



Office of
the Prime Minister

**A COMMUNICATION TO THE HOUSE OF
ASSEMBLY
BY
THE HON. PHILIP DAVIS, QC, MP
PRIME MINISTER AND MINISTER OF
FINANCE
ON A POLICY WHITE PAPER
CONCERNING
THE FUTURE OF DIGITAL ASSETS IN THE
BAHAMAS**

20th APRIL 2022

A. INTRODUCTION

Madam Speaker:

I am pleased to rise today to communicate to Honourable Members a vision and a framework to guide digital asset policy in The Bahamas, as laid out in a White Paper my government is publishing today.

Madam Speaker:

The digital assets made possible by blockchain technology represent extraordinary innovation and are rapidly transforming the world's financial infrastructure.

The cryptocurrency market is now worth more than \$3 trillion dollars.

Digital assets are a remarkable opportunity for our country – an opportunity to leverage and build on our world-class financial services expertise, diversify our economy, engage a whole new generation of Bahamians, and lead the way in innovation.

Digital assets are going to have a transformative impact across the globe, and we believe that The Bahamas – and Bahamians -- can be at the vanguard of this new frontier.

Madam Speaker,

Our country's economic recovery is already underway, but we cannot sit still. We cannot delude ourselves into thinking that the old economic models are a sufficient basis for dynamic, inclusive growth and prosperity.

In the Blueprint For Change we put before the Bahamian people, we highlighted the importance of a well-regulated environment for cryptocurrencies and blockchain technology.

My government's initial success in attracting significant digital asset businesses is only the beginning. We have a vision to transform The

Bahamas into the leading digital asset hub in the Caribbean, and a global leader in the progressive regulation of businesses in this profoundly innovative space.

OVERVIEW OF THE WHITE PAPER

Madam Speaker:

This White Paper is a comprehensive policy update and is the product of a consultative process that extensively engaged the Central Bank of The Bahamas, the Securities Commission of The Bahamas, The Bahamas Financial Services Board, and industry, legal and financial experts.

The White Paper lists the following policy objectives:

- To explore new opportunities in a rapidly and continuously evolving digital asset landscape, including developments in decentralised finance (DeFi), non-fungible tokens (NFTs), stable coins and asset-referenced tokens;
- To improve the attractiveness of The Bahamas as a well-regulated jurisdiction where well-run digital asset businesses, of any size, can operate, grow, and prosper;
- Where necessary, to clarify and expand the scope of the current legislative framework generally, and the DARE Act, in particular, to

continue to safely regulate digital assets and digital asset businesses;

- To encourage innovation in the Fintech space and identify emerging technologies that would help maintain The Bahamas' competitive advantage;
- To explore linkages between The Bahamas' existing financial services toolkit (i.e. corporate and fiduciary services) and to facilitate continued innovation in the international financial services sector;
- To develop the skills and expertise necessary to fill jobs created in the Bahamian digital asset sector;

- To work with the Central Bank of The Bahamas to ensure that polices are adjusted and clarified to enable Bahamians to access digital assets in Bahamian Dollars (B\$);
- To build capacity and expand the resources of the SCB in order to support and enhance its role as the pre-eminent digital asset regulator, and to enable it to become a global centre of excellence in the pragmatic, risk-adjusted regulation of digital assets and digital asset businesses; and
- To provide sustainable funding for our digital asset policies, initiatives, and programmes.

Madam Speaker:

Taken together, fulfilment of these objectives will encourage the growth of an exciting new industry while protecting consumers, businesses and investors.

They will also offer safeguards against systemic risks which may emerge.

They will also help to promote and defend the competitiveness of The Bahamas and offer new opportunities for Bahamians and international investors alike.

We wish for our country and our people to be seen as innovators, to stand among the first and best as a great place to do business.

Madam Speaker:

The Policy White Paper highlights the positive, potential economic impact of an expanded digital asset sector.

It also highlights the role that potential growth in the sector can play in helping to rebuild the Bahamian economy.

Post-Dorian, and post-Covid, there is much damage to be repaired.

This potential economic benefit is in fact a central motivation for the development of this Digital Asset Policy.

Madam Speaker:

While we recognize the extraordinary opportunities afforded by digital assets, we also recognize the risks,

and thus we emphasize the importance of effective regulation.

We will attract the best companies and keep out bad actors.

Digital assets companies associated with our jurisdiction must operate fairly and in the interests of customers.

We must ensure that customers' money and assets are properly safeguarded, and that measures are in place to detect and prevent financial crime.

In doing so, at the same time The Bahamas will be meeting its international obligations, upholding our reputation, and mitigating the inevitable risks associated with the introduction of new technologies.

Madam Speaker, our White Paper also envisions the establishment of a Digital Advisory Panel, to keep digital asset development, emerging trends and associated risks, constantly under review.

The Panel will be charged with keeping the Government, the 'Digital Asset Policy Committee' and appropriate regulators, fully updated with relevant information.

They will be expected to recommend any necessary changes to policy, the DARE Act and other legislation, to ensure that The Bahamas maintains its place as a well-regulated digital asset jurisdiction, while at the same time continuing to remain relevant and attractive for digital asset businesses to operate from, to grow and to prosper.

Madam Speaker:

The remaining parts of the White Paper speak more broadly to the wider context of Digital Assets in The Bahamas.

Of enormous importance to me are the policy proposals in Part 6.

We propose to expand the range of sector-specific, academic, professional and vocational opportunities in education.

This is vital to ensure that Bahamians are well-placed and best placed to secure positions in this exciting new industry.

We will promote closest collaboration between the University of The Bahamas, the private sector, and the regulators, to develop crypto-asset courses, to both certificate and degree-level.

I trust the whole House and the Bahamian people will share my fervent desire that the widest possible number of Bahamians benefit from this opportunity.

In Part 7 of the White Paper, we set out how we wish Bahamians to be able to access digital assets in B\$ and encourage greater use of Sand Dollars.

Part 8 seeks to integrate our 'Digital Asset Policy' with our wider policy around climate change. We propose

to introduce incentives for digital assets that prioritise more energy-efficient digital use, to help mitigate the effects of greenhouse gases.

We will also explore the feasibility of establishing a system of Carbon Credits and the establishment of a Caribbean Carbon Market.

This could potentially employ 'distributed ledger' or 'blockchain technology' and operate within The Bahamas' digital asset regime.

Madam Speaker:

A commitment is made at Part 9 to provide the necessary resources for the SCB to continue building capacity, and to meet the growing demand to regulate

and supervise an increasing number of global digital asset businesses.

At Part 10, we undertake to consider, in consultation with relevant stakeholders, the introduction of a Training and Development Levy in order to provide a sustainable source of funding for the initiatives within the policy.

And finally, Madam Speaker, as has been hinted at throughout, in Part 11 the Paper makes a specific commitment to adopt an approach which is proportionate, risk-adjusted and balanced.

This approach should take a joined-up, multi-stakeholder approach, one that considers all policy objectives and outcomes.

In this way, it is anticipated that our approach to Digital Assets will be fully integrated into the wider policy objectives of the government.

Madam Speaker:

What we propose is truly innovative.

We are determined to set The Bahamas on a path, fully fit for the 21st century and beyond, that truly delivers on that brighter future for all.

END

