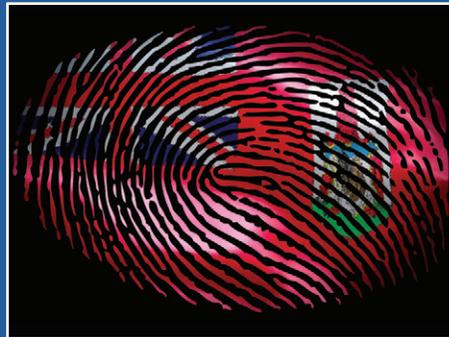




BERMUDA BUSINESS REVIEW





Navigating change and charting the course for the future

By Sophia Greaves

Despite the present challenges faced by all international financial centres, in particular global volatility in financial services and demands for greater regulation, Bermuda's perennial resilience and ability to adapt to market demands will continue to ensure that the Island maintains its status as a premier international business jurisdiction.

There is no denying that offshore business centres are facing strong winds of change. The pressures facing international business are very real, ranging from the uncertainties caused by global economic and political volatility, to ever increasing regulatory requirements. Of course, these pressures have an impact on jurisdictions such as Bermuda that facilitate international business.

Notwithstanding the changes, Bermuda has remained resilient. The Island's coat of arms bears the motto *Quo Fata Ferunt* (Wherever Fate Carries Us): this does not mean that we relinquish our fate to outside forces but that we must leverage the Island's particular strengths, including its strategic geographical location and the ingenuity of its people, to harness the opportunities that underlie the challenges, come what may.

Bermuda has always been forward-looking and the Island has a long history of adapting to changing circumstances. The jurisdiction was a trailblazer, well ahead of the rest of the offshore world, through its development as a financial centre in the 1950s, complementing the existing economic pillar of tourism. From captive insurance to alternative investments and most recently fintech, the Island has always welcomed innovation, with government, regulators and the private sector successfully working together to foster thriving – but well regulated – new markets.

The following outlines the key features that make Bermuda one of the world's most successful international financial centres and explores how the Island continues to build on its unique strengths and is constantly modernising, to remain a 21st century jurisdiction of choice.

BUSINESS-FRIENDLY LEGISLATIVE AND REGULATORY LANDSCAPE

Bermuda's tax neutrality is just one of several attributes that

make it an extremely attractive jurisdiction for international businesses and high net worth individuals. The Island's sophisticated legal system, world-class infrastructure and depth and breadth of financial services expertise, offer a high level of reassurance to top-tier clients looking for a blue-chip jurisdiction. Our strategic location, poised between the United States and Europe, is also advantageous. Yet perhaps most important is Bermuda's market-driven legislative and regulatory landscape, backed by a stable political system and reputable regulator, the Bermuda Monetary Authority (which marked its 50th year in 2019).

These attributes have created a sensible, business-friendly environment that facilitates efficiency and speed to market. With specialised regulatory regimes for specific types of financial sector activity – including insurance, investment funds, banking and digital assets business – Bermuda is geared to meet the changing needs of future international commerce and investment. Hand in hand with this, the Island's business community offers a wide range of sophisticated



Gibbs Hill Lighthouse, Bermuda. By Mark P Mangion / © Shutterstock

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financial products and services and a network of professionals with a deep bench of expertise necessary to support them.

WELL-ROUNDED GLOBAL BUSINESS HUB

Bermuda has always been focused on attracting quality business and around 75% of Fortune 100 companies across a range of business sectors have operations in the jurisdiction. The Island is renowned as one of the world's largest (re)insurance domiciles, with gross premiums written by Bermuda insurers totalling approximately US\$150.5 billion. In 2017 Bermuda offered 58% of global alternative capital business, including 36% of catastrophe bonds and 55% of collateralised insurance capacity.

Bermuda is also a major centre for funds and investment business: at the end of 2018 Bermuda-licensed fund administrators had approximately US\$195.5 billion in assets under administration. Additionally, trusts and private client vehicles, family offices and other high-net worth services are an important part of the Island's offering.

Shipping and aviation finance as well as vessel and aircraft registrations also feature prominently. Recently, Bermuda has also developed a regulatory framework for fintech and digital assets business, rendering the jurisdiction ahead of the curve of many onshore and offshore financial centres.

To support all this activity, Bermuda fields a wealth of world-class talent including accountants, actuaries, underwriters, lawyers, financial advisers, asset managers, technology specialists, fund administrators and corporate secretaries, who together provide the necessary intellectual capital to service global demands locally.

NEUTRAL VENUE FOR CROSS-BORDER TRANSACTIONS AND INVESTMENT

Bermuda is one of the most active jurisdictions for cross-border capital markets transactions, including IPOs and asset-backed securitisations. As an internationally respected financial centre, Bermuda provides a geographically convenient, neutral platform for facilitating cross-border activities and enabling significant investment to flow around the globe. Parties from different countries – with different laws, regulatory regimes and tax systems – can do business with each other or undertake joint ventures with greater efficiency and less risk given the transaction is being effected from a neutral offshore base. Furthermore, with its legal and judicial system based on English common law with final appeal to the UK's Privy Council, Bermuda is an ideal neutral location in the event of disputes and boasts a significant number of attorneys with international arbitration expertise.

ADAPTING TO REGULATORY CHANGE

Successive Bermuda governments have understood the need to respond quickly to changing external regulatory requirements. Some significant legislative changes have been implemented recently to ensure the jurisdiction's continued standing as a premier jurisdiction, in particular the Economic Substance Act 2018. This legislation was implemented in Bermuda – and other offshore jurisdictions – to satisfy

European Union requirements with respect to the economic substance of entities based in the jurisdiction. In response, Bermuda's international business community has proven resilient, with many companies affirming their commitment to Bermuda with enhanced presence.

The Island has numerous precedents for successfully adapting to the ever-changing global regulatory landscape. Bermuda's compliance framework remains robust in the areas of anti-money laundering/anti-terrorist financing, transparency and solvency.

Those with a genuine understanding of the evolution of offshore financial centres will know that from an onshore perspective Bermuda has upheld its reputation for high ethical standards, strong regulation and international cooperation and in fact has often been among the first to adopt and comply with global compliance regimes.

The valuable contribution that Bermuda makes to the smooth functioning of international business worldwide is often understated. As such, Bermuda acknowledges that it must continue to work hard to ensure that its contribution to the global economy is recognised and well understood.

CHARTING A COURSE FOR THE FUTURE

Bermuda today is not the Island of yesterday. As a financial centre, the Island has had to constantly develop its service offering to remain relevant and attractive to international business. The global winds that buffet us are constantly bringing change but the pillars that have supported Bermuda's legacy remain strong. Bermuda has a long history of reinventing itself, adapting to market demands and our people's innovative and resourceful outlook will continue to ensure the Island's success into the future, wherever fate carries us.



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Sophia's areas of specialisation span securitisations, mergers and acquisitions, banking regulation and (re)insurance transactions.

She also has an active general corporate practice including advising on the Bermuda regulatory aspects of transactions for both local and exempted companies.