

**Ross Webber, CEO, BDA**  
**World Alternative Investment Summit (WAIS) Bermuda**  
**Thursday, September 29, 2016, 8:30am,**  
**Fairmont Southampton Resort**

Thank you, and welcome everyone to Bermuda.

Now, usually on a Thursday morning, after a night of UEFA Champions League football I am a little worse for wear. However, the mighty Liverpool Football Club is not in Europe this season. Switching to baseball, my Red Sox are currently in a series against the Yankees. I'm looking forward to October. I'll explain what October baseball is to Yankee fans later...

There was another big game dominating our attention and airwaves this week. This one happened on Monday night—and I don't mean the Saints' capitulation against the Falcons at the Superdome. No, I'm talking about that other battle... the one whose outcome won't be decided until November 8th. The ramifications of *that* showdown will ripple across the global economy and unquestionably have a significant impact on the work we do here in Bermuda.

Election time on both sides of the Atlantic tends to let loose a great deal of misinformed and shallow rhetoric—with islands like Bermuda square in the crosshairs. For a 21-square-mile island—one of the oldest self-governing British Overseas Territories—reputation is essential to survival.

Let me begin by telling you a bit about the BDA. We're an independent, not-for-profit corporation funded by both government and the private sector. We work to

encourage direct investment and we help companies set up in Bermuda so they can create jobs and grow our island's economy.

We've helped new companies establish across a wide range of industries, and from a broad selection of geographies. We've helped establish new law firms, new trust structures and family offices, new captive insurance companies; new investment managers and new fund administrators. We've had companies relocating from the likes of Ireland and the Qatar and Singapore, among other places.

Just this past summer, we welcomed a global fund administration company, Centaur Fund Services, to establish an office in our market. After watching Bermuda's resurgence in the asset-management sector, Centaur felt the time had never been better to make our jurisdiction the focus of their expansion plan.

For the BDA, it was the full circle of a larger journey we began more than three years ago. In May 2013, our agency hosted an asset-management think-tank in Bermuda for key influencers from New York City and Chicago. We invited them for a series of meetings to hash out exactly what was needed to make Bermuda more competitive and attractive for fund launches, fund managers and supporting companies.

We said we only wanted to hear from advisors who were prepared to be candid. After over a decade with Conyers Dill & Pearman, I should have known better than to invite a group of New York lawyers to be candid! Not sure why there was ever a suspicion they might be shy and reserved!

What I think was very important, though, is that not only did we listen—we *heard* and then we acted.

After those 2013 talks, Bermuda took quick, collaborative—and national—action to augment and repackage our fund offerings so decision-makers like Eric Bertrand and Ronan Daly of Centaur would put us high on their consideration list. We updated the Investment Funds Act, creating cost-effective new fund categories more in sync with today's regulatory realities. We took our message back to the marketplace, and after a period of cultivation, awareness, education and persuasion, we are now seeing an uptick in fund services. Here we are in 2016, and the global marketplace is starting to appreciate that we've got our mojo back. Our Asset Management Team is off to New York next week and we'll be presenting at the Flatiron Room next Tuesday.

This strengthening of Bermuda's asset-management sector has seen the likes of EFG International, Scepter Group and Invictus RG setting up a physical presence on the island. And that's just the beginning. There are several more managers and new service providers registering companies, incorporating new fund vehicles and establishing operations this year—some of the world's leading allocators who have now made Bermuda their jurisdiction of choice.

We have worked long and hard to attract them back to our shores, and it is an incredibly positive message for this industry. It's also having a direct impact on Bermuda's employment figures and GDP: our economy has recorded six straight

quarters of growth, while international business's contribution to Bermuda's GDP grew by more than 5 per cent last year. Long may it continue.

So, that's the good news: internally, Bermuda's economy is on the upswing, the recession is behind us, we're growing established industry sectors and building some new ones—plus we're staging the prestigious 35<sup>th</sup> America's Cup next year.

But, externally, along with the victories come the challenges. And for an offshore international financial centre in 2016, these challenges are substantial. The major problem revolves around the whole dynamic of reputation—fuelled by the negative impact that politics, media and the resulting damage that gross public misperception can wield on your hard-won reputation...

...Especially if you happen to be a small island with palm trees and plenty of sunshine! But here's the thing: *all offshore is not the same*. Unfortunately, however, we small islands tend to get tarred by the same brush.

Offshore centres are not a homogenous bloc. It would be like saying all US states are the same. Like saying Wales is the same as England or Newfoundland is the same as... well... anywhere.

Sadly, though, we are often treated like an axis of evil. We all get dragged down by the lowest denominator and we become the victim of stereotyping—by the media, by the misinformed, by much larger nations who have the power and influence to seek a scapegoat. This has been more aggressive this past year, in the wake of widely-reported disclosures by the I-C-I-J such as the Panama Papers or

the more recent Bahamian files. And, as I mentioned earlier, this behaviour is especially prevalent before national elections.

