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**THE BOUGAINVILLE OFFSHORE FINANCIAL SERVICES AUTHORITY ACT 2025**

PART I: PRELIMINARY

1. Short Title and Commencement

This Act may be cited as the Bougainville Offshore Financial Services Authority Act 2025 and shall come into force on such date as the Autonomous Bougainville Government may appoint by notice in the Gazette.

2. Interpretation

In this Act, unless the context otherwise requires:

"Authority" means the Bougainville Offshore Financial Services Authority established by Section 4

"Board" means the Board of Directors of the Authority

"Chairperson" means the Chairperson of the Board appointed under Section 5

"Financial Services Commissioner" means the Chief Executive Officer of the Authority

"Licensee" means any person granted a financial services license under this Act

"Offshore Financial Services" includes international banking, cross-border fund transfers, investment management, wealth management, trade finance, treasury operations, payment services, stablecoin issuance and management, and all forms of financial services offered to participants located outside the Autonomous Region of Bougainville

"License" means a permit issued by the Authority authorizing the conduct of specified offshore financial services operations



"Fit and Proper Person" means a person of integrity, honesty, and competence suitable for licensing under this Act

"Financial Statements" means audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS)

"Total Assets Under Management" or "AUM" means the total value of client assets held, invested, or managed

"Key Personnel" means directors, officers, senior management, beneficial owners, and any individuals with the ability to control or influence the licensee's operations

"AML/KYC Compliance" means Anti-Money Laundering and Know-Your-Customer procedures and requirements

"Stablecoin" means a digital token or cryptocurrency designed to maintain a stable value relative to a specified reference asset, basket of assets, or algorithm

"Beneficial Owner" means any natural person who ultimately owns or controls a licensee or applicant, directly or indirectly

"Material Change" means any change in business operations, ownership structure, key personnel, financial condition, or regulatory status that could materially affect the licensee's compliance or operations

## PART II: ESTABLISHMENT AND GOVERNANCE OF THE AUTHORITY

### 3. Objects of the Act

The objects of this Act are to:

- (a) Establish a comprehensive regulatory framework for the licensing and supervision of offshore financial services operations;
- (b) Generate sustainable revenue for the fiscal development and economic diversification of the Autonomous Region of Bougainville;



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- (c) Ensure the integrity, stability, and security of financial services operations through rigorous licensing, compliance, and enforcement standards;
  - (d) Protect the interests of depositors, investors, clients, and financial service users through consumer protection measures and dispute resolution mechanisms;
  - (e) Combat money laundering, terrorist financing, sanctions violations, and other illicit financial activities through rigorous Know-Your-Customer (KYC) and Anti-Money Laundering (AML) requirements;
  - (f) Establish and maintain standards consistent with international best practices in financial services regulation, including standards set by the Basel Committee, FATF, and other relevant international bodies;
  - (g) Promote financial stability and systemic integrity across all licensed financial institutions;
  - (h) Support innovation in financial services, including blockchain technology and digital assets, while maintaining appropriate prudential and consumer protections;
  - (i) Facilitate cross-border financial flows and international cooperation in financial regulation and law enforcement.

#### 4. Establishment of the Authority

- (1) There is hereby established an independent statutory body corporate to be known as the Bougainville Offshore Financial Services Authority.
- (2) The Authority has perpetual succession, is capable of suing and being sued in its corporate name, and may acquire, hold, and dispose of property for the purposes of this Act.
- (3) The Authority shall be constituted by a Board of Directors appointed in accordance with Section 5.



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(4) The Authority shall maintain its principal office at such location as the Board may determine.

5. Board Composition and Appointment

(1) The Board shall consist of seven members as follows:

(a) A Chairperson appointed by the President of the Autonomous Bougainville Government, with demonstrated expertise in international finance, banking regulation, or financial services;

(b) Six other members appointed by the Board through a merit-based selection process, comprising:

(i) A member with expertise in banking regulation, prudential supervision, and financial stability;

(ii) A member with expertise in financial technology, blockchain, digital assets, and cybersecurity;

(iii) A member with expertise in financial law, regulatory affairs, and international compliance;

(iv) A member with expertise in AML/KYC compliance, sanctions screening, and financial investigation;

(v) A member with expertise in consumer protection, dispute resolution, and investor safeguards;

(vi) A member representing law enforcement, financial intelligence, or public interest.

