpose of the discharge of its functions under subsection (1), the Commission shall have the power to -
- (a) regulate and govern the digital asset markets and its participants;
 - (b) approve and supervise Registrants and other digital asset business participants;
 - (c) regulate initial and subsequent token offers;
 - (d) make and issue rules on matters related to digital asset businesses and issuers;
 - (e) take enforcement action against any person for failing to comply with digital asset laws;
 - (f) publish notices, guidelines, bulletins, and policies regarding the interpretation, application or enforcement of the Act and any rules or regulations issued under this Act;
 - (g) prescribe fees payable to the Commission for the purposes of carrying out its functions under this Act;
 - (h) monitor the solvency of digital asset businesses and any other persons regulated under this Act and take measures to protect the interests of clients and others where the solvency of any such person is in doubt;
 - (i) adopt measures to supervise and minimise any conflict of interests that may arise in the case of Registrants and other digital assets business participants;
 - (j) 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;
 - (k) make recommendations to the Minister for regulations; and
 - (l) make any order which the Commission may make under digital asset laws.
- (3) In the exercise of its functions the Commission shall satisfy itself that the provisions of the Financial Transactions Reporting Act, 2018 and any other Act or regulation administered by the Commission are being complied with

PART III - REGISTRATION AND REGULATION OF DIGITAL ASSET BUSINESSES

DIGITAL ASSETS BUSINESSES

6. Forms of digital asset businesses.

- (1) A digital asset business includes any natural or legal person who as a business conducts one or more of the following activities or operations concerning digital assets (including digital assets at the moment of their issuance):–
 - (a) operating a digital asset exchange;
 - (b) exchanging digital assets for fiat currency;
 - (c) exchanging digital assets for other digital assets;
 - (d) operating as a payment service provider business involving digital assets
 - (e) executing orders for digital assets;
 - (f) placing digital assets;
 - (g) providing the reception and transmission of orders for digital assets;
 - (h) providing transfer services;
 - (i) providing the custody of digital assets;
 - (j) providing custodial wallet services;
 - (k) providing advice on digital assets;
 - (l) providing management of digital assets;
 - (m) providing DLT network node services;
 - (n) providing anonymity-enhancing services;
 - (o) providing digital asset derivative services;
 - (p) providing staking services; and
 - (q) any other activity which may be prescribed by regulations.
- (2) The development and dissemination of software in and of itself does not constitute a digital asset activity.

6a. Digital asset businesses.

- (1) "operating a digital asset exchange" means the operation or management of a digital asset exchange;
- (2) "exchanging digital assets for fiat currency" means concluding purchase or sale contracts concerning digital assets with third parties against fiat currency

- (3) "exchanging digital assets for other digital assets" means concluding purchase, sale, loan, collateralization or other contracts concerning digital assets with third parties against other digital assets
- (4) "payment service provider business involving digital assets" means a person whose business includes the provision of payment services by way of transfer of digital assets;
- (5) "executing orders for digital assets" means concluding agreements to buy or to sell one or more digital assets or to subscribe for one or more digital assets on behalf of third parties;
- (6) "placing of digital assets" means the marketing, on behalf of or for the account of the offeror or of a party related to the offeror, of digital assets to purchasers;
- (7) "the reception and transmission of orders for digital assets" means the reception from a person of an order to buy or to sell one or more digital assets or to subscribe for one or more digital assets and the transmission of that order to a third party for execution;
- (8) "providing transfer services" means to transfer, on behalf of a natural or legal person, digital assets from one distributed ledger address or account to another:
- (9) "providing the custody of digital assets" means the controlling, on behalf of third parties, digital assets or the means of access to such digital assets, where applicable in the form of private cryptographic keys, for the purposes of safekeeping and/or administration of such digital assets;
- (10) "providing custodial wallet services" means the controlling, on behalf of third parties, digital assets or the means of access to such digital assets, where applicable in the form of private cryptographic keys, for the purposes of providing wallet and/or exchange services, including but not limited to providing wallet services as an ancillary service to operating a digital asset exchange.
- (11) "providing advice on digital assets" means offering, giving or agreeing to give personalised or specific recommendations to a third party, either at the third party's request or on the initiative of the digital asset business providing the advice, concerning the acquisition or the sale in respect of one or more transactions relating to digital assets, or the use of digital asset services
- (12) "providing management of digital assets" means managing digital assets belonging to a third party in circumstances involving the exercise of discretion, including management of portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more digital assets
- (13) "providing DLT network node services" means the operation or management of one or more DLT network nodes;
- (14) "providing anonymity-enhancing services" means offering, facilitating or executing transactions either (a) denominated in digital assets, and such service has the effect or intention of concealing information otherwise generally available through the digital asset's native distributed public ledger or (b) denominated in privacy tokens but does not include tumblers or mixers;
- (15) "providing digital asset derivative services" means conducting any of the following activities:
 - (a) operation or management of a digital asset derivative exchange;

- (b) providing the services of creating, selling or otherwise entering into digital asset derivatives contracts;
 - (c) providing the services of clearing and settlement of digital asset derivatives.
- (16) "providing staking services" means conducting any of the following activities:
- (a) staking digital assets belonging to third parties; or
 - (b) operation or management of a staking pool, through which a third party may participate in staking by depositing digital assets into a pool of digital assets belonging to other third parties.

7. Prohibition to carry on unregistered digital asset business.

No person shall carry on or shall be involved in a digital asset 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.

7a. Prohibition on mining of digital assets

- (1) Except where mining is ancillary to other digital asset business activities, no person shall carry on the mining of digital assets as a business in or from within The Bahamas, or purport to do so.
- (2) No legal entity registered, established or incorporated under the laws of The Bahamas shall carry on mining of digital assets as a business.
- (3) "mining of digital assets" means the process by which digital assets are awarded for validating the state of the distributed ledger in the context of the distributed ledger's consensus mechanism.

8. Registration of a digital asset business.

- (1) Subject to subsection (4), a person intending to provide or which is providing services as a digital asset business shall apply to be registered under the provisions of this Act by submitting to the Commission, the following -
 - (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) completed Form 2 set out under Part A of the *First Schedule* in respect of each founder, beneficial owner, security holder, director and officer of the applicant digital asset business;
 - (c) 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 set out in the *Third Schedule*.
- (2) The Commission may grant or refuse an application made under subsection (1).
 - (3) Upon filing of complete application for registration, the Commission may investigate the financial responsibility, financial and business experience, and adherence to a high standard of professional conduct of the applicant and, if it deems it advisable, of its Chief Executive Officer and Compliance Officer.
 - (4) A person who intends to register a digital asset business operating as a digital asset exchange, shall in addition to complying with subsection (1), also apply for registration in accordance with section 15.
 - (5) A person who intends to register a digital asset business providing advice on digital assets and/or providing management of digital assets shall, in addition to complying with subsection (1), also apply for registration in accordance with section 11c(1).
 - (6) A person who intends to register a digital asset business providing staking services shall, in addition to complying with subsection (1), also apply for registration in accordance with section 11d(1).
 - (7) All registrations shall be renewed annually by the 31st day of January of each year and for such renewal, a registrant shall - pay the prescribed annual fee; and submit the prescribed Annual Update and Declaration Form, and where applicable, a current copy of the registrant's insurance policy to the Commission.
 - (8) 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.
 - (9) 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.
 - (10) Where a registration has been revoked under subsection (9), 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; or
 - (ii) a copy of the registrant's insurance policy or
 - (d) pays the outstanding annual fee.

- (11) For the purpose of subsection (9), and where a registrant has made no application for restoration under subsection (10), the Commission shall remove the registrant from the register required to be kept and maintained under section 12.

8a. Appointment of a CEO

- (1) A person intending to provide or which is providing services as a digital asset business in or from within the Bahamas shall appoint a Chief Executive Officer and shall submit the information required in section 8(1)(c).
- (2) The Chief Executive Officer appointed pursuant to subsection (1) shall:
- (a) be suitably educated, qualified or experienced, having regard to the nature of the digital asset business activity or activities to be performed by the registrant; and
 - (b) be able to demonstrate a meaningful understanding of the registrant's business model and governance mechanisms, the sector in which it operates, and the risks relevant to the registrant.

9. Digital asset business as additional activity.

- (1) Where a person, who intends to provide services related to a digital asset business as an additional activity -
- (a) Is either-
 - (i) Registered under the Securities Industry Act;
 - (ii) Licensed as a an investment fund under the Investment Funds Act; or
 - (iii) licensed as a financial or corporate service provider under the Financial and Corporate Service Providers Act (*Ch. 369*),such person shall apply to be registered under this Act by submitting the completed Form I set out under Part B of the *First Schedule*; or
 - (b) being a marketplace or registered firm, shall otherwise comply with regulations 27(1)(a) and 53(1)(a) of the Securities Industry Regulations.
- (2) Where a person is registered under this Act with respect to one or more digital asset business activities, and intends to provide an additional digital asset business service, such person shall submit completed Form 1 under Part B of the *First Schedule* to the Commission no later than fourteen 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 digital asset exchange, a copy of the rules of the exchange including rules for admission to listing of digital assets on the exchange;
 - (c) a schedule of proposed fees for the services to be rendered by the digital asset business; and the application fee set out in the *Third Schedule*.

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

- (1) A person registered under this Act shall immediately notify the Commission by filing the completed Form set out in the Fourth Schedule of any change relevant to its application for registration concerning -
 - (a) address for service;
 - (b) contact information, including email address and phone or fax numbers;
 - (c) physical business address;
 - (d) insurance coverage;
 - (e) attorneys or corporate officers;
 - (f) compliance officer;
 - (g) a money laundering reporting officer;
 - (h) a plan or proposal to introduce or offer a materially new product, service, or activity;
 - (i) a plan to or to make a material change to an existing product, service, or activity;
or
 - (j) a change in control of the registrant. For purposes of this subsection (j), control shall be presumed to exist if a person, directly or indirectly, owns, controls, or holds with power to vote 10 percent or more of the voting securities of a registrant or of any person that owns, controls, or holds with power to vote 10 percent or more of the voting securities of such registrant.
- (2) A person registered under this Act shall notify the Commission of a change to the appointment of a money laundering reporting officer in accordance with [the Digital Assets and Registered Exchanges (Anti-Money Laundering and Countering the Financing of Terrorism) Rules 2022].

