

Crypto regulation in Bahrain

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Sources

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Crypto Legislation

- Crypto-Asset Module (“CRA Module”) Volume 6 (Capital Markets)

AML Legislation

- Central Bank of Bahrain Volume 6 — Capital Markets. Anti-Money Laundering & Combating Financial Crime.
- FATF Standards on Virtual Assets and Virtual Asset Service Providers

Taxation

- VAT Financial Services Guide

Overview



Overview

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The Central Bank of Bahrain (CBB) first issued rules and regulations governing crypto-assets in the Crypto-Asset Module (“CRA Module”) Volume 6 (Capital Markets) of the CBB Rulebook in 2019. In April 2023, the CBB issued amendments and introduced digital tokens.

The rules cover types of crypto assets, licensing requirements for regulated crypto assets services, the conditions for the issuance and holding of the CBB license, minimum capital requirements, AML requirements, technology standards and in particular the cyber security risk management requirements, reporting, notifications and approval requirements, the conduct of business obligations, prevention of market abuse and manipulation, enforcement and the powers under the CBB Law for inspections and access.

However, regulations for the issuance of crypto-assets are not fully comprehensive. The CBB's rulebook only covers digital tokens - namely, asset or utility tokens that qualify as securities under CBB law.

Notably, crypto mining remains unregulated in Bahrain. Furthermore, there are no specific laws addressing Decentralised Autonomous Organisations (DAOs).

Status of regulation:
positive

Tips & Tricks by D&A Partners

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Bahrain, strategically positioned in the MENA region, has developed a comprehensive approach to crypto legislation. The Central Bank of Bahrain (CBB) has been pivotal in shaping a regulatory framework that balances innovation-friendly policies with stringent measures to ensure market stability and investor protection. This framework includes licensing for crypto-related businesses, emphasising transparency, integrity, and international standards compliance.

One of the attractions of Bahrain's crypto market is its relatively low tax environment, appealing to businesses and investors alike. However, there are challenges in initiating a crypto project in Bahrain. Since only a few projects have been executed in the country, extensive communication with the regulator is essential to navigate the licensing process and understand

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