(2) All Board members shall be fit and proper persons of high integrity and professional competence with demonstrated experience in financial services, banking, or related regulatory fields.

(3) The term of office for each Board member shall be four (4) years, renewable for one additional term.



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(4) Board members may be removed for cause, including gross misconduct, regulatory violations, failure to meet professional standards, or conflict of interest.

(5) The Chairperson shall preside over Board meetings and represent the Authority in matters of governance, public communication, and international regulatory affairs.

(6) The Board shall establish committees for audit, compliance, licensing, and appeals as deemed necessary for efficient governance.

#### 6. Functions of the Authority

The Authority shall:

- (a) Issue, renew, suspend, and revoke financial services licenses in accordance with this Act and the regulations;
- (b) Conduct background investigations, audits, and AML/KYC compliance reviews of applicants and licensees;
- (c) Establish and enforce licensing conditions, operational standards, and risk management requirements;
- (d) Collect and manage application fees, license fees, annual renewal fees, and regulatory assessments;
- (e) Conduct on-site and off-site examinations and inspections of licensees' operations, systems, and records;
- (f) Investigate complaints, suspected violations, and suspicious activities related to financial regulations;
- (g) Maintain a public register of licensed operators and disciplinary history;
- (h) Cooperate with international regulators, central banks, law enforcement agencies, and financial intelligence units;



- (i) Make regulations necessary for the implementation and administration of this Act;
- (j) Establish minimum capital requirements and prudential standards;
- (k) Prepare and submit quarterly and annual reports to the Autonomous Bougainville Government;
- (l) Develop and maintain international cooperation agreements with foreign regulators and financial intelligence units.

#### 7. Powers of the Authority

- (1) The Authority has power to:
  - (a) Conduct full background investigations of applicants, licensees, key personnel, and beneficial owners;
  - (b) Obtain information from government agencies, central banks, financial institutions, and law enforcement bodies;
  - (c) Issue directives requiring licensees to implement or modify internal controls and compliance procedures;
  - (d) Impose fines for violations of this Act or the regulations;
  - (e) Suspend or revoke licenses for material breaches, financial instability, or regulatory violations;
  - (f) Designate certain information as confidential;
  - (g) Conduct unannounced inspections and audits of licensee operations;
  - (h) Block or inhibit unauthorized financial services operations within Bougainville's jurisdiction;
  - (i) Delegate its functions to the Financial Services Commissioner or other appointed officers;



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- (j) Require licensees to maintain minimum capital ratios and liquidity reserves;
  - (k) Impose corrective action directives and compliance plans;
  - (l) Cooperate with law enforcement and international regulators;
  - (m) Issue guidance and technical standards for licensees;
  - (n) Charge reasonable fees for inspections and investigations.
- (2) Any person who obstructs or hinders the Authority in the exercise of its powers commits an offense and is liable to a fine or imprisonment, or both.
- (3) The Authority shall maintain internal policies ensuring fair, transparent, and consistent decision-making in all regulatory actions.

### PART III: LICENSING OF OFFSHORE FINANCIAL SERVICES OPERATORS

#### 8. Licensing Requirements

- (1) No person shall conduct offshore financial services operations without a valid license issued by the Authority under this Act.
- (2) A license authorizes the licensee to conduct specified offshore financial services during the license term, subject to compliance with all conditions attached to the license and all requirements of this Act.
- (3) The Authority shall specify in each license:
  - (a) The name, registered address, and charter information of the licensee;
  - (b) The type and scope of financial services permitted;
  - (c) The license reference number and issuance date;



- (d) The expiry date of the license;
  - (e) Any conditions, limitations, or special requirements;
  - (f) Minimum capital requirements applicable to the licensee;
  - (g) A statement that the license may be suspended or revoked for breach of regulatory requirements.
- (4) Licenses shall be non-transferable without Authority approval.