11. **Financial and other reporting requirements of digital asset businesses**

- (1) Registrants shall meet all financial requirements as may be prescribed by the Commission based on an assessment of the specific risks applicable to each registrant.
- (2) In determining the minimum amount of capital that must be maintained by a registrant, the Commission may prescribe requirements for specific categories of registrants and, in so doing, may consider a variety of factors, including but not limited to:
 - (a) the composition of the registrant's total assets, including the position, size, liquidity, risk exposure, and price volatility of each type of asset;
 - (b) the composition of the registrant's total liabilities, including the size and repayment timing of each type of liability;
 - (c) the actual and expected volume of the registrant's digital asset business activity;
 - (d) whether the registrant is already licensed or regulated by the Commission under the laws of the Bahamas, and whether the registrant is in good standing in such capacity;
 - (e) the amount of leverage employed by the registrant;

- (f) the liquidity position of the registrant;
 - (g) the financial protection that the registrant provides for its customers through a trust account or bond;
 - (h) the types of entities to be serviced by the registrant; and
 - (i) the types of products or services to be offered by the registrant.
- (3) Registrants shall:
- (a) prepare annual financial statements or accounts as required by this section in respect of all transactions and balances relating to its business;
 - (b) appoint an approved auditor who shall audit the financial statements or accounts of the registrant in accordance with generally accepted international standards on auditing or such standards as the Commission may recognise, and shall provide the Commission with an auditor's report in respect thereof.
 - (c) file with the Commission a copy of its annual audited financial statements certified by an approved auditor not later than six months following the end of its fiscal year; and
 - (d) keep a copy of the most recent audited financial statements together with a copy of the auditor's report thereon or accounts as the case may be, at its head office for a period of not less than five years beginning with its filing date.
- (4) Notwithstanding subsection (3), the Commission may require a registrant to prepare financial statements or accounts in such manner as it may direct. The Commission may impose different requirements to be complied with by registrants in respect of different digital asset activities.
- (5) Each registrant shall:
- (a) at all times, maintain liquid capital which is not less than the required liquid capital as may be prescribed from time to time by the Commission;
 - (b) for the purposes of calculating its liquid capital and required liquid capital, account for all its assets, liabilities and transactions in accordance with any rules as may be prescribed from time to time by the Commission;
 - (c) in respect of each month at the end of which it remains an authorised as a digital asset business under this Act, submit to the Commission no later than three weeks after the end of the month concerned, a return which is in the form specified by the Commission and which includes the registrant's liquid capital computation as at the end of the month, and any other information as may be required by the Commission from time to time.
- (6) If a registrant becomes aware of its inability to maintain, or inability to ascertain whether it maintains, the liquid capital that it is required to maintain under subsection (5)(a), it shall as soon as reasonably practicable notify the Commission in writing of that fact, including full details of the matter, the reason thereof, and any steps it is taking, has taken or proposes to take to redress the inability.
- (7) A registrant must notify the Commission in writing as soon as reasonably practicable and in any event within one business day of becoming aware of any of the following matters:
- (a) its liquid capital falls below 120% of its required liquid capital;

- (b) its liquid capital falls below 50% of the liquid capital stated in its last return submitted to the Commission under subsection (5)(c);
 - (c) any information contained in any of its previous returns / its last return submitted to the Commission pursuant to subsection (5)(c) has become materially false or misleading;
 - (d) the aggregate of the amounts it has drawn down on any loan, advance, credit facility or other financial accommodation provided to it exceeds the aggregate of the credit limits thereof;
 - (e) it has been or will be unable, for three consecutive business days, to meet in whole or in part any calls or demands for payment or repayment (as the case may be), from any of its lenders, credit providers or financial accommodation providers;
 - (f) any of its lenders or any person who has provided credit or financial accommodation to it (lending person) has exercised, or has informed it that the lending person will exercise, the right to liquidate security provided by it to the lending person in order to reduce its liability or indebtedness to the lending person under any outstanding loan, advance, credit facility balance or other financial accommodation provided to it by the lending person;
 - (g) any other event as may be prescribed by the Commission from time to time.
- (8) Where a registrant notifies the Commission in accordance with subsection (7), it must include in the notice full details of the matter, including details of any steps it is taking, has taken, or proposes to take to prevent its liquid capital from falling below its required liquid capital or to improve its liquidity, or confirmation that no steps need to be taken for the registrant to meet its obligation under subsection (5)(a).
- (9) The Commission may prescribe rules for the advance reporting of material events of the registrant which has the potential to impact the Commission's ability to effectively carry out its functions for the purposes of this Act as set out in section 5(1).

11a. Requirements relating to providing the custody of digital assets

- (1) Digital asset businesses that are authorised to provide the custody of digital assets shall segregate holdings of digital assets on behalf of their clients from their own holdings, their own property, and any other non-client digital assets. They shall ensure that, on the relevant distributed ledger, their clients' digital assets are held on separate addresses from those on which their own digital assets or any other non-client digital assets are held, and with respect to any internal ledger accounts, they shall maintain separate accounts for their clients' digital assets and their own digital assets or any other non-client digital assets.
- (2) Digital asset businesses that are authorised to provide the custody of digital assets must obtain explicit client consent prior to holding digital assets on behalf of such clients in one or more omnibus accounts, or under any other arrangement where client assets are not held in separate accounts for each individual client under that client's name.
- (3) Where a digital asset business holds digital assets on behalf of their clients in one or more omnibus accounts or under any other arrangement where client assets are not held in separate accounts for each individual client under that client's name, it must maintain appropriate procedures (including up-to-date records) in order to be able to identify at all times the digital assets belonging to each individual client and to account for all client transactions;

- (4) Digital asset businesses that are authorised to provide the custody of digital assets shall maintain appropriate procedures to ensure that the digital assets held in custody shall at all times be separate and insulated from digital asset business' estate such that creditors of the digital asset business have no recourse on the digital assets held in custody, in particular in the event of insolvency;
- (5) Digital asset businesses that are authorised to provide the custody of digital assets must maintain clearly documented policies and procedures with respect to its compliance with subsections (1)-(4);
- (6) Digital asset businesses that are authorised to provide the custody of digital assets shall not re-use client assets that have been entrusted to it for safekeeping without the prior consent of the client.
- (7) Digital asset businesses that are authorised to provide the custody of digital assets shall carry out custody of digital asset services only for the limited purpose of carrying out custody and safekeeping services.
- (8) Digital asset businesses that are authorised to provide the custody of digital assets shall structure custodial arrangements in a manner that preserves the client's equitable and beneficial interest in the client's digital assets and shall not employ such assets for the digital asset business' own use.
- (9) Digital asset businesses that are authorised to provide the custody of digital assets shall enter into an agreement with their clients to specify their duties and their responsibilities.
- (10) For the purposes of subsection (9), such agreement shall include, without limitation:
 - (a) the general terms and conditions regarding custody of the client's digital assets;
 - (b) how the digital asset businesses segregate and account for the client's digital assets under subsections (1)-(6);
 - (c) the beneficial and equitable interests the client retains in their digital assets;
 - (d) how the digital asset businesses may use custodied digital assets while in possession of such digital assets; and
 - (e) the limitations on the use of custodied digital assets by the digital asset business.
- (11) Digital asset businesses providing custody of digital assets shall make its standard disclosures and standard customer agreement readily accessible to clients on such digital asset business' website.
- (12) Digital asset businesses that are authorised to provide the custody of digital assets shall maintain in its custody a sufficient amount of each type of digital asset in order to meet its obligations to clients.
- (13) Digital asset businesses that are authorised to provide the custody of digital assets shall ensure that necessary procedures are in place to return digital assets held on behalf of their clients or the means of access as soon as possible to those clients.
- (14) Digital asset businesses that are authorised to provide the custody of digital assets shall establish, maintain, enforce, and regularly test reasonably designed written policies, procedures, and arrangements in order to:

- (a) identify, in advance, the steps it intends to take in the wake of certain events that could affect the digital asset business's custody of the digital assets, including but not limited to malfunctions of the distributed ledger, 51% attacks, hard forks, airdrops, or any other events as prescribed by the Commission;
 - (b) allow the digital asset business to comply with court orders to seize or freeze digital assets;
 - (c) allow the transfer of digital assets held by the digital asset business to another appropriate person, including but not limited to another digital asset business, a trustee, receiver, or liquidator, in the event the digital asset business can no longer continue as a going concern or is subject to a formal bankruptcy, receivership, liquidation or similar proceedings;
 - (d) remedy mistaken, fraudulent or otherwise unauthorized transactions;
 - (e) otherwise ensure the continued safekeeping and accessibility of digital assets in the event of unexpected disruptions to the digital asset business's control over its clients' digital assets, the rights related to those digital assets, or the means of access to the digital assets, or any other circumstance as prescribed by the Commission.
- (15) Digital asset businesses that are authorised to provide the custody of digital assets shall maintain and keep up to date a register of positions which records each client's rights to the digital assets in the control of the digital asset business.
- (16) Digital asset businesses that are authorised to provide the custody of digital assets shall provide their clients, at least once every three months and at each request of the client concerned, with a statement of position of the digital assets recorded in the name of those clients. The statement of position shall state at the minimum the digital assets concerned, their balance, their value and the transfer of digital assets made during the period concerned.
- (17) If digital asset businesses that are authorised to provide the custody of digital assets make use of other entities for the custody of digital assets, they shall:
- (a) only make use of other digital asset businesses which are registered or licensed under this Act or in a prescribed jurisdiction;
 - (b) register such use of other entities for the custody of digital assets as a material change under section 13(4) and comply with such requirements;
 - (c) shall disclose to their customers the terms and conditions associated with such arrangement with another entity for the custody of digital assets and its material risks;
- (18) Digital asset businesses that are authorised to provide the custody of digital assets shall comply with any other requirements as may be prescribed by the Commission with respect to the safeguarding and control of digital assets on behalf of third parties.

