

# Connecting Bermuda to Europe

With deep-rooted historical connections to Europe and a range of advantages in the corporate world, Bermuda is truly a world-class international business centre



Bermuda's connections with Europe began in 1505 when Juan de Bermúdez first discovered the islands. They were first settled in 1609. In the Age of Discovery, when mariners criss-crossed the Atlantic to search for New World riches, they black-marked the reef-encircled archipelago as a cursed 'Isle of Devils'. Today's entrepreneurs and venture capitalists hold no such qualms about the British overseas territory, which is now recognised more for its reputation as a world-class international business centre than for its trademark pink beaches, 'Triangle' and shorts.

Bermuda's advantages for the business world are both obvious (stable social and political environment, breath-taking beauty, subtropical climate, physical proximity and enviable standard of living) and intangible (tax-neutrality, pragmatic regulation, sterling reputation and robust, high-tech infrastructure). These features provide a uniquely sophisticated business ecosystem for corporate entities ranging from global reinsurers and captives to investment funds, trusts and cutting-edge insurance-linked securities (ILS) vehicles.

Almost 900 captive companies are domiciled on the island with assets of more than \$85.3bn (€62.3bn), while nearly half of the world's top reinsurers and more than 100 risk-management companies call the capital city Hamilton home.

## International finance centre

"As an international financial centre, Bermuda is particularly well positioned for European companies looking to add an offshore component," says Ross Webber, CEO of the Bermuda Business Development Agency (BDA), which has been pro-actively engaged in assisting start-ups, multinationals and other corporate ventures since it was established in 2013.

"Bermuda is a British overseas territory with a Westminster-style government. We have a legal system based on British common law, a mid-Atlantic business friendly time zone – one hour ahead of EST and four hours behind GMT– and daily direct flights to Gatwick and major US east coast cities. We have significant intellectual capital with a wealth of mind and management physically on the island," says Webber.

There has never been a better time to choose Bermuda as an offshore domicile, according to the BDA. Notably, the past 18 months have seen moves by the Bermuda government and the Bermuda Monetary Authority (BMA) to increase the island's appeal after several years of declining GDP during the global recession. Regulatory and legislative amendments have reduced bureaucratic red tape, streamlined the process for fund setups and encouraged the influx and retention of intellectual capital via progressive changes, like work-permit reform.

Recent initiatives aimed at cultivating the international business sector include the abolition of term limits on work permits for expatriate employees, as well as the introduction of new work permit categories. Under the amended system, an operation establishing on the island automatically receives five work permits for senior employees, while a global permit allows a Bermuda operation to move key executives on to the island without advertising their positions. In addition, Bermuda's Incentives for Job Makers Act allows firms to apply



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usually split between employer and employee). Bermuda is a highly respected jurisdiction and a leader in global tax transparency. The island has negotiated 41 bilateral Tax Information Exchange Agreements (TIEA), most of which are also signatories to the Council of Europe's Multilateral Convention on tax issues. Bermuda was the first offshore jurisdiction elevated to the White List category of the OECD, which rates the island at the same level of tax transparency as the UK, US and Germany (as several other G8 and G20 nations). Bermuda has also signed intergovernmental accords with the US for foreign reporting (FATCA) conditions, and is on schedule to meet Europe's Solvency II requirements. The fact that Bermuda has been at the forefront of Solvency II equivalence has not gone unnoticed by EU investors who see Bermuda as a well regulated, reputable, and efficient jurisdiction.

Partially because of these reputational issues and due to Bermuda's world-class insurance/reinsurance sector, European institutional investors have sizeable investments in Bermuda funds, in particular, ILS Funds. We have experienced an increase in Nordic, French and German pension funds subscribing for Bermuda ILS products and cat bonds.

Concerning capital markets, Bermuda has a clear advantage. The BSX is the world's largest offshore, fully electronic securities market offering a full range of listing and trading opportunities for international and domestic issuers of equity, debt, depository receipts, insurance securitisation and derivative warrants. The BSX is a member of the World Federation of Exchanges and recognised by the SEC in the US, the UK's FCA, and Canada's Finance Ministry.

for work-permit waivers for senior staff and even permanent residency for certain long-time resident employees.

"As a public-private partnership, the BDA works with all parties, including the Bermuda government, the BMA and the Bermuda Stock Exchange (BSX), as well as all sectors of the international business community," says Webber, whose organisation is advised by an impressive array of focus groups comprising locally-based experts from fields as varied as banking to e-commerce to cat bonds.

Business and lifestyle infrastructure is another bonus. Bermuda offers deep expertise via a long-established pool of service providers, which includes the leading accountancy firms, as well as high-calibre legal, telecommunications, banking, insurance and e-commerce professionals.

## Tax-neutral jurisdiction

One of Bermuda's biggest attractions is its tax-neutral jurisdictional status, with zero tax on profits, income, dividends or capital gains. There is a payroll tax (up to 14 percent,

The BSX carries numerous dual listings in Europe and Bermuda. BaFin (the German regulator) allows BSX listed companies to dual list automatically in Frankfurt with the Bermuda prospectus being sufficient for those purposes.

Regarding AIFMD (Alternative Investment Fund Managers Directive), the EU and the BMA have signed a cooperation agreement. These agreements are a pre-condition in allowing non-EU AIFMs access to EU markets or to perform fund management activities on behalf of EU managers. As part of its AIFMD compliance initiatives, the BMA is developing an opt-in regime to enable Bermuda-based AIFMs to maintain seamless operations across the European market.

Bermuda's regulatory reputation owes much to the efforts of its regulator, the BMA, which, established in 1969, is now a full member of the International Organisation of Securities Commissions (IOSCO) and a founding member of the International Association of Insurance Supervisors (IAIS).

## A desirable domicile

While Bermuda ticks tactical boxes for facilitating global business, a trump card is that the island also happens to be a very desirable place to live. For companies contemplating Bermuda as a domicile, the BDA provides a concierge-style resource, providing pertinent information and connecting inquiring firms with market professionals. The agency has several business development managers to complement the work of island industry leaders to actively assist companies seeking to add the appropriate offshore structure to their businesses model.

Specifically, the BDA has structured its business development into four strategic pillars – insurance, asset management, trusts and wealth management, and offshore commerce – exploring opportunities Bermuda offers for each. Corresponding corporate entities within those sectors will find an abundance of support from the agency.

"We are committed to keeping international business here," says Webber. "We are pro-actively advising the sophisticated international business community about our conducive business environment and we are continually refining, augmenting and simplifying the process to start, relocate or grow a business here.

"Now is a perfect time to come to Bermuda. We are continuing to build on our success and well-deserved reputation as a jurisdiction that caters superbly to the global marketplace." ■

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