

**NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS
 39TH CONSTITUTIONAL REGULAR SESSION, 2018**



Republic of the Marshall Islands
Jepilpilin Ke Ejukaan

**DECLARATION AND ISSUANCE OF THE SOVEREIGN
 CURRENCY ACT 2018**

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**DECLARATION AND ISSUANCE OF THE SOVEREIGN
CURRENCY ACT 2018**

AN ACT to declare and issue decentralized currency as legal tender of the Marshall Islands for all debts, public charges, taxes, and dues.

BE IT ENACTED BY THE NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS

§101. Short title.

This Act may be cited as the Declaration and Issuance of the Sovereign Currency Act 2018.

§102. Purpose.

The purpose of this Act is to declare and issue a digital decentralized currency based on blockchain technology as legal tender of the Republic of Marshall Islands.

§103. Definitions.

Unless the context otherwise requires, the following words shall have these meanings:

- (a) "Sovereign" or "SOV" means a digital decentralized currency based on blockchain technology, which will be issued by the Ministry of Finance, in accordance with this Act and shall be legal tender of the Republic of Marshall Islands;

- (b) "Initial Currency Offering" or "ICO" means the process of issuing a new digital decentralized currency and offering to users worldwide;
- (c) "Appointed Organizer" means a person or corporation, appointed by the Cabinet, for the arrangement required for the issuance of SOV, conducting the ICO of SOV and the operation thereof, as provided in Section 109 of this Act.
- (d) "Legal Tender Committee" may be appointed by the Cabinet to provide oversight and guidance on the SOV ICO, its allocation to citizens, and its adoption in the RMI.
- (e) "Blockchain" means an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent manner.
- (f) "Miners" means a validation of transactions in a blockchain-based digital currency network; successful miners obtain new currency units as a reward.

PART II – GENERAL PROVISIONS

§104. Declaration and Issuance of the SOV.

- (1) The RMI declares the Sovereign ("SOV") as legal tender of the Marshall Islands for all debts, public charges, taxes, and dues.
- (2) SOV will circulate as legal tender in addition to the US Dollar.
- (3) All users of the SOV will be required to undergo standard Know Your Customer ("KYC") procedures and requirements as may be promulgated by the Banking Commissioner and their identities encrypted on the blockchain. The Legal Tender Committee shall ensure that this KYC process and requirements are effectively applied at the ICO process.
- (4) The SOV shall be introduced via an Initial Currency Offering ("ICO").
- (5) The SOV is non-redeemable

§105. Initial Currency Offering.

- (1) The costs necessary to issue the SOV and perform the ICO shall be borne by the Appointed Organizer. The RMI shall not be required to

- contribute any of the costs necessary to issue the SOV and perform the ICO.
- (2) The number of SOV units at issuance shall be fixed at 24,000,000 units, and each SOV unit will be divided into 100 sub-units.
 - (3) Prior to the ICO, the RMI will maintain 12,000,000 SOV units. During the ICO, the RMI will sell 6,000,000 of these SOV units. The proceeds from the ICO and the remaining 6,000,000 SOV units owned by the RMI will be allocated to various RMI trust funds as set forth in Section 106, below.
 - (4) The supply of SOV units shall only grow in accordance with the pre-defined annual growth rate of 4% relatively to the amount of SOV units in existence during the past year. The new SOV units will be distributed in accordance to a decision of the Minister of Finance and the appointed organizer either:
 - (a) pro-rata to all SOV owners, starting in 2019, on Marshall Islands Constitution Day at noon, on May 1st, Marshall Islands date and time; or
 - (b) as mining fees to miners on the SOV blockchain.
 - (5) Following the ICO, the residents of the Marshall Islands will be provided with means to hold, save, and conduct transactions with the SOV. Merchants in the Marshall Islands will be provided with access to a mobile and/or personal computer application with which they will be able to receive payments made with the SOV.

§106. Allocation of RMI's ICO Proceeds and Remaining SOV Units.

- (1) The RMI's proceeds from the sale of its 6,000,000 SOV units at the ICO and/or its remaining 6,000,000 SOV units shall be allocated entirely to the following trust funds to be created prior to the ICO:
 - (a) RMI National Trust Fund which will be a sovereign wealth fund for supporting the RMI budget and other national causes (6,000,000 SOV units);
 - (b) RMI Green Climate Fund for which the proceeds and earnings will go towards (i) mitigation of damages affecting the Marshall Islands caused by global warming and climate change; (ii) protection of the fisheries and marine resources to

insure sustainable harvesting of tuna and other species in the territorial waters; (iii) implementation of solar and other renewable energy facilities with the goal of reaching 100% sustainable energy sources; (iv) management and recycling of waste; and (v) investment into ecotourism projects (1,200,000 SOV units);

- (c) RMI Nuclear Legacy and Health Care Fund to support the special needs of the people of the Marshall Islands as a consequence of the US Nuclear Testing Program (2,400,000 SOV units); and
- (d) Resident-Citizen SOV Allocation Fund to distribute SOV units to residents-citizens of the Marshall Islands (2,400,000 SOV units).