11b. Requirements relating to providing custodial wallet services

- (1) Digital asset businesses that are authorised to provide the custodial wallet services shall comply with all requirements under this Act which are applicable to digital asset business that are authorised to provide the custody of digital assets, except for section 11a(2).

11c. Requirements relating to providing advice on and management of digital assets

- (1) An applicant intending to register as a digital asset business providing advice on digital assets and/or providing management of digital assets under this Act shall satisfy the Commission that it:
 - (a) is capable of complying with the capital, assets and organizational requirements;
 - (b) has sufficient experience;
 - (c) is suitably qualified for the performance of its functions; and
 - (d) is of good repute,to the standard prescribed by the Commission.
- (2) Digital asset business that are authorised to provide advice on digital assets and/or to provide management of digital assets shall assess, and shall obtain from the client or potential client the necessary information to assess, whether the digital asset services or digital assets are suitable for the clients or potential clients, considering the clients' or potential clients' knowledge and experience in digital assets, their objectives including risk tolerance, and their financial situation including their ability to bear losses.
- (3) Where clients do not provide the information required pursuant to subsection (2) or where digital asset businesses that are authorised to provide advice on digital assets and/or to provide management of digital assets consider that the digital asset services or digital assets are not suitable for the clients, they shall not recommend such digital asset services or digital assets.
- (4) Digital asset businesses that are authorised to provide advice on digital assets and/or to provide management of digital assets shall for each client regularly review the assessment referred to in subsection (2) at least every two years after the initial assessment made in accordance with that subsection.
- (5) Digital asset businesses that are authorised to provide advice on digital assets and/or to provide management of digital assets shall warn clients or potential clients that:
 - (a) due to their nature, the value of digital assets might fluctuate;
 - (b) the digital assets might be subject to full or partial losses of value;
 - (c) the digital assets might not be liquid;
 - (d) where applicable, the digital assets are not covered by any investor compensation schemes;
- (6) Digital asset businesses that are authorised to provide management of digital assets shall provide periodic statements to the clients of the management activities carried out on behalf of that client. The periodic statements shall contain a fair and balanced review of the activities undertaken and of the performance of the client's digital assets or portfolio of digital assets during the reporting period, an updated statement of how the activities undertaken meet the client's preferences, objectives and other characteristics of the client based on the assessment referred to in subsection (2) or its review under subsection (4), and any other information as prescribed by the Commission from time to time.

11d. Requirements relating to providing staking services

- (1) A legal entity intending to register as a digital asset business providing staking services shall provide to the Commission:

- (a) a summary of the terms of the agreement between the digital asset business and its clients or potential clients specifying its duties and responsibilities of the digital asset business;
 - (b) details of the staking protocol including, where applicable, an explanation of the consensus mechanism of the relevant DLT network;
 - (c) details of how digital assets are staked, including but not limited to how, and the period of time for which, digital assets are "locked up";
 - (d) details of the rewards or interest to be earned by staking participants, including but not limited to the form of the rewards, and how the rewards may be redeemed by the client;
 - (e) details of how staked digital assets may be redeemed by the client to whom the digital assets belong;
 - (f) details of any penalties which may be imposed on staking participants, for example penalties as a consequence of inactivity, of validating a dishonest transaction on a DLT network, or any other malicious behaviour, and the likelihood of incurring such penalties;
 - (g) where applicable, details of how staking participants are chosen for the purposes of validating a transaction on a DLT network; and
 - (h) any other document or information the Commission may require.
- (2) Digital asset businesses that are authorised to provide staking services must provide the information as set out in subsection (1) to its clients or potential clients:
- (a) prior to onboarding a client;
 - (b) upon a client's request.
- (3) Digital asset businesses that are authorised to provide staking services shall warn clients or potential clients that:
- (a) the staked assets might be subject to full or partial losses of value;
 - (b) the staked assets might be lost or stolen, for example as a result of a hack;
 - (c) earnings from participating in staking may give rise to tax liabilities;
 - (d) where applicable, the digital assets are not covered by any insurance protection.
- (4) Digital asset businesses that are authorised to provide staking services shall immediately notify the Commission and its clients of any material change relevant to the details previously disclosed to the Commission and its clients referred to in subsection (1).
- (5) A legal entity intending to provide staking service in a manner which involves the provision of custody of digital assets on behalf of third parties shall be subject to all requirements applicable to digital asset businesses providing custody of digital assets under this Act, including the registration requirements under section 8 and the ongoing requirements under section 11a (except section 11a(6)).

12. **Commission to maintain Register of digital asset businesses.**

- (1) The Commission shall establish and maintain a register of digital asset businesses which shall -
 - (a) be kept in electronic format and any other format as the Commission may determine;
 - (b) include in respect of every digital asset business -
 - (i) the name and address of the digital asset business;
 - (ii) the regulatory licenses or registrations held by the business including any foreign licenses or registrations;
 - (iii) the form of digital asset services 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 any other information deemed relevant by the Commission; and
 - (c) be accessible for viewing on the Commission's website.
- (2) Where the Commission considers it necessary, it may establish and maintain a separate register for any digital asset business, and the provisions of subsection (1)(a) and (b) shall apply *mutatis mutandis*.

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

- (1) In addition to notification requirements under section 10, registrants must, as soon as possible but in no event less than 21 days prior to the proposed change, submit a written application to the Commission requesting its written approval for all changes prescribed under subsection (2).
- (2) No registrant shall, without the prior written approval of the Commission:
 - (a) materially change or expand the scope of its activities;
 - (b) merge with or sell all or a substantial part of its assets to another entity;
 - (c) issue, transfer or otherwise dispose of its shares;
 - (d) appoint a new director, officer or partner;
 - (e) appoint a compliance officer;
 - (f) add to or reduce its shareholders;
 - (g) change or modify its name; or
 - (h) appoint any auditor.
- (3) A registrant seeking a change or appointment of a director, officer or partner, or add to or reduce its shareholders, shall submit to the Commission the applicable fee set out in the *Third Schedule*.

- (4) A registrant seeking to change or expand the scope of its activities shall submit a written plan describing the proposed materially new product, service, or activity, or the proposed material change, including a detailed description of the business operations, compliance policies, and the impact on the overall business of the registrant, as well as such other information as requested by the Commission under regulation.
- (5) Prior to a merger or sale of all or a substantial part of the assets of a registrant, the registrant or its acquiring entity must submit to the Commission an application containing a written plan of merger or acquisition.
 - (a) Such written plan of the merger or acquisition shall be in form and substance satisfactory to the Commission, and shall specify each entity to be merged, the surviving entity, or the entity acquiring all or substantially all of the assets of the registrant, as applicable, and shall describe the terms and conditions of the merger or acquisition and the mode of carrying it into effect.
- (6) Where a digital asset business already registered under this Act in accordance with this Part III intends to issue a stablecoin, such issuance shall qualify as an event of material change or expansion in the scope of the business' activities under section 13(2)(a) and be subject to the requirements under Part IV of this Act.

ADDITIONAL REQUIREMENTS FOR DIGITAL ASSET EXCHANGES

14. Prohibition to operate unregistered digital asset exchange.

No person shall establish and/or operate a digital asset exchange in or from within the Bahamas unless registered under this Act.

15. Application for registration of digital asset exchange.

Subject to section 9, a legal entity intending to establish and/or operate a digital asset 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*;
- (b) provide to the Commission for its approval a copy of the rules of the exchange including rules for admission to listing of digital assets on the exchange; and
- (c) submit to the Commission -
 - (i) the applicable fee set out in the *Third Schedule*; 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; and
 - (c) has sufficient capacity and resources to conduct an activity under this Act.

- (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 has designed a digital asset framework which addresses but is not limited to the following - technology and security; governance; scalability; identified risk framework; and data protection and storage.

17. Adequate systems and controls for digital asset exchanges.

A digital asset business authorised to operate a digital asset 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 - the recording, storing, protecting and transmission of information; the effecting and monitoring of transactions; 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; the safeguarding and administration of assets belonging to investors; and in the event of disruption, business continuity and planning.

18. Digital asset exchange to satisfy ongoing requirements.

A digital asset business authorised to operate a digital asset exchange shall satisfy any ongoing requirements as may be prescribed.

18a. Digital asset exchange providing custody of digital assets

A legal entity intending to establish and operate a digital asset exchange which additionally provides custody of digital assets or custodial wallet services, shall be subject to all requirements applicable to digital asset businesses providing custody of digital assets or digital wallet services as applicable under this Act, including the registration requirements under section 8 and the ongoing requirements under section 11a and 11b.

