



OECD PRESENTATION REMARKS

By:

**THE HON. WAYNE M. CAINES JP MP
MINISTER OF NATIONAL SECURITY**

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The Bermuda Story

Since inception, Bermuda has demonstrated her ability to be innovative in pioneering new initiatives that lead to economic growth, prosperity and new opportunity for her people.

- In the 1700's Bermudian craftsmen built internationally renowned Bermuda sloops which were used to race, facilitate trade and barter for goods and services
- In the early 1800's Bermuda evolved to the agrarian economy where we exported locally grown produce such as our famous Bermuda onions, Lilly's, and tobacco to overseas markets
- In the late 1800's Bermuda leveraged her natural beauty and hospitable nature to become a leading destination for tourism
- In the 1900's Bermuda established itself as a global leader in International business, Insurance & Re- Insurance
- Now with the emergence of distributed ledger technology and digital assets Bermuda is once again demonstrating its ability to recognize emerging opportunity and leverage our resources to maximize opportunities and success.

Why Bermuda?

We're proud of our past and the rich history of innovation that has marked our journey into the 21st century.

Indeed, as we stand on the precipice of a new frontier, we look forward to charting a fresh course of innovation fuelled by the power of blockchain technology.

As a small island state, of less than 21 square miles and nearly 62-thousand inhabitants, isolated in the middle of the Atlantic, it would be easy to underestimate our ability to compete in a big way on the global playing field. The reality is - Bermuda has never shied away from playing with the big kids. Our 70-year history in Insurance, Re-Insurance and International Business has propelled us to a spot in the top three jurisdictions globally for reinsurance and has attracted most of the major players in the industry to our shores.

How have we managed to eke out such significant success despite our diminutive size?

Well, we understand it to be attributable to a combination of factors that will likewise help position Bermuda as a nimble leader in the digital financial assets space.

Certainly for the digital financial assets space our **Legislative Framework** offers significant advantages that can help deliver a level of security, and clarity to the industry. Our ICO and digital asset laws were developed by this Government jointly with our chief regulator, the Bermuda Monetary Authority with close consultation with international experts in the fintech field, some of whom are in this very room. Our weather-tested approach to regulation has been leveraged to fit this unique new asset class. And we have aimed to take a measured approach to regulation that balances a business' need for innovation with the industry need for a rules-based playing field.

International Business has always valued the **legal and regulatory certainty** that Bermuda provides. With a stable political system and our consistent application of our system of laws based on the system of English Common Law and which is governed by the highest court: The Privy Council.

We can boast of a **mature and sophisticated Insurance** and reinsurance market with access to an **educated workforce** and significant intellectual capital. By dint of our decades of international business, local businesses have access to a plethora of **leading law firms** and experienced corporate service providers to seamlessly navigate compliance regulations, access the tax advantages and meet corporate requirements.

The island's **highly developed infrastructure** has the capacity to support the needs of new companies and the teams that will drive them forward. From quality roads and schools, to internet access and premium real estate, the island has the jaw-dropping beauty of an idyllic vacation destination with the resources of a sophisticated business centre. With convenient proximity to New York City, Toronto and London and direct flights daily, international connections are a mere hop away.

FinTech

Over the last decade Blockchain Technology, and Digital Financial Assets have revolutionized the way in which the world conducts business. This emerging industry has given rise to new opportunities for governments to foster innovation, create economic growth, create new efficiencies, and provide solutions to some of the world's most challenging socio-economic issues.

That, of course, is why we are all here today.

It is my belief that the key to unlocking the potential of digital financial assets lies squarely at the feet of robust regulation that creates a reliable, trusted safe-zone for investors, digital asset holders and traders. Our administration has worked without rest to get this right - to explore the risks and the rewards; to build collaborative partnerships; to create incentives to attract good businesses and build-in regulations and penalties to deter and punish bad actors.

Bermuda

The Bermuda Government recognizes the potential of this technology and has developed a FinTech strategy to navigate this industry. The Bermuda team comprises of government representatives, key stakeholders from the private sector, representatives from the local independent regulatory body, representatives from international regulatory bodies, and leading technologist.

The team is comprised of two main groups. The first is the Legal & Regulatory working group which has been charged with providing a regulatory framework for the Blockchain & Digital Asset industry. The second is the business development working group which is charged with creating new business opportunities by connecting with key stakeholders in the Blockchain ecosystem.

We believe that our collaborative approach is a key part of our success thus far and has birthed quality legislation, of which, we as a country, are quite proud.

ICO Legislation

In May, legislation governing Initial Coin Offerings was enacted in Bermuda via amendments to the Companies Act 1981 and the Limited Liability Company Act 2016. This legislation represents a strategic cornerstone of the Bermuda Fintech regulatory ecosystem. Persons seeking to conduct an ICO in Bermuda must first register a traditional Bermuda company or a limited liability company (LLC) such that the entity will be governed by existing laws Bermuda laws for corporate structures. This means that beneficial owners of entities seeking to launch their ICO's in Bermuda will be vetted by the Bermuda Monetary Authority (BMA) and **must meet Bermuda's stringent standards related to Knowing Your Client in accordance with Anti-Money Laundering and Anti-Terrorist Financing protocols.**

The legislation also sets forth minimum requirements that will be applicable to all ICOs, regardless of the rights, functionality or features of the digital asset offered for sale. In particular:

- There are requirements for disclosures of information related to the rights and functionality of the digital assets, timelines for any project to be funded with ICO proceeds, and disclosures of any risks which may impact those persons that purchase the digital assets.
- There are also specific requirements for verification of the identities of all persons who purchase the digital assets, including cases where enhanced due diligence is required.
- To ensure that purchaser identity information is available as needed, there are also record-keeping requirements for such information.