§107. Allocation Mechanism and Percentages Among Trust Funds.

- (1) The allocation percentages as described herein shall only be amended by a majority vote of 2/3 of the members of the Nitijela.
- (2) At the ICO, the RMI shall sell its 6,000,000 SOV units as follows:
 - (a) 3,000,000 of its SOV units (representing 50% of its allocated SOV units) for the RMI National Trust Fund;
 - (b) 600,000 of its SOV units (representing 50% of its allocated SOV units) for the RMI Green Climate Fund; and
 - (c) 2,400,000 of its SOV units (representing 100% of its allocated SOV units) for the RMI Nuclear Legacy and Health Care Fund.
- (3) The RMI will not sell any of the 2,400,000 SOV units allocated to the Resident-Citizen SOV Allocation Fund at the ICO, but will retain all of these units so that they may be later allocated to the public.

§108. Allocation of funds following the ICO.

- (1) The remaining 3,000,000 SOV units of the RMI National Trust Fund will vest annually over 5 years so that the fund will receive 20% of its initial SOV units (600,000 SOV units) each of the next five years, plus whatever SOV units are added due to the 4% annual growth rate.
- (2) The remaining 600,000 SOV units of the RMI Green Climate Fund will vest annually over 5 years so that the fund will receive 20% of its

initial SOV units (120,000 SOV units) each of the next five years, plus whatever SOV units are added due to the 4% annual growth rate.

- (3) The remaining 2,400,000 SOV units of the Resident-Citizen SOV Allocation Fund will vest annually over 5 years so that the fund will receive 20% of its initial SOV units (480,000 SOV units) each of the next five years, plus whatever SOV units are added due to the 4% annual growth rate.

§109. Appointed Persons or Organizer.

The Minister of Finance with the approval of the Cabinet shall appoint a person or corporation, for the arrangement required for the issuance of SOV, conducting the ICO. In consideration, the appointed Persons or Organizers will receive 12,000,000 SOV units.

PART III – MISCELLANEOUS

§110. Promulgation of Regulation and policies.

- (1) The Minister of Finance may, in accordance with the Administrative Procedures Act, make Regulation, including policies, for the effective implementation of this Act.
- (2) Furthermore, the provisions of Part XIII of the Banking Act shall apply to the Initial Currency Offering process, and any trading, conversion or transfer in the SOV in the RMI. The Minister may, in addition, and in order to ensure the safety and soundness of the licensed banks in the RMI, promulgate the necessary regulations to ensure effective monitoring of the ICO process and trading in the SOV.
- (3) Digital Currency Exchanges in the RMI, shall be regulated by the responsible government entity, to ensure they are licensed and regulated consistent with anti-money laundering requirements under Part XIII of the Banking Act.
- (4) The Appointed Organizers shall provide the Cabinet a report on the ICO of SOV, and shall grant the Auditor-General, and the Banking Commissioner access to information regarding the process and proceeds of the ICO.

- (5) Prior to making new regulations, the Minister shall inform the appointed organizers.

§111. Consequential Amendment.

The following language shall be added to Section 1202 of the General Fiscal Matters Act to read as follows:

“Additionally, the Sovereign, ‘SOV’ issued by the Ministry of Finance, shall be legal tender of the Republic of the Marshall Islands in addition to the US Dollar.”

§112. Effective Date

This Act shall take effect on the certification in accordance with the Constitution and the Rules of Procedures of the Nitijela.

CERTIFICATE

I hereby certify:

1. That Nitijela Bill No: 125ND2 was passed by the Nitijela of the Republic of the Marshall Islands on the 26 day of February 2018; and
2. That I am satisfied that Nitijela Bill No: 125ND2 was passed in accordance with the relevant provisions of the Constitution of the Republic of the Marshall Islands and the Rules of Procedures of the Nitijela.

I hereby place my signature before the Clerk this 1 day of March 2018.



Hon. Kenneth A. Kedi
Speaker
Nitijela of the Marshall Islands

Attest:


Morean Watak
Clerk
Nitijela of the Marshall Islands