SUSPENSION, REVOCATION OR SURRENDER OF REGISTRATION

19. Suspension or revocation of registration.

- (1) The Commission may suspend or revoke the registration of a digital asset business where -
- (a) the digital asset 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 digital asset business is being marketed or advertised in a manner that is fraudulent or misleading;
 - (d) any operator or issuer of the digital asset business is convicted of a criminal offence involving fraud or dishonesty;
 - (e) the digital asset business is declared bankrupt or goes into liquidation or makes a composition with its creditors or is otherwise dissolved; or
 - (f) at the written request of another competent regulatory authority which is carrying out regulatory functions in relation to the relevant registrant;

- (g) the digital asset 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) if the registration has been obtained by fraud; or
 - (j) in the case of a digital asset exchange -
 - (i) the Commission considers that the person operating the exchange is no longer a fit and proper person to provide the service;
 - (ii) the Commission has been furnished with information by or on behalf of the exchange, which is false, inaccurate or misleading;
 - (iii) the exchange has not commenced the services it has been authorised to provide within twelve months from the date of issue of the registration; or
 - (iv) the exchange has ceased to provide digital 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, which notice shall be issued at least fourteen days prior to the effective date of the suspension or revocation, and the digital asset business shall have seven days from the receipt of such notice in which to respond.
- (3) Notwithstanding subsection (2), the Commission may -
- (a) suspend the registration of the digital asset business without prior notice where the Commission deems that an immediate suspension of the registration of the digital asset business is necessary to protect the public; or
 - (b) revoke the registration of a digital asset business -
 - (i) without suspension, where the digital asset business has voluntarily surrendered its registration; or
 - (ii) without suspension where any of the matters referred to in subsection (1) (b) - (j) 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 digital asset business, the Commission may impose such conditions upon or give such directions to the registrant, including the timeline for compliance, with which conditions or directions the registrant must comply.
- (5) The Commission may reinstate a suspended registration where satisfied that the digital asset 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 licence 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.

20. 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 22 shall apply.

21. Process following surrender or revocation.

- (1) Where -
 - (a) the Commission has issued a notice pursuant to section 19(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 [VDI] 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.

22. Winding up or dissolution.

Where the Commission has revoked a licence in any of the circumstances under section 19(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

23. 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 digital assets.
- (2) Every registrant shall implement and maintain data protection measures consistent with the Data Protection (Privacy of Personal Information) Act (*Ch. 324A*) concerning the protection of personal data relative to its customers and as may be prescribed.

CONDUCT AND COMPLIANCE

24. Duty to maintain professional conduct.

Every digital asset business registered under this Act shall, in conducting its business activities, and to the Commission's satisfaction -

- (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) have effective corporate governance arrangements consistent with guidelines issued by the Commission;
- (h) have systems in place to prevent, detect and disclose money laundering, terrorist financing and suspicious transactions pursuant to the provisions of the Proceeds of Crime Act, 2018 (*No. 4 of 2018*) the Anti-Terrorism Act, 2018, the Financial Transactions and Reporting Act, 2018 (*No. 5 of 2018*), and the Digital Assets and Registered Exchanges (Anti-Money Laundering and Countering the Financing of Terrorism) Rules, 2022; and
- (i) have and employ effectively the resources and procedures that are necessary for the proper performance of its business activities.

24a. Conflicts of interest

- (1) Each digital asset business registered under this Act shall, in conducting its business activities, and to the Commission's satisfaction:
 - (a) take all reasonable steps to identify and avoid conflicts of interest (including, where appropriate, in connection with the registrant's relationships with other persons, whether natural persons or entities, which might reasonably be expected to give rise to a shared interest between them and as a result involve a conflict of interest situation that may adversely affect the interest of clients of the registrant);
 - (b) where the registrant cannot avoid acting in any actual or potential conflict of interest situation,

- (i) take all reasonable steps to manage, minimise and monitor the conflict and ensure fair treatment of its clients; and
- (ii) where applicable, disclose those conflicts of interest in order to prevent them from adversely affecting the interests of its clients;
- (c) establish clear policies which set out the circumstances under which the acceptance of gifts, rebates or benefits from clients or other persons by the registrant or its staff is permitted;
- (d) ensure that key duties and functions are appropriately segregated, particularly those duties and functions which, when performed by the same individual, may result in potential conflicts of interest which may expose the registrant or its clients to inappropriate risks. In this regard:
 - (i) front office functions (which include sales staff, staff responsible for handling client orders) and back office functions (which include staff responsible for handling client assets, settlement and accounting) should be carried out by different staff with separate reporting lines; and
 - (ii) compliance and internal audit functions should (a) be segregated from and independent of the operational functions mentioned in subparagraph (i); (b) be separated from each other; (c) report directly to the senior management of the registrant.
- (e) not engage in proprietary trading except for back-to-back transactions entered into by registrant (where applicable and where a registrant is authorised to do so under this Act) and other limited circumstances permitted by the Commission on a case-by-case basis. For the purpose of this subparagraph (e):
 - (i) “proprietary trading” refers to trading activities conducted for: (a) the account of the registrant, trading as principal; (b) the account of any client which is an entity within the same group of entities as the registrant, trading as principal; or (c) any account in which the registrant, or any client which is an entity within the same group of entities as the registrant, has an interest.
 - (ii) “back-to-back transactions” refer to those transactions where a registrant, after receiving (a) a purchase order from a client, purchases a digital asset from a third party and then sells the same digital asset to the client or (b) a sell order from a client, purchases a digital asset from the client and then sells the same digital asset to a third party, and no market risk is taken by the registrant.
- (f) not engage in market making activities on a proprietary basis;
- (g) comply with any other requirement as may be prescribed by the Commission from time to time.

25. General duty to comply and co-operate.

- (1) Every digital asset business and issuer shall comply with this Act and shall, and to the Commission’s satisfaction -
 - (a) deal openly and honestly and co-operatively with the Commission;

- (b) duly provide information relevant to the operations of the digital asset business as the Commission may require;
 - (c) submit to on-site or off-site examinations of the digital asset business as required by the Commission in the exercise of its functions; and
 - (d) comply with any rules, guidelines or directives made and issued by the Commission.
- (2) For the purpose of subsection (1), compliance with this Act shall be considered a part of the minimum criteria for continued registration.

AML AND CFT PREVENTION MEASURES

26. **Prevention of money laundering and terrorism financing.**

A digital asset business shall, with respect to its own activities and such digital assets, for the purpose of risk management and the prevention of money laundering and terrorism financing -

- (a) conduct a risk assessment that considers legal, compliance, financial, and reputational risks associated with the registrant's activities, services, customers, counterparties, and geographic location and shall establish, maintain, and enforce an anti-money laundering program based thereon;
- (b) implement and maintain policies and procedures to ensure compliance with provisions of the Proceeds of Crime Act, 2018, Anti-Terrorism Act, 2018, the Financial Transactions Reporting Act, 2018 (*No. 5 of 2018*), and the Digital Assets and Registered Exchanges (Anti-Money Laundering and Countering the Financing of Terrorism) Rules, 2022; and comply with the rules, policies and guidelines made and issued by the Commission on risk management and the prevention of money laundering and terrorist financing;
- (c) conduct follow-up risk assessments on an annual basis, or more frequently as risks change, and shall modify its anti-money laundering program as appropriate to reflect any such changes;
- (d) identify and appoint a senior officer as a "compliance officer" who shall ensure that the registrant is in full compliance with the provisions of the Proceeds of Crime Act, 2018, Anti-Terrorism Act, 2018, the Financial Transactions Reporting Act, 2018 (*No. 5 of 2018*), and the Digital Assets and Registered Exchanges (Anti-Money Laundering and Countering the Financing of Terrorism) Rules, 2022, and any rules, policies, guidelines and directives made and issued by the Commission on risk management and the prevention of money laundering and terrorist financing. Where appropriate, the duties of the money laundering reporting officer may also be carried out by the compliance officer.

26a. The compliance officer appointed pursuant to section 26(d) shall have:

- (a) the knowledge, skills and experience necessary to identify, assess and manage the risks of money laundering and terrorist financing to which the registrant is exposed, and to implement the relevant policies, controls and procedures; and
- (b) a good understanding of the registrant's business model, the sector in which it operates, and the extent to which this business model exposes the registrant is exposed to risks of money laundering and terrorist financing.

PART IV - INITIAL TOKEN OFFERING

27. Initial token offerings.

- (1) No issuer shall issue a digital asset in or from within The Bahamas except in compliance with this Act.
 - (1a) An issuer issues a digital asset:
 - (i) in The Bahamas, if irrespective of physical location, the person offers digital assets to Bahamian residents, whether natural persons or entities, from anywhere in the world; and
 - (ii) from within The Bahamas, if the person, whether or not a legal entity registered or incorporated under the laws of The Bahamas, offers digital assets to persons outside or within The Bahamas from or through a place in The Bahamas.
 - (1b) This Act does not prohibit the issuance of a digital asset under this Act from outside of The Bahamas. An issuer that intends to offer digital assets for sale in, from within or through The Bahamas through an initial token offer:
 - (a) shall be fit and proper;
 - (b) shall prepare an offering memorandum in accordance with section 28; and
 - (c) shall comply with any regulations, directives, rules or guidelines made under this Act.
 - (1c) All existing issuers who have issued a digital asset in or from within The Bahamas and who have not registered in accordance with this Act on the commencement date of this Act shall comply with the requirements of this Part IV in accordance within the timeline provided for in section 55.
 - (1d) Issuers who have issued or will issue a digital asset neither in or from within The Bahamas may voluntarily register with the Commission in accordance with this Part IV, if it satisfies the requirements under this Act as if it is an issuer of digital assets in or from within The Bahamas.
- (2) The requirement to prepare an offering memorandum under section 27(1b)(b) shall not apply where:
 - (a) the digital assets are distributed as a reward for the maintenance of the DLT or the validation of transactions;
 - (b) the digital assets are offered to fewer than 150 natural or legal persons;
 - (c) the offer of the digital assets is solely addressed to qualified purchasers and the digital assets can only be held by such qualified purchasers;
 - (d) the digital assets are offered as compensation to employees, directors, general partners, consultants and advisors, or officers and the amount of the offering does not exceed \$10 million.
- (3) No later than five days prior to the first sale of digital assets using any exemption set out under section 27(2), the issuer shall file the information as may be required by the Commission details of the initial token offering.