#### 9. Eligibility Criteria for Applicants

- (1) To qualify for an offshore financial services license, an applicant must:
- (a) Be a legally registered financial institution, company, or corporate entity in good standing in its jurisdiction of incorporation;
  - (b) Demonstrate adequate and permanent financial resources and capital stability to commence and maintain financial operations;
  - (c) Provide comprehensive disclosure of all key personnel, beneficial owners, and entities with control or influence over the applicant;
  - (d) Submit to a full background investigation, including criminal history, financial records, tax compliance, and regulatory action history;
  - (e) Demonstrate that all key personnel are fit and proper persons free from disqualifying convictions or regulatory violations;
  - (f) Disclose any history of financial services license suspensions, revocations, or denials in any jurisdiction;
  - (g) Maintain compliance history free from unresolved civil judgments or material regulatory actions that would undermine public confidence;



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- (h) Submit a comprehensive AML/KYC Compliance Plan, including customer due diligence procedures, beneficial ownership verification, sanctions screening, and suspicious activity reporting protocols;
  - (i) Demonstrate technical and operational capacity to implement robust internal controls, risk management, and cybersecurity measures;
  - (j) Maintain a detailed Business Continuity and Disaster Recovery Plan;
  - (k) Not be an individual or entity with disqualifying offenses, including convictions for fraud, money laundering, or financial crimes;
  - (l) Demonstrate commitment to consumer protection and dispute resolution procedures;
  - (m) Provide evidence of adequate professional liability and cyber insurance;
  - (n) Demonstrate sufficient management experience relevant to the category of license sought.
- (2) The Authority may request additional information or documentation as needed to establish the applicant's competency, integrity, and suitability for licensure.

#### 10. Application Procedures

- (1) An applicant seeking an offshore financial services license shall submit an official application form with all required supporting documentation to the Authority.
- (2) Applications shall include:
  - (a) Audited financial statements for the preceding three years (if available);



- (b) Corporate governance structure and organizational charts;
  - (c) Detailed business plan and revenue projections;
  - (d) AML/KYC compliance policies and procedures;
  - (e) Risk management framework and audit reports;
  - (f) Technology infrastructure and security assessments;
  - (g) Background information for all key personnel;
  - (h) Proof of capitalization and source of funds documentation;
  - (i) Board resolutions authorizing the application;
  - (j) Client protection and dispute resolution procedures.
- (3) Applications shall not proceed to substantive review until all required documentation is submitted and fees are paid.
- (4) Upon completion of the application review and background investigations, the Authority shall approve or deny the application within a reasonable timeframe, or notify the applicant that additional information is required.
- (5) Upon approval, the applicant shall pay the license fee prior to issuance of the license.
- (6) If the application is denied, the applicant shall be informed of the reasons and shall have a right of appeal as provided in Section 20.

#### 11. License Duration and Renewal

- (1) An initial financial services license shall be issued for a period of five (5) years from the date of issuance.
- (2) A licensee seeking renewal shall apply to the Authority not less than one hundred eighty (180) days before the license expiry date,



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accompanied by updated financial statements, disclosure of material changes, compliance reports, and proof of ongoing compliance.

(3) The Authority shall notify the licensee of approval or denial of the renewal application at least ninety (90) days before license expiry.

(4) Renewal shall be subject to the same standards as initial licensing and may be denied if the licensee fails to maintain compliance with this Act.

#### PART IV: COMPLIANCE AND OPERATIONAL STANDARDS

##### 12. Prudential Requirements and Capital Standards

(1) Each licensee shall maintain minimum capital requirements established by the Authority in accordance with international standards.

(2) Licensees shall submit quarterly capital adequacy reports to the Authority.

(3) Licensees engaged in deposit-taking must maintain appropriate liquidity reserves and coverage ratios as specified by the Authority.

(4) The Authority may impose higher capital or liquidity requirements based on risk profile or business complexity.

(5) Any licensee falling below minimum capital requirements shall immediately notify the Authority and submit a capital restoration plan within a specified timeframe.

##### 13. Operational Integrity and Internal Controls

(1) Each licensee shall implement and maintain robust internal control systems providing reasonable assurance against material errors, fraud, and regulatory violations.



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(2) Internal controls shall be documented and certified annually by senior management and by an independent internal audit function.

(3) Licensees shall establish:

(a) An independent internal audit department with direct reporting to the Board;

(b) A dedicated compliance function responsible for regulatory monitoring;

(c) A risk management framework addressing credit, market, operational, and liquidity risks;

(d) Anti-fraud and investigation procedures;

(e) Segregation of duties preventing conflicts of interest.

