



PRESS RELEASE

CENTRAL BANK OF THE BAHAMAS

APPROACHES TO REGULATION OF CRYPTO ASSETS IN THE BAHAMAS

To further modernize the financial services sector, the Central Bank has issued a discussion paper on a proposed regulatory framework for crypto assets and related instruments. This will affect the Bank's supervised financial institutions (SFIs).

The Bank seeks to enhance the sector's competitiveness--without compromising the integrity or international reputation of The Bahamas, or undermining the financial safety of Bahamian households. These considerations are consistent with international best practices.

When referring to the various types of tokens, international regulatory convention has settled on "crypto assets" rather than "cryptocurrencies". The Central Bank supports this approach, as it clearly distinguishes between central bank issued fiat currency and private sector products (such as Bitcoin or Ripple).

Amendments to the Payments Instrument (Oversight) Regulations, 2017 will ensure comprehensive coverage of both Bahamian dollar and foreign currency denominated crypto payments instruments. However, it is likely that only Central Bank sponsored digital currencies, or payments instruments fully backed by Central Bank issued currencies or deposits will be eligible for issuance by payment services providers.

The Central Bank will constrain the range of crypto instruments in which SFIs may transact. The Bank will also prohibit direct convertibility between Bahamian dollar (B\$) currency (or officially sanctioned B\$ crypto instruments) and foreign currency denominated crypto assets or non-resident sponsored instruments. This is consistent with the current exchange control requirements.

Regulatory oversight for fintech product innovations is shared between the Securities Commission of the Bahamas and the Central Bank. Although this is a collective undertaking, the

Commission is leading the effort to determine which product innovations fit into the securities industry space. Their results will further define the range of instruments and practices in which Central Bank SFIs can engage.

The full proposal can be viewed and downloaded at www.centralbankbahamas.com

Consultative Period

The consultative period will run until 15th December, 2018.

Questions and/or Comments

Your comments should be directed to the Policy Unit, Bank Supervision Department via email.

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