- (4) The issuer shall file a report with the Commission within five days after any subsequent sale of digital assets under the same exemption.
- (5) In section 27(2)(c) "qualified purchaser" means any person who comes within any of the following categories, or whom the issuer reasonably believes comes within any of the following categories, at the time of the sale of the digital asset to that person:
 - (a) any individual whose individual net worth, or joint net worth with that person's spouse, at the time of the purchase exceeds one million dollars;
 - (b) any individual who had an individual income in excess of two hundred thousand dollars in each of the two most recent years or joint income with that person's spouse in excess of three hundred thousand dollars in each of those years and has a reasonable expectation of reaching the same income level in the current year;
 - (c) any person, other than an individual, with total assets in excess of five million dollars not formed for the specific purpose of acquiring the digital assets offered;
 - (d) any legal entity in which all of the equity owners or members (or, in the case of a trust, all of the beneficiaries) fall within one or more paragraphs of this subsection; or
 - (e) any person that is recognised or designated by the Commission as a qualified purchaser.
- (6) Issuers may issue digital assets in or from within The Bahamas:
 - (a) by airdrop or any other similar mechanism through which digital assets are transferred to the wallet addresses of predetermined recipients;
 - (b) by admission to a digital asset exchange;
 - (c) by way of smart contracts; or
 - (d) by any other method not prohibited by the Commission.
- (7) No issuer shall offer privacy tokens for sale in or from within The Bahamas. But, a digital assets business that provides services or facilitates activities involving privacy tokens may not avoid its licensing or regulatory obligations because it chooses to provide services or facilitates activities involving privacy coins.
- (8) If an issuer intends to offer or shall offer digital assets for sale in or from within The Bahamas through an initial token offer, and such digital assets are digital asset structured products, the requirements of this Act shall apply with respect to the digital assets at the program level and not at the level of the individual components of digital assets.

28. The offering memorandum.

- (1) For the purpose of preparing the offering memorandum, an issuer shall have a duty to provide full and accurate disclosure of all information which would allow potential purchasers to make an informed decision.
- (2) Every offering memorandum published in connection with an initial token offering shall -
 - (a) be signed by every founder and member of the issuer's board; and
 - (b) address the matters specified in *Second Schedule*.

- (3) An issuer has a duty to publish the offering memorandum by posting a copy of the memorandum on a website operated and maintained by the issuer, which is readily accessible to and downloadable by potential purchasers for the duration of the offer period and for no less than fifteen days after the offer period ends.
- (4) Where any of the disclosures required under the Second Schedule cease to be accurate in a material particular prior to the end of the offer period for the initial token offering, the issuer shall -
 - (a) immediately and in any event within one day of becoming aware of the inaccuracy, notify the Commission of the initial token offering, providing -
 - (i) details of the inaccuracy; and
 - (ii) the appropriate amendment to the offering memorandum; and
 - (b) within five days of notifying the Commission of the inaccuracy, publish a notice on its website to notify subscribers to the memorandum, and include in the published notice the issuer's amendment to the offering memorandum rectifying the inaccuracy

29. Offer period.

Where applicable the offering period shall be stipulated in the offering memorandum.

30. Classification of tokens.

- (1) For the purpose of section 31, an issuer shall identify the class or classes of digital assets which will be available for subscription in the offering memorandum.
- (2) No issuer shall change the class or classes of digital assets to be offered except with prior written approval of the Commission.
- (3) Where the Commission has approved a change of class of digital assets in accordance with subsection (2), the issuer shall amend the Offering Memorandum accordingly.
- (4) Every issuer shall obtain from a counsel and attorney, a written legal opinion concerning the classification of the issuer's digital assets, which opinion shall be filed with the Commission.

31. Registration of initial token offering.

- (1) An issuer shall apply for registration of an initial token offering no later than forty-five days before the start of the offer period.
- (2) The application referred to in subsection (1), shall be -
 - (a) submitted using Form 1 set out under Part D of the *First Schedule*;
 - (b) accompanied by -
 - (i) the written legal opinion obtained in accordance with section 30(4);
 - (ii) the offering memorandum or the information required by the Commission in accordance with section 27(3), as applicable; and
 - (iii) the application fee set out in the *Third Schedule*.

- (3) The Commission shall within thirty days from the receipt of the application, determine whether the application meets the requirements of this Act which determination shall include an assessment of the opinion on the assessment of the classification of the token.
- (4) Where the Commission's assessment is that a digital asset is a security, an issuer shall withdraw its application for registration of the digital asset and may proceed to have the digital asset registered under the provisions of the Securities Industry Act.

32. Approval of application.

Where, following a review of the application and documents submitted in relation to an initial token offering, the Commission does not object to the application for registration, the Commission shall thereafter approve the initial token offering.

33. Advertisement of initial token offering.

Any advertisement relating to an initial token offering shall be accurate and not misleading; clearly identifiable as an advertisement; consistent with the information contained in the offering memorandum; and compliant with any requirements prescribed by the Commission.

34. Powers of Commission in connection with initial token offering.

The Commission may -

- (a) order the amendment of an offering memorandum to include supplementary information; or
- (b) suspend any initial token offering with notice in writing to the issuer if the Commission reasonably suspects that the offering is being conducted in breach of this Act or in a manner that is injurious to the public; or
- (c) require the amendment or removal of any advertisement, material or publication on the issuer's website concerning the offering which the Commission considers as inaccurate or misleading; and
- (d) publish a notice advising the public of any action taken pursuant to this section.

35. Token register.

The Commission shall keep a register of initial token offerings and shall include in respect of every initial token offering

- (a) the name and address of the issuer;
- (b) the regulatory licenses or registrations held by the issuer including any foreign registrations;
- (c) the name and symbol of the digital asset created;
- (d) the exchange or platform on which the digital asset is traded;
- (e) any condition imposed by the Commission, including conditions concerning the sale or redemption of the digital asset;
- (f) any other information deemed relevant by the Commission.

36. Continuing obligations of an issuer to disclose.

- (1) Where, after the offering memorandum has been issued but before the close of the offer period, an issuer becomes aware of any information which could affect the interests of purchasers, the issuer shall immediately notify the Commission and disclose that information by a supplement to the offering memorandum.
- (2) Where an issuer fails to notify the Commission or make a disclosure in accordance with subsection (1), the issuer shall be subject to an administrative penalty of up to ten thousand dollars.

36a. Additional requirements relating to issuers of stablecoins

- (1) An issuer of stablecoins shall fully back such stablecoins with reserve assets, meaning that the value of the reserve assets shall at all times be at least equal to the nominal value of all outstanding units of the stablecoin.
- (2) An issuer shall only issue stablecoins whose reserve assets consist of one or a combination of:
 - (a) fiat currencies;
 - (b) legal tender;
 - (c) commodities;
 - (d) digital assets; or
 - (e) any other form of reserve asset not prohibited by the Commission.
- (3) For the purposes of this Act, the issuance of stablecoins that aim or purport to maintain a stable value via protocols that provide for the increase or decrease of the supply of such stablecoins or other digital assets in response to changes in demand shall be prohibited.
- (4) For the purposes of preparing the offering memorandum in accordance with section 28, issuers of stablecoins shall, in addition to the requirement under section 28(2), include in the offering memorandum:
 - (a) the method and all factors used to calculate the value of reserve assets;
 - (b) the initial value and composition of the reserve assets
 - (c) the conditions and the procedure to purchase stablecoins and redeem such stablecoins against reserve assets;
 - (d) details of the stabilisation mechanism
 - (e) a summary of the investment policies referred to in subsection (5)(a) and an explanation of how such investment policy can affect the value of reserve assets
 - (f) details of the arrangements for custody and management of the reserve assets
 - (g) the rights provided to holders of the stablecoin
 - (h) a summary of the redemption policies referred to in subsection (5)(b);
 - (i) any other information as required by the Commission.

- (5) For the purposes of registering in accordance with section 31, in addition to the documents referred to under section 31(2)(b), the application shall be accompanied by:
 - (a) the investment policies of the reserve assets and an assessment of how such investment policy can affect the value of reserve assets;
 - (b) the issuer's redemption policies.
- (6) The redemption policies referred to in subsection (5) shall:
 - (a) be clear and conspicuous;
 - (b) confer on any lawful holder of the stablecoin a right to redeem units of the stablecoin from the issuer in a timely fashion at a 1:1 exchange rate for the underlying unit of fiat currency, legal tender, commodity, or digital asset (net of ordinary, well-disclosed fees);
 - (c) clearly disclose the meaning, timing and conditions of redemption.
- (7) Redemption of stablecoins shall be subject to reasonable, non-burdensome conditions.
- (8) Issuers of stablecoins shall ensure that reserve assets are held in custody and managed:
 - (a) where reserve assets take the form of digital assets, by a digital asset business appropriately authorised under this Act;
 - (b) where reserve assets take any other form, by an entity appropriately authorised to custody and manage such reserve assets under the laws of The Bahamas or in a prescribed jurisdiction;
 - (c) in accordance with any rules as prescribed by the Commission.
- (9) Issuers of stablecoins shall ensure that reserve assets of each stablecoin are segregated from the operating assets of the issuer and the reserve assets of any other stablecoins.
- (10) Issuers of stablecoins shall make reserve assets available for examination and for verification of the issuer's disclosures upon request of the Commission or as otherwise prescribed by the Commission.
- (11) The Commission may, at any time and in its sole discretion, prohibit or otherwise limit the issuance or use of a stablecoin before or after an issuer which has been approved in accordance with section 32 issues such stablecoin, and may require that any such issuer delist, halt, or otherwise limit or curtail activity with respect to such stablecoin.
- (12) For the purposes of an issuer's ongoing obligations to disclose under section 36(1), information which could affect the interests of purchasers shall include any event that has or is likely to have a significant impact on the value of the stablecoin or on the reserve assets.
- (13) For the purposes of the issuer's duty to publish the offering memorandum on a website operated and maintained by the issuer under section 28(3), the duration for which the offering memorandum shall be made available on the website shall be for as long as the stablecoins are in public circulation.
- (14) Issuers of stablecoins must publish as soon as possible on the website referred to in subsection (12) of the following:
 - (a) any changes to the information referred to in subsection (4);

- (b) any event that has or is likely to have a significant impact on the value of the stablecoin or on the reserve assets;
- (c) any other event as may be prescribed by the Commission.