In order to accommodate ICOs in Bermuda, we have created a **simple process** that extracts critical information for compliance purposes yet respects the need to eliminate unwieldy bureaucratic hurdles in supporting businesses.

- The **Bermuda Business Development Agency** (The BDA) is our partner in the process, serving as a critical **first stop in the ICO process** in their role as Concierge for new businesses. They will provide options for corporate service providers and a legal support team for the company registration process.
- An application for approval to conduct an ICO, which must include a copy of the white paper, is required and will be subject to examination by a Government appointed **Review Committee** comprised of legal, regulatory and technology professionals. Applicants will be notified if additional information is needed or if additional laws will apply to the proposed issuance. If the entity meets the **Bermuda Standard**, The Ministry of Finance will issue a certificate of Incorporation via the Registrar of Companies along with a separate consent to conduct the Initial Coin Offering.

The Digital Asset Business Act 2018 (DABA)

On Friday May 11, 2018, just 2 days following the passage of the ICO legislation, the Bermuda Government tabled the Digital Asset Business Act in the House of Parliament. The Act has now been passed by both the House and the Senate and has also received the necessary assent for enactment. This piece of legislation represents a world-first in providing comprehensive regulatory oversight for service providers of digital assets and associated products. With the passage of the Digital Asset

Business Act, we are adding a critical component to our FinTech ecosystem, while continuing to leverage The Bermuda Standard.

Before Bermuda, there had been no jurisdiction equipped with the combined experience, innovation, agility and determination to legislatively navigate the world of digital assets. We are proud to lead the charge, carving out a comprehensive regulatory future for fintech.

The Digital Asset Business Act, which will be fully administered by the **BMA**, is expected to serve as a global model of best practices for regulation of digital asset service providers. The Act is structured to be generally consistent with the country's regulatory approach for other highly regulated business activities, and is modelled after Bermuda's Money Service Business Act 2016, the Insurance Act 1978 and the Investment Business Act 2003. It includes a tiered licensing structure, AML, ATF and prudential requirements, client asset protections, auditing requirements and enforcement measures and powers.

We recognize that we are in a very challenging climate for transparency and the mitigation and prevention of financial crimes. As with the ICO legislation, persons seeking a license under the Digital Asset Business Act will be required to first establish a traditional Bermuda company which will require vetting of the beneficial owners. The Act specifically requires that companies have a physical presence in Bermuda, including a senior representative that will be responsible for reporting specified information to the BMA. Companies governed under the Act will also be subject to a number of requirements intended to mitigate risks related to financial crimes, consumer fraud, market manipulation, and unethical business practices.

It is imperative that Bermuda's reputation of being a well regulated jurisdiction is both preserved, and further enhanced with our entry into the FinTech space. As such, this comprehensive regime will be implemented in conjunction with regulations, codes of practice, statements of principles and guidance similar to the legislative framework in place for other financial services regulated by the BMA.

The Bermuda FinTech Innovation Hub

In order to foster and facilitate innovation, and provide a platform for companies to get off the ground running once they set-up shop, the Bermuda government is in the planning stages of building a state-of-the-art co-working space for incoming industry players. This purpose built facility will allow technology companies to domicile in Bermuda and have access to a premium facility with a plethora of services at hand. Companies will have access to a co-working space, private board room, lounge areas, high speed internet, and concierge services.

E-ID

Bermuda government has collaborated with leading technologist to create a national ID scheme for people and businesses. This will be a single aggregation platform for KYC and AML for Bermuda. This removes the need for multiple hard copies and wet signatures. Which will allow for new efficiencies and business opportunities for government, citizens and private enterprise.

As we move through the checklist of our Fintech Strategy, the E-ID will prove to be not simply a feather in our cap, but a solid value-added addition to Bermuda's digital arsenal of business-friendly solutions.

Summary

In closing, Bermuda recognizes the opportunity that distributed ledger technology can bring to our country. We have partnered with key industry stakeholders to establish and create our FinTech strategy. We are moving to integrate the banking component into our Fintech infrastructure and have built out the first critical phase of the legislative framework.

We are honoured to be a part of the OECD Roundtable - The conversations that we are having here today will help determine the path for engaging with digital financial assets around the globe. And in Bermuda, we are energised and poised to forge ahead with this emergent financial technology.

Although we are in the early stages of the Bermuda Fintech plan, we plan to exploit our ability to be nimble, our experience in crafting and enacting quality regulation, and our collaborative approach to deliver to the world a prime jurisdiction for digital financial assets.

Thank You.