



ADVISORY
THE REQUIREMENTS FOR THE DIGITAL
ASSETS FRAMEWORK

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FINANCIAL SERVICES COMMISSION
ADVISORY ON THE REQUIREMENTS FOR THE DIGITAL ASSETS
FRAMEWORK

1.0 GENERAL

- 1.1** This advisory replaces the previous advisory SR-ADVI-19/12-0010 and provides general guidance on the regulatory framework for Digital Assets. 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 can only occur over a platform that is operated by a recognised stock exchange as defined in the Securities Act.

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 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.
 - (b) A Distributed Ledger is the digital system which enables the recording of transactions and transfer of value peer-to-peer, without the need for a centrally coordinating entity.
 - (c) Market Maker means a firm registered with the FSC with the intent to provide continuous liquidity on pre-identified securities trading on a recognised stock exchange. Market Makers can also be described as liquidity providers¹ who act as a medium of connection between parties interested in buying or selling securities.
 - (d) Digital Asset Service means any and all service(s) provided by a securities dealer in relation to the trading of digital assets on the JSE's Digital Assets Trading Platform.

¹ IOSCOPD660 - Liquidity Provision in The Secondary Markets for Equity Securities Final Report (2020)

3.0 REGISTRATION REQUIREMENTS

3.1 Pursuant to section 26 of the **Securities Act** each issuer will be required to register each digital asset with the FSC.

3.2 ISSUING OF 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, by completing the FSC Registration Statement.

3.3 SECURITIES DEALERS

3.3.1 Each securities dealer who intends to offer digital assets on behalf of its clients is required to receive an 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 trading. These policies should address at a minimum: enhanced AML/CFT/CPF 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
- c) The relevant section of the Operations manual for trading on the Digital Assets Trading Platform.

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

3.3.4 Securities dealers SHALL NOT hold proprietary positions in any form of digital asset.

3.4 MARKET MAKERS

3.4.1 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 FSC's Anti-Money Laundering and Counter-Financing of Terrorism and Proliferation Guidelines and Advisories on Know Your Customer Procedures to onboard clients. Clients should declare their true identity, financial situation, investment knowledge, risk tolerance, experience and investment objectives.
- 4.2 Investors who intend to participate in the trading of digital assets 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 within the past twelve (12) months; or
 - b) current or previous work experience in digital assets or,
 - c) evidence of formal training in digital assets.
- 4.3 Securities dealers should not allow any client to operate more than one account, unless the additional accounts are sub-accounts.

5.0 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 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 person is in possession of a valid registration to conduct such business by the FSC.
- 6.2 In granting the registration to the issuer, 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 regulatory changes which shall be binding on all Securities Dealers and others providing a digital asset service 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.