PURCHASERS' RIGHTS

37. **Purchaser's right to rescission or damages.**

Where an issuer publishes an offering memorandum or any amendment thereto which contains a material misrepresentation relating to any of the requirements set out in the *Second Schedule*, a purchaser shall have a right of action against the issuer -

- (a) for the rescission of the subscription; or
- (b) for damages.

38. **Purchaser's right of withdrawal.**

- (1) A purchaser of a token offered under the provisions of this Act shall be entitled to withdraw his purchase by written notice to the issuer.
- (2) A purchaser's notice of withdrawal shall be made no later than seventy-two hours after the date of the agreement to purchase the token.
- (3) Where a purchaser has exercised the right of withdrawal, all funds paid by the purchaser shall be paid over by the issuer to the purchaser within two days of the purchaser's request.

PART V – INVESTIGATION, MONITORING AND COOPERATION

39. **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, 2018 (*No. 5 of 2018*) 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 unregistered persons are engaged in an activity regulated under the provisions of this Act.
- (3) The Commission shall implement systems to identify any person who is not registered under sections 8 or 9 of this Act and who —
 - (a) is carrying on or involved in digital asset business activities; or

- (b) who purports to carry on or to be involved in digital asset business activities.

40. 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.

40A. Powers to compel.

Where the Commission has reason to believe that a person is or may be in possession of relevant information, it may —

- (a) require such person to attend before it at a specified time and place to answer questions, including under oath or affirmation that the statements that the person will make will be true;
- (b) require such person to produce, or procure the production of specified documents or documents of a specified description;
- (c) require such person to give an explanation of or further particulars regarding any information or document produced under paragraphs (a) and (b).

40B. Uncooperative witness liable for contempt.

On application by the Commission to the court, a person summoned under section 40A is liable to be committed for contempt, as if in breach of an order or judgement of the court, if the person neglects or refuses to —

- (a) attend;
- (b) give evidence; or
- (c) produce a document in the custody, possession or control of that person.

41. Co-operative 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. No civil or criminal proceedings, except for an offence under subsection (8) shall lie against any person, who in compliance with an order made under subsection (5), -
 - (d) furnishes the Commission with any information or material in any form, including any document or copy thereof;
 - (e) makes a statement to the Commission in good faith; or
 - (f) gives assistance to the Commission by doing or omitting to do any act, the doing or omission of the act is done in good faith.
- (8) 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 (5), 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.
- (9) In the exercise of its cooperative power under this section, the Commission shall have authority to enter into memoranda of understanding with overseas regulatory authorities 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*.

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; and
- (e) other governmental or regulatory agencies or Competent Authority; and
- (f) any other Bahamian authority, as prescribed.

"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 digital asset 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 digital exchange or any other person regulated or supervised by the overseas regulatory authority; or
- (b) the issue of or trading in digital assets in the foreign jurisdiction of the overseas regulatory authority.

PART VI - OFFENCES, PENALTIES AND SANCTIONS

OFFENCES AND PENALTIES

42. Offence.

- (1) A person who fails to comply with the provisions of this Act commits an offence.

- (2) Every digital asset business or any of its employees, managers, officers or other connection persons, who -
 - (a) fails to cooperate with the Commission; or
 - (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 five thousand dollars.
- (3) For the purposes of subsection (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 digital asset business.

42A. Compliance Orders.

Without prejudice to any action that may be instituted or taken against a person identified under section 39(3), if at any time it appears to the Commission that such person has failed to comply with any requirement under this Act, the Commission may by written notice —

- (a) direct that person to comply with the requirements within such period and on such terms and conditions as the Commission shall specify;
- (b) direct that the person cease and desist carrying on digital asset business or their involvement in digital asset business;
- (c) direct that the person cease and desist any activity which purports that the person is carrying on or is involved in digital asset business in or from within The Bahamas.

42B. Penalty.

- (1) Any person failing to comply with a directive of the Commission made under section 42A or any directive of the Commission made under section 53 within the time period specified in the directive shall be subject to a penalty of up to \$100,000 for each contravention.
- (2) The Commission shall not impose a penalty under subsection (1) unless the Commission notifies the person in writing of—
 - (a) the directive or directives contravened;
 - (b) the Commission's intention to impose a penalty, and invites the person to make a representation in writing within a period specified by the Commission, providing reasons why the Commission should not impose a penalty.
- (3) Where after considering the representation made or after the specified period for doing so has elapsed, the Commission imposes a penalty, it shall notify the person in writing of the Commission's decision and specify the period within which the penalty shall be paid.

43. 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.

44. **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.

45. **Misrepresentations.**

Any 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

46. **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) revoking a licence pursuant to section 19; or
 - (i) 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, 2018 (*No. 5 of 2018*); or
 - (c) failed to comply with any guidelines issued by the Financial Intelligence Unit pursuant to section 15 of the Financial Intelligence Unit Act (*Ch. 367*).
- (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.

46A. Freeze Orders.

- (1) If the Commission considers it in the public interest to do so, the Commission may, for the administration of digital asset laws or to assist in the administration of the digital assets legislation of another jurisdiction, by order for a period not to exceed five days, direct —
- (a) a person having on deposit, under control or for safekeeping any funds, digital assets or other property of the person named in the order to hold them; or
 - (b) a person —
 - (i) not to withdraw any funds, digital assets or other property from any person having them on deposit, under control or for safekeeping; or
 - (ii) to hold all funds, digital assets or other property of a client of that person, or of others, in the person's possession or control in trust for a receiver,

receiver-manager, trustee or liquidator appointed under an enactment of The Bahamas.

- (2) An aggrieved person may apply to a judge in chambers to discharge the order of the Commission under this section and shall serve notice on the Commission to join in the proceedings, but the order of the Commission shall remain in effect until the judge determines otherwise.
- (3) Unless expressly stated, an order made under subsection (1) does not apply to funds, digital assets or other property in the process of transfer.

PART VII - MISCELLANEOUS

47. 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.

48. 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.

49. Fees.

- (1) The *Third Schedule* shall have effect for the fees payable in respect of the matters listed therein.
- (2) The fees payable under this Act shall -

- (a) be payable to the Securities Commission of The Bahamas;
- (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.

50. **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 disapply the application of this Act to -
 - (a) a person or class of persons;
 - (b) a digital asset or class of digital assets; or
 - (c) a digital asset business or class of digital asset 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.

51. **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.

52. **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.

53. **Directives.**

The Commission may issue directives to registrants or issuers regarding the interpretation, application, or enforcement of the provisions of this Act, including without limitation directions to undertake specific actions in order to comply with the duties, requirements and standards with which they shall comply under this Act.

54. **Consequential amendments.**

- (1) Section 2 of the Financial and Corporate Service Providers Act (*Ch. 369*) shall be amended as follows:
 - (a) In subsection (1), by the repeal of the definitions of "custody of digital assets" and "wallet services provider";
 - (b) In subsection (2)(b), by the repeal of limbs (xi) and (xii).

55. **Transitional.**

- (1) Notwithstanding the provisions of any other law but subject to subsections (2) and (3), 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.
- (2) Any person licenced as financial services provider under the Financial and Corporate Service Providers Act (*Ch. 369*) for providing "custody of digital assets" immediately before the commencement of this Act shall be deemed to be registered under this Act as a digital asset business providing custody of digital assets and shall comply with all requirements applicable to digital asset businesses authorised to provide the custody of digital assets under this Act;
- (3) Any person licenced as financial services provider under the Financial and Corporate Service Providers Act (*Ch. 369*) as a "wallet services provider" immediately before the commencement of this Act shall be deemed to be registered under this Act as a digital asset business providing custodial wallet services and shall comply with all requirements applicable to digital asset businesses authorised to provide custodial wallet services under this Act.

FIRST SCHEDULE

PART A

Form 1

(section 8)

Application for Registration as Digital Asset Business

Item 1 - Name of Applicant State full legal name of the Applicant.

Item 2 - Type of Registration Application

Indicate the digital asset business for which registration is sought by selecting all activities that apply -

- A payment service provider utilising digital assets ()
- Provision of an exchange between digital assets and fiat currencies ()
- Provision of an exchange between one or more forms of digital assets ()
- Providing the transfer of digital assets ()
- Provision of financial services related to an issuer's offer or sale of a digital asset
- 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 Founders, Beneficial Owner, Significant Interests Holder, Directors, and Officers

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

If the digital assets of the Applicant are traded on another digital asset 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 Digital Asset Business on Behalf of Applicant

Provide completed **Form 3** for each person who is to carry on digital asset business on behalf of the Applicant, including Founder, Chief Executive Officer Compliance Officer.

Item 6 - Discipline History

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

- (a) disciplined by any stock exchange, digital asset 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, digital clearing and digital custody arrangements, communication capabilities, as applicable.

Provide names and addresses of principal bankers, digital custodians, digital 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 digital asset management, 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 -

- (d) audited financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment;
- (e) the auditor's report accompanying the audited financial statements; and
- (f) 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 - 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 13 -Date the Application

Item 14 - 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 founder, beneficial owner, significant interest holder, director and officer of the applicant digital asset business.

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

FORM 2

Personal Questionnaire for Director, Founder, Beneficial Owner, Officer, and Significant Interest Holder for persons registered under Part III of the Act

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.