(4) Licensees shall submit annual operational assessments demonstrating the effectiveness of control systems and compliance with regulatory requirements.

(5) The Authority may require corrective actions if internal controls are found to be inadequate.

(6) Licensees shall maintain audit trail documentation and records for at least seven (7) years.

#### 14. Security and Data Protection

(1) Licensees shall establish and maintain comprehensive security measures to protect:

(a) Financial systems and technology infrastructure from unauthorized access and cyber threats;

(b) Client financial information and personal data in compliance with applicable data protection laws;

(c) Financial platforms against fraud and illicit financial activity.



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(2) Licensees shall implement regular technology integrity and cybersecurity assessments.

(3) Any security breach or cyber incident shall be reported to the Authority within twenty-four (24) hours of discovery.

(4) Licensees shall implement multi-factor authentication, encryption, and other advanced security controls for all client access points.

#### 15. AML/KYC and Sanctions Compliance

(1) Each licensee shall develop, implement, and maintain a comprehensive AML/KYC Compliance Program that includes:

(a) Customer Due Diligence procedures for all clients;

(b) Enhanced Due Diligence for high-risk clients and beneficial ownership verification;

(c) Ongoing transaction monitoring and suspicious activity detection;

(d) Sanctions screening against applicable sanctions lists;

(e) Politically Exposed Persons screening and monitoring;

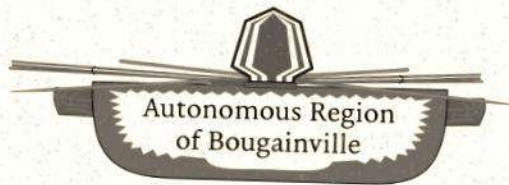
(f) Filing of Suspicious Activity Reports with competent authorities;

(g) Record-keeping of all KYC documentation for at least seven (7) years;

(h) Staff training and compliance programs;

(i) Third-party service provider compliance verification.

(2) Licensees shall appoint a senior-level AML Compliance Officer responsible for regulatory compliance and reporting.



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(3) Licensees shall submit annual AML/KYC compliance certifications to the Authority.

(4) Any suspicion of money laundering, terrorist financing, or sanctions violations must be reported to the Authority within two (2) business days.

#### 16. Consumer Protection and Dispute Resolution

(1) Each licensee shall maintain transparent fee schedules and clear disclosure of terms, conditions, and risks to clients.

(2) Licensees engaged in deposit-taking shall establish a deposit protection mechanism ensuring client fund safety.

(3) Licensees shall establish and maintain an independent customer complaints and dispute resolution procedure including:

(a) Written complaint procedures with timely acknowledgment;

(b) Investigation and resolution within a reasonable timeframe;

(c) Appeal procedures for dissatisfied clients;

(d) Escalation to independent arbitration if disputes remain unresolved.

(4) Licensees shall maintain records of all customer complaints and resolutions for at least five (5) years.

(5) The Authority may require enhanced consumer protection measures or alternative dispute resolution if deemed necessary.

#### 17. Ongoing Compliance and Reporting

(1) Licensees shall:

(a) Submit periodic financial statements prepared in accordance with IFRS;



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- (b) Promptly report material changes to business operations, ownership, or regulatory status;
  - (c) Cooperate fully with audits, examinations, and investigations by the Authority;
  - (d) Maintain comprehensive records of all financial transactions and compliance activities for at least seven (7) years;
  - (e) Submit regulatory reports as specified by the Authority;
  - (f) Provide immediate notification of regulatory enforcement actions or material litigation;
  - (g) Maintain accurate and complete books of accounts;
  - (h) Disclose all related-party transactions and conflicts of interest.
- (2) Failure to comply with any reporting or compliance requirement is grounds for enforcement action.
- (3) The Authority may conduct ad hoc inquiries and require supplemental information as needed for regulatory oversight.

