

BSE: Digital Assets - potential game changers



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The Barbados Stock Exchange (BSE) views ‘digital assets’ – a decentralized version of today’s traditional, dematerialized securities – as a potentially game-changing offering.

What are Digital Assets?

Digital assets utilize the ‘blockchain’ – the most famous implementation form of Distributed Ledger Technology (DLT). DLT works by recording informational data onto a list of blocks, blocks that are sequentially linked using cryptography. The resulting list of blocks or “ledger” is constantly stored and maintained by a network

of users (known as “nodes”) that collectively validate each new block while keeping synchronized replicas of the entire ledger. In so doing, trust – a fundamental construct and essential prerequisite for consensus – is decentralized away from third-party, centralized counterparties.

Double-entry accounting, a development of the Fifteenth Century, allowed commerce to explode, simply, because transactions could be trusted as far as a merchant and/or banker dared to do business. DLT takes this a step further. By engendering trust through decentralization (effectively operating as a “third-ledger” for confirmation), DLT allows for greater

efficiency. In the context of capital markets, this is achieved through minimizing (or eliminating entirely) low-value intermediary roles. The result? Companies are able to raise capital in a cost-effective, expedient manner.

Digital assets are compelling phenomena. As harbingers of the Fourth Industrial Revolution, they offer both vanguard security and enhanced liquidity. Prospective issuers, however, would do well to remain cognizant of securities laws – both in their jurisdiction of domiciliation and in each jurisdiction in which they intend to raise investment capital.

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The BSE View

The BSE has developed a Special Listing Facility for digital assets. The Exchange recognizes that the range of digital assets are variously described as cryptocurrencies, tokens, or crypto-assets in popular nomenclature. The Exchange has preferred the term ‘Digital Assets,’ and has defined that term in its recently devised Special Facility to include the full range of commercial assets, which represent *a cryptographically secured digital representation of a set of rights provided on a digital platform issued or created (or to be issued or created), for commercial exploitation or reward, and which are exchanged and traded or cleared on a network of inter-linked and secured decentralized digital records (blockchain).*

The BSE believes that ‘security tokens,’ a particular type of digital asset, are especially fit for purpose in its evolving strategy for offerings. Security tokens are analogous to contemporary securities: debt, equity and investment contracts. Their expected fit – under Barbados’ securities legislation – is of comfort therefore to the BSE’s regulator: the

Financial Services Commission (FSC). To support their proliferation, an end-to-end technology solution – for trading, custody, clearance and settlement – will soon be adopted for digital assets.

The Path Ahead

The BSE’s commitment to DLT adoption is part of its wider focus on transformative development. The pursuit of exchange recognition – in the U.K. by Her Majesty’s Revenue and Customs Department (“HMRC”) – is current evidence of this focus. Not only would such recognition be of interest to UK investors (for tax planning and wealth management purposes) – it would also serve as a template of sorts for additional exchange recognitions moving forward (namely in Canada, the U.S. & Southeast Asia).

Barbados is on an upward trajectory. We have the talent. We have the vision. The BSE intends to lead the charge. The strategic adoption of international best practice and a cost-effective structure – together with the embrace of today’s most innovative and compliant products – will

position the Exchange as a market to watch in the future.

2019 Barbados Public Holidays

New Year’s Day - January 1
 Errol Barrow Day - January 21
 Good Friday - April 10
 Easter Monday - April 13
 National Heroes Day - April 28
 May Day - May 1
 Whit Monday - June 1
 Emancipation Day - August 1
 Kadooment Day - August 3
 Independence Day - November 30
 Christmas Day - December 25
 Boxing Day - December 26