



**ADVISORY**  
**THE REQUIREMENTS FOR THE DIGITAL**  
**ASSET FRAMEWORK**

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**FINANCIAL SERVICES COMMISSION  
ADVISORY ON THE REQUIREMENTS FOR THE DIGITAL ASSET  
FRAMEWORK**

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**1.0 GENERAL**

- 1.1** This advisory provides general guidance on the regulatory framework for the provision of a trading platform for digital assets and digital currencies. It outlines the regulatory requirements for issuers, securities dealers and market makers.
- 1.2** The requirements outlined are not exhaustive and are not intended to modify or supersede any applicable laws, regulations or guidelines.
- 1.3** Trading in digital assets and digital currencies can only occur over a platform that is operated by a recognised stock exchange as defined in the Securities Act, 2001.

**2.0 DEFINITIONS**

- 2.1** Words and expressions defined in the Securities Act and Regulations, unless otherwise defined in this Advisory, have the same meanings when used in this Advisory.
- 2.2** In this Advisory:
- (a) Digital currency means “a token that is a decentralized asset that operates as a global medium of exchange while functioning as a store of value”.
  - (b) Market Maker means “a company so defined by a recognised stock exchange”.
  - (c) Digital Asset means “a digital representation of an asset that happens to be a security, often an investment contract, for which ownership is verified and recorded on a distributed ledger”.

**3.0 REGISTRATION REQUIREMENTS**

- 3.1** Pursuant to section 26 of the **Securities Act** each issuer and introducing securities dealer will be required to register each digital asset and digital currency with the Financial Services Commission (FSC).

## **3.2 ISSUING OF DIGITAL ASSETS AND DIGITAL CURRENCIES**

### **Digital Assets**

3.2.1 All Issuers of Digital Assets are required to register with the FSC pursuant to the requirements as described in the Guidelines for Issuers of Securities.

### **Digital Currencies**

3.2.2 Securities dealers who intend to introduce digital currency to the market are required to submit the FSC:

- a) A Registration Form;
- b) A circular consisting of information on the currency/coin it intends to register with the FSC. It should include but not limited to the following:
  - i. background of the origins of the currency;
  - ii. the risk factors associated with investing in the currency;
  - iii. a list of all jurisdictions where the instrument is registered;
  - iv. all past regulatory issues identified in any jurisdiction and the action taken;
  - v. Trading history, for 5 years where applicable;
  - vi. long and short term outlook;
  - vii. the uses and benefits of the coin/currency;
  - viii. technical summary of performance of the stock, which should include a discussion on the historical volatility trend analysis or report ;
  - ix. currency details;
  - x. how investors can invest in and dispose of the currency;

3.2.3 Securities dealers who introduce a currency will be required to publish no less than quarterly a report on the performance of the currencies.

## **3.3 SECURITIES DEALERS**

3.3.1 Each securities dealer who intends to offer digital assets or digital currencies on behalf its clients is required to receive approval from the FSC prior to engaging in this service.

3.3.2 The securities dealer will be required to submit the following to the FSC for approval:

- a) Risk Management and Compliance Policies addressing digital asset and currency trading. These policies should address at a minimum: enhanced AML/CFT procedures and controls, policies governing periodic surveillance, reporting of trading activities and restrictions;

- b) A statement of declaration to be signed by each investor, declaring that he/she fully understands all the risks associated with trading and investing in digital assets and digital currencies; and
- c) The relevant section of the Operations Manual for trading on the Digital Platform.

3.3.3 Securities dealers should maintain a segregated account to hold clients' funds who participate in digital assets or digital currencies.

3.3.4 Securities dealers **SHALL NOT** hold proprietary positions in any form of digital currency, but may hold digital assets approved by the FSC.

### **3.4 MARKET MAKERS**

Market Makers are required to register with the FSC by submitting the following:

- a) Executed Jamaica Stock Exchange Market Maker Application and Applicant Required Documents;
- b) A copy of the executed Jamaica Stock Exchange Market Maker Agreement;
- c) Confirmation of approval by the JSE;
- d) FSC will conduct fit and proper assessments of owners, directors and senior officers of the market maker; and
- e) Letter of Good Standing from home regulator.

## **4.0 Onboarding of Clients**

**4.1** Securities dealers should adhere to the Anti-Money Laundering Guidelines and Counter-Financing of Terrorism Guidelines and Advisories on Know Your Customer Procedures to onboard clients. Clients should include their true identity, financial situation, investment knowledge, risk tolerance, experience and objectives.

**4.2** Investors who intend to participate in the trading of digital assets and/or currencies should demonstrate to the securities dealer that they are;

- 1) a qualified accredited investor (as defined in the Guidelines For Exempt Distributions) excluding Securities Dealers, Insurance Companies, and Deposit Taking Institutions, or
- 2) a knowledgeable individual investor who presents evidence of one or more of the following:
  - a) evidence of prior trading experience of five (5) or more transactions in any digital assets or digital currencies within the past twelve (12) months; or
  - b) current or previous work experience in digital assets or digital currencies; or
  - c) evidence of formal training in digital assets or digital currencies;

**4.3** Securities dealers should not allow any client to operate more than one account unless the additional accounts are sub-accounts.

- 4.4** Securities dealers should ensure that each client's IP address is visible and identifiable while conducting trades.
- 4.5** Securities dealers SHALL NOT give trading access to clients to conduct peer-to-peer transactions.

## **5 REPORTING REQUIREMENTS AND DISCLOSURES**

- 5.1** Securities dealers should submit to the FSC a quarterly Compliance Report, within 45 days after the end of each calendar quarter, on all compliance deficiencies found in the on-boarding process of clients and the corrective actions taken. This should include a risk rating of the deficiencies.
- 5.2** Securities dealers should submit a quarterly report within 45 days after the end of each calendar quarter detailing the number of clients, country of residence, monthly volumes and a break-down by type of digital asset and digital currency traded by clients.

## **6.0 ADDITIONAL CONSIDERATIONS**

- 6.1** No person shall provide, or hold itself out as providing, a digital asset service in or from within Jamaica unless such a person is in possession of a valid registration to conduct such business by the FSC.
- 6.2** In granting the registration to the issuer or introducing broker, the FSC may subject the entity to such terms and conditions as it may deem appropriate and may also, from time to time, vary or revoke any terms and conditions previously imposed or impose new terms and conditions.
- 6.3** The FSC may, from time to time, issue and publish legislative changes which shall be binding on digital asset service providers and others as may be specified therein. Such regulatory changes may have additional requirements, conditions and/or exemptions in relation to activities of the holders and any other matters as the FSC may consider appropriate.