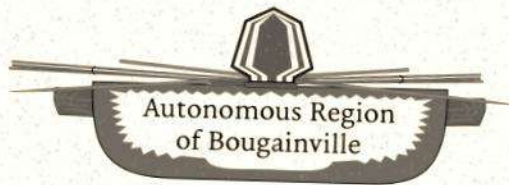
#### PART V: SUSPENSION, REVOCATION, AND ENFORCEMENT

##### 18. Suspension and Revocation of Licenses

- (1) The Authority may suspend a license if the licensee:
  - (a) Fails to pay fees or amounts due to the Authority;
  - (b) Violates operational standards or compliance requirements;
  - (c) Is subject to a criminal investigation related to financial operations;
  - (d) Falls below minimum capital or liquidity requirements;



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- (e) Materially breaches any condition of the license;
- (f) Fails to cooperate with Authority examinations or investigations.
- (2) The Authority may revoke a license if the licensee:
- (a) Commits a material breach of this Act that is not remedied within a reasonable timeframe;
- (b) Engages in fraud, money laundering, terrorist financing, or illicit financial activity;
- (c) Fails to maintain fit and proper status;
- (d) Becomes insolvent or bankrupt;
- (e) Refuses to cooperate with Authority investigations;
- (f) Poses a threat to client funds or financial system stability;
- (g) Repeatedly violates regulatory requirements;
- (h) Falsifies records or makes material misrepresentations to the Authority.
- (3) Before suspending or revoking a license, the Authority shall provide written notice specifying the grounds for action and afford the licensee an opportunity to respond or cure the breach within a reasonable timeframe.
- (4) In cases of imminent risk to client funds or financial system stability, the Authority may suspend a license immediately with written notice and opportunity to respond provided within a reasonable timeframe.
- (5) Upon suspension or revocation, the licensee shall cease all regulated activities immediately and cooperate with Authority actions to protect client funds.



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#### 19. Administrative Penalties and Enforcement Actions

- (1) The Authority may impose administrative penalties on licensees for violations of this Act or the regulations.
- (2) Penalties shall consider the gravity of the violation, harm to clients, duration of misconduct, and cooperation with the Authority.
- (3) The Authority may issue corrective action directives requiring licensees to:
  - (a) Remediate internal control deficiencies;
  - (b) Increase capital or liquidity levels;
  - (c) Cease specified activities;
  - (d) Replace key personnel or directors;
  - (e) Undertake independent audits or examinations;
  - (f) Implement enhanced compliance procedures.
- (4) Licensees have a right of appeal as provided in Section 21.

#### 20. Appeals and Administrative Procedures

- (1) A licensee may appeal any decision to deny, suspend, or revoke a license, or to impose a fine or corrective action.
- (2) An appeal shall be submitted to the Authority within thirty (30) days of the decision, specifying the grounds for appeal with supporting documentation.
- (3) The Authority shall establish an Appeals Committee to review appeals independently.
- (4) The Appeals Committee shall issue a written decision within a reasonable timeframe, conducting an administrative hearing if significant factual disputes exist.



(5) A licensee dissatisfied with the Appeals Committee decision may seek judicial review in the designated court.

(6) During the appeal process, suspension or revocation notices may be stayed pending appeal outcome unless imminent risk is determined.

#### PART VI: STABLECOIN AND DIGITAL ASSET PROVISIONS

##### 21. Stablecoin Issuance Requirements

(1) Any licensee seeking to issue, manage, or operate stablecoins shall:

(a) Obtain prior written approval from the Authority;

(b) Maintain backing reserves in eligible assets as specified by the Authority;

(c) Undergo enhanced due diligence and fit and proper assessment;

(d) Implement robust governance and operational controls;

(e) Maintain segregated reserve accounts with independent custodians;

(f) Submit periodic reserve verification reports;

(g) Undergo annual independent audits of reserve adequacy;

(h) Implement redemption and stabilization mechanisms;

(i) Provide clear disclosure of reserve composition and risks to users.

(2) Eligible reserve assets shall include cash, government securities, high-grade corporate bonds, physical commodities, and other liquid, low-volatility assets as designated by the Authority.

(3) Reserve composition and minimum levels shall be specified in the Authority's stablecoin operational standards.