A. Personal Details	
1. Name of the registered person (firm, digital asset exchange, etc.) in connection with which this questionnaire is being completed	
2. Full legal name of representative: Surname, Given names.	
3. List of any previous names of the Applicant	
4. Indicate role(s) in which representative will be acting	Director: () Founder: () 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	
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. Employment & Education History	
10. Present occupation or employment including: i. the name and address of the employer ii. the nature of business iii. Title of position held; and iv. relevant start date Provide the name, position and telephone number of a reference	
11. Prior occupations and employment during the last ten years, including: i. the name and address of the employer ii. the nature of business iii. Title of position held, and iv. relevant dates (leave no period unaccounted for)	
For each employer, provide the name, position and telephone number of a reference	
12. List companies of which the Applicant (a) Current director or holding significant interest (b) has been a director or significant held significant interest at any time during the last ten years (Specify the name of the entity, the country of incorporation, and the nature	(a) Current director or holding significant interest (b) has been a director or significant held a significant interest at any time during the last ten years
*Significant interest as defined in section 2 of the Act	
13. Describe the formal education or training the Applicant has in digital asset business (including professional qualifications or degrees and year in which they were obtained).	Please provide evidence of status with any professional membership indicated.
14. Are you or have you ever been a director, officer, held significant interest holder, or been an	No ()

employee of any other entity registered with the commission	Yes () If yes, please provide full details.
15. 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)
C. Discipline History	
16. 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,)
17. 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)
18. with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn?	No () Yes () (if yes, full details)
19. 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, full details)
20. 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, full details)
21 In carrying out your duties will you be acting on the directions or instructions of any other person?	No () Yes () (if yes, full details)

"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. "

Date:	Signature:
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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 Digital Asset 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.

A. Personal Details	
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) for which representative is applying	CEO <input type="checkbox"/> Compliance Officer: <input type="checkbox"/> Other <input type="checkbox"/>
5. Indicate if this is an application for reinstatement of a previous registration	No <input type="checkbox"/> Yes <input type="checkbox"/> (if yes, attach full details)
6. Home address	

7. Previous home addresses during the last ten years (with relevant dates)	Previous Address 1: Date at this Address: Previous Address 2: Date at this Address: Additional as applicable
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 other type_	Identification No: Identification Type:
B. Employment & Education History	
11. Present occupation or employment including: i. the name and address of the employer ii. the nature of business iii. title of position held, and iv. relevant start date For each employer, provide the name, position & telephone number of a reference	
12. Prior occupations and employment during the last ten years, including: i. the name and address of the employer ii. the nature of business iii. title of position held, and iv. relevant dates (leave no period unaccounted for). For each employer, provide the name, position & reference	
13. List companies of which the Applicant is: (a) Current director or holding significant interest holder (b) has been a director or significant interest holder at any time during the last ten years (Specify the name of the entity, the country of incorporation, and the nature of business in each case) *Significant interest as defined in section 2 of the Bill.	(a) Current director or holding significant interest (b) has been a director or significant interest holder at any time during the last ten years

14. Describe the formal education or training the applicant has in digital asset business (including professional qualifications or degrees and year in which they were obtained).	Please provide evidence of status with any professional membership indicated.
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?	No () Yes () If yes, please provide full details.
16. 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)
C. Discipline History	
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)

Date:	Signature of applicant:
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"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:	
<i>Notice: The Registered Digital Asset Business is required to give immediate notice to the Commission if the Applicant does not commence employment with the Digital Asset Business on the date above.</i>	
Authorisation from Chief Executive Officer (or equivalent) or Director of Registered Digital Asset Business	
Date:	Signature:
	Title:

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 Registered Digital Asset Business, Registered Firm or Financial and Corporate Service Provider to Carry on Digital Asset Business Services

Item 1: Full Name of Applicant:

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Item 2: License/ Registration Number:

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Item 3 - Current Registration

Indicate the category of business of which the applicant is currently registered, and/or whether the applicant has either a Financial and Corporate Service Providers license or an Investment Funds license:

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	

If a Financial Service or Corporate Service Provider, list the licensed activities:

Item 4 - Types of Digital Asset Business Services

Indicate the type(s) of digital asset business service(s) the Applicant wishes to engage in:

Digital Asset Business Services	Yes
Digital asset Exchange	
Provision of exchange between digital assets and fiat currencies	
Provision of exchange between one or more forms of digital assets	
Transferring of digital assets	
Payment service provider—using digital assets	
Digital asset service provider	
Participation in and provision of financial services related to an issuer's offer or sale of a digital asset	
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 Digital Asset Business services 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 digital asset 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 digital asset 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, 2000 under which they are registered, as well as the Digital Assets and Registered Exchanges Act, 2020; 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 digital asset business services to be rendered.
3. An application fee must be submitted with this application. The appropriate fee can be found in the Fee Rule.

Where the Applicant intends to operate a digital asset exchange, in addition to the attachments previously listed, the following must be provided:

4. Rules of the exchange, including rules for admission to listing of digital assets on the 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 founder, beneficial owner, security holder, director and officer of the applicant's digital asset business.

PART C

Form 1

(section 15)

Application for Registration of Digital Asset Exchange

Item 1 - Name of Applicant

State the full legal name of the Applicant.

Item 2 - Type of Application

State what category of digital asset business the Applicant is applying for registration in.

Item 3 - Full Business Contact Details of Applicant

State the Applicant's principal business address and provide email addressees), 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 securities or digital assets of the applicant, securities or digital exchange in any jurisdiction.

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

If the securities of the Applicant are traded on a securities 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 Commission, internal controls and risk management policies and procedures. Attach a complete copy of these policies and procedures.

Item 8 - Rules

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

Item 9 - 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 10 - 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 11 - 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 12 - 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 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 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 written Commission, 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 digital asset 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 27)

Application for Registration of Initial Token Offering

General Information	
Name of the project	
Company name	
Type of entity	
Addresses of the company	
Email	
Website	
Names of the founders (attach CV/background)	
Addresses of the project operators	
Details of all persons involved:	
Founder	
Issuer	
Token seller	
Advisors	
Secondary trading participants (platform, ITO organiser, etc.)	
Person endorsing	
Offering Memorandum	
Regulatory licenses held by the Issuer, Founder, advisors and Exchanges (if any)	
Project Description	
Project name, goals and project plan/timeline-roadmap	
Key features of the service to be developed (industry)	
Profile of investors i.e. accredited vs nonaccredited	
Residence restrictions on investors (US, China, etc.)	
Project organization and planning (timing of the various ITO phases milestones, etc.)	
Technologies used (DLT, new techno, open source, etc.)	
Method of payment accepted: (types of digital assets and currencies)	

Projected raise total in fiat currencies and digital assets	
Please indicate whether the funds have been allocated to a specific project/operational investment and how will the surplus funds be allocated	
Issuance of Digital Asset	
Name/symbol of digital asset created	
Technological methods and standards for creation (ERC 20 etc)	
Wallet IS of the ITO (if already in existence)	
At which point by whom and in which manner will the token be transferred to the investors? Price of token during pre/public sale) and price setting mechanism	
Which functionalities will be embedded in the token/what will be the uses of the token?	
At which point will the functionalities planned apply?	
Will a regulated financial intermediary commissioned to meet the AML due diligence requirements? If so, according to which law.	
Provide detailed description on the KYC/AML processes applies (PEPs, sanction, high risk industries, etc.)	
Transfer and secondary market	
Describe how the token be transferred (compatible wallets, technical standards)	
Indicate whether the token is already functional at the time of the transfer and, if yes, to what extent	
Indicate where the token can be acquired or sold after the issuance (what are the secondary market platforms)?	
Will it be possible to use the tokens to buy goods or services or make payments to third parties?	
Are there plans for the project operator/issuer to buy back tokens?	
Vesting of Digital Assets (Utility Tokens)	
How can the token be transferred (Compatible wallets/technical standards)?	
Is the token already functional at the time of the transfer? If yes, to what extent?	

How and where can the token be acquired or sold after the issuance (what are the secondary market platforms)?	
Will it be possible to use the tokens to buy goods or services or make payments to third parties?	
Are there plans for the project operator/issuer to buy back tokens?	

SECOND SCHEDULE

(section 28)

Contents of an Offering Memorandum

Matters to be specified in a offering memorandum of an issuer and requirements for its approval and publication.

General

1. The Securities Commission of The Bahamas has not expressed any opinion of the merits of these digital assets or determined that this offering memorandum is accurate or complete. It is illegal for anyone to make any representations in this regard.
2. The offering memorandum shall contain the information which, according to the nature of the issuer and of the digital assets offered to the public, is necessary to enable investors to make an informed assessment of the prospects of the issuer, the proposed project and of the features of the digital asset. This information shall be presented in plain English with no over-reliance on technological terms unless such terms are clearly explained.
3. Certain information specified in this Schedule may be omitted from the offering memorandum if:
 - (a) disclosure of such information would be seriously detrimental to the issuer, provided that the omission would not be likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the prospects of the issuer, the proposed project and of the features of the digital assets to which the offering memorandum relates; or
 - (b) such information is largely irrelevant and would not taking into account reasonable factors influence an informed assessment of the prospects of the issuer, the proposed project and of the features of the digital assets to which the offering memorandum relates.
4. The offering memorandum shall be drafted in the English language and any additional languages, at the issuer's discretion.
5. The offering memorandum shall include a summary. The summary shall, in brief and in non-technical language, provide key information in relation to the offering. The format and content of the summary of the offering memorandum shall provide, in conjunction with the offering memorandum, appropriate information about essential elements of the digital assets concerned in order to aid investors consideration of whether to invest in such digital assets. The summary shall also include a warning that:
 - (a) it should be read as an introduction to the offering memorandum;
 - (b) any decision to invest in the digital assets should be based on consideration of the offering memorandum as a whole by the investor;
 - (c) the offering of digital assets does not constitute an offer or solicitation to sell a digital asset which is an asset token that has been deemed by the Commission to be a security, and that any such offer of an asset token that is deemed by the Commission to be a security will be made only by means of a prospectus or other offering documentation as provided by the Securities Industry Act;

Specific matters to be included.

