



New Legal Tender- Marshall Islands SOV

Apia
Samoa

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Banking Commissioner
Office of the Banking Commission
Sultan Korean

Republic of the Marshall Islands Country Overview

- Relatively small and remote economy
- Long term fiscal sustainability uncertain- Compact Agreement with U.S.
- Small financial sector- 2 licensed commercial banks 6 non-bank financial institutions;
- Strengthening regulatory framework

Sovereign Currency Act

- Adoption of Sovereign Currency Act on February 2018
- What is the Sov?
- Decentralized digital currency
- Expected to circulate as real currency of sovereign nation
- Not controlled by any central authority
- Use a “Yokwe Protocol”- verification of identity

Why adopt the RMI SOV?

- Challenges RMI facing
 - Two immediate financial risks
1. Termination of financial provision of the Compact Agreement
 2. Impact of de-risking on financial system- disconnection from global financial system

Challenges and Constraints

- Issues and concerns raised by International Fund, U.S Treasury, RMI Attorney General and Banking Commissioner;
 1. Crypto currencies do not fulfill basic functions of money;
 2. Money laundering/ Terrorist financing risks leads to reputational risk
 3. Termination of correspondent banking relationship
 4. Absence of monetary policy framework-liquidity risks in banking system
 5. Asset price volatility- risks to investors
 6. Absence of regulatory framework for decentralized digital currencies
 7. Cyber security and operational risks

Approach to Mitigating Risks

- Setting up of Legal Tender Committee
 1. Advice RMI Cabinet on mitigation of risks
 2. License KYC companies, exchanges, and other agents
 3. Ensure that appropriate regulations are in place

Approach to Mitigating Risks

- AML and CTF Measures
 1. Designed with AML/CTF features- Yokwe Protocol
 2. Users subject to KYC process
 3. Suspicious activity reporting and enhanced due diligence
 4. Names are cross checked against OFAC list

Will not implement until U.S. Treasury is satisfied

- RMI Government and Neema will not move forward with SOV until the U.S. Treasury is satisfied
- Legal Tender Committee to continue to monitor developments and mitigation of risks going forward



Kommol tata
(Thank you)