



Bermuda: leading the way in fintech

In early 2018 Bermuda launched a fintech initiative to become a global technology hub. Caroline Caton reviews how legislation is achieving this goal

Fintech and distributed ledger technologies

In early 2018, the Island of Bermuda seized the opportunity to grow its own economy by launching an overarching fintech initiative the aim of which is to solve many of the problems that are plaguing technologists globally, and to demonstrate to the world that it is serious about the development and growth of fintech-related technologies. The Bermuda Government recognizes both the capabilities and potential disruptive nature of this emerging industry and has positioned itself to be a pioneer in this sphere.

With fintech, Bermuda is building on its ability to remain nimble while capitalising on its long-recognised expertise in crafting and enacting quality regulation. To do so, it is leveraging its significant expertise in regulatory management to build a robust regulatory framework and create a unique environment that prioritizes regulatory certainty, investor confidence, and compliance with international Know Your Customer (KYC) and Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) regulations. This framework aims to mitigate risks related to financial crimes, consumer fraud, market manipulation and unethical business practices.

With regard to distributed ledger technologies, the desire to develop and use them in Bermuda was heavily influenced by how these tools are used worldwide and how much potential they have to make a positive social impact on their environments.

At the forefront of Bermuda's development in the field is the Hon. Wayne Caines, JP, MP, Minister of National Security. In an interview with *The Blockchain Executive*, Minister Caines stated:

"Blockchain has revolutionized how people can have transactions, medical records and access to healthcare and business. It has evolved from just digital asset exchanges to now helping improve peoples' lives. It invites companies to give populations access to opportunities in their own country and reduces some of the need for

big banking mechanisms and their subsequent fees. We don't plan on ending poverty, homelessness and refugee status overnight but we will continue to work towards making the world a better place."

He added that in Bermuda *"One area where we are implementing blockchain technology is the Land Title Registry which will help eliminate disputes that arise when a will is misplaced. As the blockchain is transparent and you can't change the contents; it can't be fraudulent. This brings a level of assurance to those who are using the system that what they are seeing is accurate."*

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A holistic approach

Bermuda is committed to creating a model platform that will lead the world starting today. To do this, Bermuda is engaging into the field holistically by aligning government leadership, regulatory and legislative strength, and public-private sector partnerships with innovation, efficiency, and transformative thinking. In doing so, it is adopting a prudent yet well-paced approach to building a legislative environment that is well suited to the industry and to its parameters.

The Minister explained that *“Digital asset businesses that have set up in Bermuda have a responsibility to help educate the population in the field, teach them about how they can take part in this new industry, and to govern themselves both ethically and morally. Fintech companies are naturally very collaborative and they have expressed interest in helping within the overall economy, such as agriculture and education. This collaboration has proved incredibly helpful as many international consultants were used to help inform the blockchain development in Bermuda.”*

With education being a key component of Bermuda’s fintech initiative, the Government of Bermuda has begun to implement additional legislation and regulations focused on educating and training the Bermudian population in the field. The Fintech Development Fund Act 2018 was enacted to regulate the capital meant for supporting education and training initiatives related to the fintech and distributed ledger technologies.

This will assist in cementing partnerships between the Island and its fintech new-comers as they create new jobs and help re-skill the existing labour force: investment from said new-comers in businesses, education and infrastructure for the Island is anticipated. This in turn will enhance the work of the Ministry of National Security and the Department of ICT Policy & Innovation, digital asset businesses, the Ministry of Education, the Bermuda College, the Department of Workforce Development and more.

The ultimate goal for this training is to reach three local core demographics: students from primary to high school, college students who are finalising their career-path decisions, and adults who wish to engage in reskilling and retraining. Providing development opportunities to the working population will help to ensure sustainability and economic growth by giving it a foundation of core skills, including but not limited to programming, data analytics, and compliance.

Additional legislation

The Island is quickly progressing towards becoming a global hub for fintech enterprises through ground-breaking legislation that will govern the industry. As part of the overarching framework, three innovative pieces of legislation –in addition to the Fintech Development Fund Act 2018 - have been passed so far to boost Bermuda’s fast-emerging fintech sector:

1) Digital Asset Business Act 2018

This law (DABA) is the next step in Bermuda’s development and implementation of a globally-recognised standard (commonly referred to as the ‘Bermuda Standard’) for regulating the fintech sector in Bermuda.

DABA will regulate digital asset business carried on in or from within Bermuda and provides that a person cannot carry on digital asset business in or from within Bermuda unless the person is a licensed undertaking, to be regulated by the Bermuda Monetary Authority (BMA). This Act is expected to serve as a global model of best practices for the regulation of digital asset service providers.

2) Companies and LCC ICO Amendment Act 2018

This amendment was brought about to govern how Companies and Limited Liability Companies (LLCs) wishing to raise funds via an initial coin offering (ICO) will need to conduct themselves.

It requires potential investors and owners to meet the 'Bermuda Standard' on beneficial ownership and transparency, which is highly regarded by regulators the world over.

ICO regulations have also been established to help clearly define the minimum required information for ICOs and outline compliance measures that a company or LLC must adopt when conducting an ICO. ATF/AML regulations were used as a blueprint for the compliance measures.

3) Virtual Currency Business Act 2018

This law introduces the restricted banking license to allow for trading in crypto-currency. Entities applying for this license will be subject to the same robust compliance schedules and scrutiny as those applying for a traditional license.

This Act includes extensive consumer protection so that the BMA, in its role as the regulator, can protect clients of virtual currency businesses. It is planned that the Proceeds of Crime Act 1997 and the Anti-Terrorism and Proceeds of Crime Act of 2008 will both be amended to add virtual currency businesses into their text.

About Fintech Bermuda

The Bermuda Government has carved out a leadership position in the formulation of the world's first digital asset legislation (Digital Asset Business Act) as well as a strong legislative framework for ICOs. Go to fintech.bm for more information. ■

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Successful digital businesses demand a jurisdiction where the financial and regulatory environment supports the need for speed in every aspect of corporate set up, activity and growth.

Bermuda does just that. We pride ourselves in rolling out more red carpet and less red tape.

That's why we've been long recognised as one of the world's top financial centres. And we back that up with our reputation as one of the world's most sophisticated e-Business jurisdictions.

According to the last four Economist Intelligence Unit's Digital Economy surveys for e-readiness, out of the world's leading economies, Bermuda has consistently placed in the top 22.

We are ready to help you succeed.

Bermuda Delivers!

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