5. The persons responsible for the publication of the offering memorandum;
6. Names, functions and declarations by the persons responsible for the offering memorandum that:

"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."

7. Provided that the Commission shall have the power to waive or modify any of the above requirements within the context of a particular initial digital offering on application by the issuer, at least, and to the extent it is applicable, the following information on the offer shall be provided in the offering memorandum:
- (a) description of the purpose for the initial token offering;
 - (b) detailed technical description of the protocol, platform and, or application, as the case may be, and the associated benefits;
 - (c) detailed description of any secondary platform where the token is either currently or will trade;
 - (d) disclosure and description of number and type of token held by each development team member and rights or protocols to receive tokens in the future;
 - (e) intended time frame for network to reach maturity;
 - (f) disclosure procedure when a team member sells five per centum or more of originally issued tokens;
 - (g) detailed description of all intended efforts to create liquidity for subscribers once tokens are sold;
 - (h) detailed description of the business' source code and transaction history;
 - (i) detailed description of the sustainability and scalability of the proposed project;
 - (j) associated challenges and risks as well as mitigating measures related to the issuer's business;
 - (k) detailed description of the characteristics and functionality of the digital assets being offered;
 - (l) detailed description of the issuer, development team, advisors and any other service providers that may be deployed for the realisation of the project;
 - (m) detailed description of the issuer's wallet/s used;
 - (n) description of the security safeguards against cyber threats to the underlying protocol, to any off-chain activities and to any wallets used by the issuer;
 - (o) detailed description of the life cycle of the initial token offering and the proposed project;
 - (p) detailed description of the past and future milestones and project financing;
 - (q) detailed description of the targeted investor base;
 - (r) exchange rate of the digital assets;
 - (s) description of the underlying protocol's interoperability with other protocols;
 - (t) description of the manner funds raised through the initial token offering will be allocated;
 - (u) the amount and purpose of the issue;

- (v) the total number of digital assets to be issued and their features;
- (w) the distribution of digital assets;
- (x) the consensus algorithm, where applicable;
- (y) incentive mechanism to secure any transactions, transaction and/or any other applicable fees;
- (z) in the case of a new protocol, the estimated speed of transactions;
- (aa) any applicable taxes of the issuer;
- (ab) any set soft cap and hard cap for the offering;
- (ac) the period during which the offer is open;
- (ad) any person underwriting or guaranteeing the offer;
- (ae) any restrictions on the free transferability of digital assets being offered and the DLT platform's on which they may be traded, to the extent known by the issuer;
- (af) methods of payment;
- (ag) specific notice that investors participating in the initial token offering will be able to get their contribution back if the softcap is not reached at the end of the offering and detailed description of the refund mechanism, including the expected time-line of when such refund will be completed;
- (ah) detailed description of the risks associated with the digital assets and the investment therein;
- (ai) the procedure for the exercise of any right of pre-emption;
- (aj) detailed description of the smart contract/s, if any, deployed including *inter alia* the adopted standards, its/their underlying protocol/s, functionality/-ies and associated operational costs;
- (ak) if any smart contract/s is/are deployed by the issuer, details of the auditor who performed an audit on it/them;
- (al) description of any restrictions embedded in the smart contract/s deployed, if any, including *inter alia* any investment and/or geographical restrictions;
- (am) the program agents used to obtain data and verify occurrences from smart contracts (also known as `oracles') used and detailed description of their characteristics and functionality thereof;
- (an) bonuses applicable to early investors including *inter alia* discounted purchase price for digital financial assets;
- (ao) the period during which voluntary withdrawals are permitted by the smart contract, if any;
- (ap) description of the issuer's adopted white-listing and anti-money laundering and counter financing of terrorism procedures in terms of the Financial Transactions Reporting Act, 2018 (*No. 5 of 2018*) and the Anti-Terrorism Act, 2018;
- (aq) intellectual property rights associated with the offering and protection thereof; and
- (ar) the methods of and time-limits for delivery of the digital assets.

Details of the issuer

8. The following details of the issuer:- Name; Registered address and registration number; Date of registration;

The issuer's object(s);

Where applicable, the group of undertakings to which the issuer belongs;

Disclose at least the following information of any security holder who beneficially owns 10% or more of any class of shares of the issuer —

- (a) name of the holder;
 - (b) class and number of any securities held;
 - (c) nationality or jurisdiction of incorporation or registration ; and
9. Where securities are held under a nominee name or trustee arrangement, state that fact and —
 - (a) the issuer's principal activities; and
 - (b) description of the issuer's principal activities including the disclosure of any legal proceedings having an important effect on the issuer's financial position.

The issuer's operators

10. Names, addresses and functions of operators. Benefits for third parties and other expenditure
11. The amount or estimated amount of preliminary expenses and the persons by whom any of those expenses have been paid or are payable, and the amount or estimated amount of the expenses of the issue and the persons by whom any of those expenses have been paid or are payable.
12. Any amount or benefit intended to be paid or given to any person endorsing the offering, and the consideration for the payment or the giving of the benefit.

Issuer's financial track record

13. Where the issuer has been established for any period not exceeding three years, details of its financial track record for the period from the date the issuer was registered or established, otherwise, where the issuer has been established for a period of three years or more, annual financial statements shall be produced.

Validity of a Offering memorandum, Arrangements for Approval and Publication of an Offering memorandum

14. A offering memorandum shall be valid for 6 months after its approval for offers to the public.
15. (1) Significant new factors, material mistakes or inaccuracies
 - (1) Every material change, material mistake or inaccuracy relating to the information included in the offering memorandum which is reasonably capable of affecting the assessment of the digital assets and which arises or is noted between the time when the offering memorandum is approved and the final closing of the offer to the public, whichever occurs later, shall be mentioned in a supplement appended to the offering memorandum. Such a supplement shall be approved in the same way and published in accordance with at least the same arrangements as were applied when the original offering memorandum was published. The summary, and any translations thereof, shall also be supplemented, if necessary, to take into account the new information included in the supplement.

- (2) Investors who have already agreed to purchase or subscribe for the digital assets before the supplement is published shall have the right to withdraw their acceptance within two working days after the publication of the supplement, provided that the material change, mistake or inaccuracy referred to in paragraph (1) arose before the final closing of the offer to the public and the delivery of the digital assets. That period may be extended by the issuer in which case the smart contract, if any, shall be updated accordingly. The final date of the right of withdrawal shall be stated in the supplement.

THIRD SCHEDULE

(section 49)

Fee Schedule

A. Fees for persons registered under Part III (Digital Asset Businesses)

Category of Registration	Fee Type		
	Application Fee	Registration Fee	Annual Renewal Fee
(a) Digital Asset Exchange	\$5,000.00	\$15,000.00	\$15,000.00
(b) All other digital asset business activities	\$3,000.00	N/A	\$10,000.00
(c) Persons seeking to register for more than one category under (a)-(b) above	Full fee for function with the highest fee.	Full fee for function with the highest fee.	Full fee for function with the highest fee.

B. Table of Fees for the registration of natural persons

Category of Registration	Application Fee	Annual
Chief Executive Officer	\$350.00	\$500.00
Compliance Officer	\$350.00	\$500.00

C. Filing Fees for person registered under Part IV (Initial Token Offering)

Description	Filing Fee
a. Filing of an Offering Memorandum (Application fee)	\$6,000.00
b. Filing of Interim Financial Statements	No Fee (if filed within prescribed time period)
x. Filing of Audited Financial Statements	No fee (if filed within prescribed time period)

D. Administrative Fees

a. Appointment or change in directors, partners or officers	\$400.00
b. Approval of issue, transfer, disposal or re-categorization of digital assets	\$400.00
c. Audit Confirmation Letters	\$300.00
d. Replacement Certificates	\$300.00
e. Name Change	\$300.00
f. Extension to file interim statements for a 3-month period (for a maximum of 2 extension requests)	\$150.00

g. Extension to file audited statements for a 3-month period (for a maximum of 2 extension requests)	\$700.00
h. Surrender of Registration Certificate	\$300.00
i. Change in shareholder	[TBD]

FOURTH SCHEDULE

(section 10)

Notice of Change of Information Person Registered under the Digital Assets and Registered Exchanges 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 licensee'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.

FIFTH SCHEDULE

(section 53)

Act	Amendment
<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 style="margin-left: 40px;">(a) in section 2 by the insertion in the appropriate alphabetical order of the following —</p> <p style="margin-left: 80px;">“digital asset” has the same meaning assigned to it in the Digital Assets and Registered Exchanges Act, 2020;</p> <p style="margin-left: 80px;">“digital asset business” has the same meaning as assigned in the Digital Assets and Registered Exchanges Act, 2020;”</p> <p style="margin-left: 40px;">(b) in section 3(1) —</p> <p style="margin-left: 80px;">(i) by the deletion of paragraph (1) and the substitution of the following —</p> <p style="margin-left: 120px;">“(1) a digital asset business for the purpose of monitoring and risk assessment; and</p> <p style="margin-left: 80px;">(m) any other category of institutions that the Minister may by order designate.”.</p>

<p>Proceeds of Crime Act, 2018 (No. 4 of 2018)</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>“digital asset” has the same meaning as assigned in the Digital Assets and Registered Exchanges Act, 2020;</p> <p>“digital asset business” has the same meaning as assigned in the Digital Assets and Registered Exchanges Act, 2020;”</p> <p>and</p> <p>(b) by the deletion of and substitution of the term “identified risk” as follows —</p> <p>“identified risk” means a risk associated with —</p> <ul style="list-style-type: none"> (a) corruption; (b) cybercrime; (c) human trafficking; (d) money laundering; (e) financing of proliferation of weapons of mass destruction; (f) terrorism (g) financing of terrorism; (h) digital assets and digital asset businesses for the purpose of
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	<p>monitoring and risk assessment; and (i) any other risk as the Minister may prescribe by regulations;”.</p>
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