

BDA

BERMUDA
BUSINESS
DEVELOPMENT
AGENCY

BERMUDA FUNDS INDUSTRY SNAPSHOT

UNREGULATED FUND CATEGORIES

CLOSED-ENDED

- (e.g. private equity funds)
- ▶ Investment Funds Act 2006 (IFA) does not apply
- ▶ No IFA fees/no reporting requirements
- ▶ No prescribed service providers
- ▶ No requirement for an offering document

CLASS A EXEMPT FUNDS

- ▶ Commence business immediately upon filing exemption notification with BMA
- ▶ Only open to “qualified participants” i.e. sophisticated investor
- ▶ Investment manager regulated by BMA or recognised regulator (SEC/FCA) or AUM>\$100m
- ▶ Must have fund administrator, registrar, auditor and custodian or prime broker – can be based anywhere
- ▶ No Periodic Reporting to BMA
- ▶ Annual Reporting to BMA – Statement of Compliance together with audited financials
- ▶ No local auditor sign-off requirement
- ▶ Cost-efficient

CLASS B EXEMPT FUNDS

- ▶ Only open to “qualified participants”
- ▶ Prescribed service providers including investment manager but no AUM limit, must meet fit and proper test
- ▶ No Periodic Reporting to BMA

- ▶ Annual Reporting to BMA – Statement of Compliance, audited financials, changes to service providers
- ▶ No local auditor sign-off requirement

MASTER FUNDS/ EXCLUDED FUNDS

- ▶ If under 20 investors and not offered to the public – no requirement to be regulated under IFA
- ▶ No annual IFA fees/no reporting requirements
- ▶ No prescribed service providers
- ▶ Investors can waive requirement for the preparation of financial statements
- ▶ Financials not filed with BMA
- ▶ No requirement for an offering document

REGULATED FUND CATEGORIES

ALL CATEGORIES

- ▶ No local auditor sign-off requirement
- ▶ Financials not filed with BMA
- ▶ NAV reporting to BMA, aggregated subscriptions and redemptions
- ▶ Annual reporting to BMA – Statement of Compliance

INSTITUTIONAL FUND

- ▶ Minimum investment per investor US\$100,000; OR only open to “qualified participants” i.e. sophisticated investor
- ▶ Must have investment manager, fund administrator, registrar, auditor, custodian or prime broker – can be based anywhere
- ▶ One service provider/director/secretary with nexus to Bermuda

ADMINISTERED FUND

- ▶ Minimum investment per investor US\$50,000, OR entity is listed on recognised stock exchange

- ▶ Must have investment manager, registrar, auditor and custodian or prime broker – can be based anywhere
- ▶ Must have an administrator licensed under the IFA

STANDARD FUND

- (used for retail investors)
- ▶ No minimum investment or investor qualification test
- ▶ Must have investment manager, registrar, auditor – can be based anywhere
- ▶ Bermuda-based administrator or custodian

REGULATED FUND DOCUMENTATION

- ▶ Prospectus or offering document
- ▶ Subscription agreement
- ▶ Bye-laws, trust deed or partnership agreement (as applicable)
- ▶ Material contracts

TAXES

- ▶ No taxes on income, dividends, capital gains
- ▶ Tax Assurance Certificate available

BDA

B E R M U D A
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ADVANTAGES OF BERMUDA

- ▶ “Full-service” “one-stop-shop” jurisdiction
- ▶ Home to experienced and internationally trained and qualified professionals, including lawyers, accountants, administrators, bankers and independent directors
- ▶ Modern infrastructure: clients can structure funds to have all key players in one place. Streamlines daily operations and oversight
- ▶ Proximity to US, Canada and Europe. Bermuda is two hours from the US East Coast, seven hours from London, with multiple direct daily flights
- ▶ Effective and sensible regulation. Options exist to “opt-in” to the amount of regulation a fund requires based on investor base
- ▶ Excellent reputation: Bermuda is considered the “gold standard” in offshore business

REGULATORY AUTHORITIES

- ▶ Bermuda Monetary Authority (BMA)
- ▶ Bermuda Stock Exchange (BSX)
- ▶ Registrar of Companies
- ▶ Ministry of Finance

TIMING

- ▶ Incorporation: Same-day turnaround
- ▶ IFA authorisation: up to 6 days

FUND STRUCTURES

COMPANIES

- ▶ No requirement to have Bermuda-based directors

- ▶ No requirement to hold an AGM
- ▶ Investor securities are freely transferable with no additional government approval

PARTNERSHIPS

- ▶ Delaware/UK Limited Partnership Agreements can be easily customised for Bermuda

UNIT TRUSTS

- ▶ Same-day organisation

SEGREGATED ACCOUNTS COMPANIES

- ▶ Effective legal segregation of assets between share classes
- ▶ Lower-cost option to run multiple investment strategies
- ▶ Bermuda segregated cells can invest in other segregated cells in the same company – effectively creating Master/ Feeder structure

GOVERNMENT/ REGULATORY FEES FOR INCORPORATION AND FIRST YEAR OF OPERATIONS

INCORPORATION EXPENSES

Incorporation application fee	\$291
Registration fee	\$86
Tax Assurance	\$179
Annual Government fee	\$1,995
Total	\$2,551

INSTITUTIONAL FUND <\$5,500

Incorporation expenses	\$2,551*
IFA application fee	\$855
Annual fee	\$968

IFA FEES

Application fee – IFA authorisation	\$855
Annual fee – Institutional fund	\$968

CLASS A EXEMPT FUND <\$5,500

Incorporation expenses	\$2,551*
IFA application fee (& annual)	\$1,545
Annual fee (2nd year onwards)	\$1,545
Non-Licensed Person fee (AML)	\$958

MASTER FUND

<\$4,000

Incorporation expenses	\$2,551*
One-off IFA fee (excluded fund)	\$258
Non-Licensed Person fee (AML)	\$958

LAUNCH AND LIST

- ▶ BSX is an internationally recognised stock exchange with over 350 fund structures already listed
- ▶ BSX provides a listing platform for all funds, including Class A Exempt Fund, which can offer additional transparency to investors

INVESTMENT MANAGERS

- ▶ Bermuda incorporated managers can be organised anywhere and act as investment managers to all forms of Bermuda and foreign funds and entities
- ▶ No requirement to be licensed in Bermuda unless physical premises and employees in Bermuda
- ▶ Exemptions from licensing available for Bermuda-domiciled investment managers i.e. no licensing if only advise Bermuda-incorporated funds; no licensing requirement if advise only “sophisticated clients” or if have at any one time 20 or fewer clients
- ▶ Incentives currently being offered by Bermuda Government to attract asset managers to domicile in Bermuda:
 - ▶ New Business Work Permits – new companies to Bermuda will receive up to 5 work permits for senior positions
 - ▶ No term limits
 - ▶ Reduced fees on purchase of qualified residential property for expatriates
 - ▶ Key executive exemptions from work permit requirements and opportunity for such individuals to eventually receive long-term residency for themselves, their spouse and children
 - ▶ Payroll tax holidays for employers who hire Bermudians to new positions (provided they are employed on or before 31 March 2015)

*breakdown previously itemised