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## 22. Digital Asset and Cryptocurrency Services

(1) Licensees offering cryptocurrency trading, exchange, or custody services shall:

- (a) Maintain appropriate capital requirements for digital asset services;
- (b) Implement enhanced AML/KYC procedures given digital asset risks;
- (c) Conduct transaction monitoring and suspicious activity detection;
- (d) Maintain segregated digital asset custody arrangements;
- (e) Implement multi-signature controls and cold storage security;
- (f) Conduct regular security audits;
- (g) Maintain audit trails of all digital asset transactions;
- (h) Report significant digital asset flows or suspicious patterns.

(2) Licensees shall not engage in proprietary trading that creates conflicts with client interests.

(3) Licensees shall maintain comprehensive disclosures regarding volatility and risks of digital assets, custody arrangements, fee structures, redemption procedures, and regulatory status.

## PART VII: GENERAL PROVISIONS

### 23. Confidentiality and Data Protection

(1) Information submitted during the application and licensing process shall be treated as confidential.

(2) The Authority may not disclose such information except:



- (a) As required by law or court order;
  - (b) To other financial regulators or law enforcement agencies with legitimate authority;
  - (c) To financial intelligence units for AML/CFT purposes;
  - (d) In regulatory proceedings or disciplinary actions;
  - (e) With the written consent of the licensee;
  - (f) As necessary to carry out the Authority's functions.
- (3) The Authority shall comply with applicable data protection and privacy legislation.
- (4) Licensees shall maintain confidentiality of client information and comply with applicable banking secrecy laws.

#### 24. Regulations

- (1) The Authority may make regulations necessary or convenient for the implementation of this Act, including:
- (a) Detailed licensing and documentation requirements;
  - (b) Prudential standards and capital adequacy frameworks;
  - (c) AML/KYC procedures and suspicious activity reporting;
  - (d) Technology and operational standards;
  - (e) Consumer protection measures and dispute resolution procedures;
  - (f) Risk management and internal control frameworks;
  - (g) Business continuity requirements;
  - (h) Audit and compliance procedures;



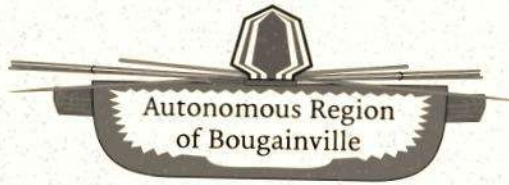
- (i) Fee structures and payment methods;
  - (j) Reporting forms and frequency;
  - (k) Stablecoin and digital asset operational standards;
  - (l) Related-party transaction limitations;
  - (m) Any other matters necessary for the administration of this Act.
- (2) Regulations shall be published in the Gazette and in official Authority publications.
- (3) The Authority shall consult with stakeholders and the government before issuing or materially amending regulations.

#### 25. Cooperation with International Authorities

- (1) The Authority shall cooperate with banking regulators, central banks, financial intelligence units, and law enforcement agencies in other jurisdictions.
- (2) The Authority may enter into memoranda of understanding with foreign regulators to facilitate information sharing and supervisory coordination.
- (3) The Authority shall comply with international standards and recommendations of the Basel Committee on Banking Supervision, the Financial Action Task Force (FATF), and other relevant standard-setting bodies.

#### 26. Annual Reporting

- (1) The Authority shall prepare and submit annual reports to the Autonomous Bougainville Government containing:
- (a) Summary of licensing activities and decisions;
  - (b) Compliance and enforcement statistics;



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- (c) Revenue collected and expenditures incurred;
  - (d) Financial system stability metrics;
  - (e) Emerging risks and regulatory concerns;
  - (f) Recommendations for legislative or regulatory improvements;
  - (g) Audited financial statements of the Authority.

(2) The Authority shall publish information regarding active licenses and disciplinary actions.

#### 27. Amendment

This Act may be amended by the Parliament of the Autonomous Region of Bougainville by legislative instrument, in consultation with the Authority and financial sector stakeholders where material changes are proposed.

#### 28. Repeal and Savings

(1) Any prior legislation governing offshore financial services in the Autonomous Region of Bougainville is hereby repealed.

(2) Licenses or approvals granted under prior legislation may continue to be recognized by the Authority, subject to conversion to compliance with this Act within a period specified by the Authority.

Enacted by the Parliament of the Autonomous Region of Bougainville

Signed and sealed this 11 day of Nov, 2025

Hon. Ezekiel Masatt, MHOR  
Minister for Independence Mission Implementation Justice & Attorney  
General