To be fair, some financial centres deserve the drubbing they are getting. Some IFCs have ignored the changing regulatory landscape of recent years to their own peril. Some have turned a blind eye to accommodate those who would use their domiciles to hide assets and evade legitimate taxes. Some continue to embrace environments that encourage anonymity; that allow secrecy. Several still resist tax-treaty partnerships or cooperation with international governments and global law-enforcement agencies.

The fact is that most offshore centres are nowhere near Bermuda's level of sophistication, maturity and global standing. And yet we are all lumped together.

Okay, spoiler alert: I'm about to present an unbridled and shameless advertisement for Bermuda. It's very deliberate. If you check in your programmes, I was asked to talk about: A World Apart: Separating Fact from Fiction post-Panama Papers. That is exactly what I intend to do. And the best way for me to separate the fact from the fiction is by explaining why Bermuda is different.

So—the facts: Bermuda is a blue-chip international financial centre—the World's Risk Capital. Home to high-net-worth trusts, international law firms, hedge fund managers, shipping companies, and major insurance and reinsurance corporations. The business that gets done every day on this island helps world economies and has a tangible and beneficial purpose.

Bermuda is one of the top-three insurance and reinsurance centres in the world, alongside New York and London and is acknowledged as the largest property catastrophe market. It's a place to raise capital—not hide it.

Our companies contributed an estimated 35-billion dollars to US catastrophe losses over the past dozen years. They paid 22 billion to help rebuild the US Gulf and Florida coasts after the hurricane seasons of 2004 and 2005. That included paying nearly 30 percent of insured losses from Hurricanes Katrina, Rita and Wilma.

Our market covered nearly 10 percent of US 9/11 claims. Thirty-seven percent of Europe's 2010 windstorm. Thirty percent of Japan's 2011 earthquake. Sixteen percent of the East Coast's Hurricane Sandy. And a quarter of reinsurance losses from this year's Fort McMurray wildfire in Alberta, Canada.

Bermuda supports a quarter of the US medical liability insurance and reinsurance market and supplies a quarter of Lloyd's of London's capacity. Bermuda's help is vital to communities, cities, coastlines and countries recovering from some of the worst disasters around the world.

Bermuda fulfils a critical role in the global economy on the jobs front. Our business model supports close to a half-million jobs globally, creating and supporting employment not only on our own island, but also in our onshore trading partners.

This includes an estimated 300,000 jobs in the US, 30,000 in Canada and more than 100,000 in the UK through trade, foreign direct investment, and portfolio investment capacity. In this way, Bermuda is a significant economic partner for the US, UK, Canada and Europe. We facilitate economic globalisation.

All this—from a tiny leftover volcano in the middle of the Atlantic.

So, what led Bermuda to become one of the world's most coveted jurisdictions for global enterprise? What have we managed to capitalise on so effectively to punch above our weight economically?

It comes down to a number of things.

Location, location, location has a lot to do with it. We happen to be just 90 minutes from New York, less than a three hour flight from Toronto, conveniently situated between North America and Europe. That made us a safe harbour during the heyday of Lord Nelson's Royal Navy—and later, a hideout to target U-boats. And it makes us attractive today to businesses that need to operate between market time-zones.

The America's Cup is a great example. Our Atlantic Time zone correlation to TV rights was a major factor in Larry Ellison's decision to bring Oracle Team USA here to wage *their own* 2017 marine war in front of a global audience.

Our infrastructure is another feather in our jurisdictional cap. Bermuda has a secure, modern, world-class physical and technological set-up. It includes

excellent telecommunications, broadband redundancy, and a fully-electronic Stock Exchange.

That stands us in good stead even when we do get buffeted in hurricane season. Let me give you an example I experienced first-hand. In 2014, Hamilton was directly hit by *two* violent hurricanes in the space of *one* week. The second one; a Cat 3 called Gonzalo, walloped us on the Friday. By Monday morning, it was business as usual, with everyone back at their desks. That underscored the resilience and character of this island—and also our robust infrastructure.

This jurisdiction is an incubator of new ideas, a hub of entrepreneurial energy. Long before we became a modern international finance centre, Bermudians invented a new breed of sailing sloop, a better tasting onion... even a fashionable, and, as we say, “sporty” alternative to the humble pair of shorts.

In the business realm too, this is a place of firsts: the first real excess liability insurance carriers were born here. The first “captives.” The first cat bonds and collateralized reinsurers.

We have attracted the lion’s share of the insurance-linked securities market. We count over 17-billion dollars’ worth listed on the BSX, almost 70 percent of the world’s total. And now distributed ledgers, blockchain, and other new technologies set to disrupt the status quo are making Bermuda their centre of excellence.

The Bermuda lifestyle is, of course, an attractive drawing card. We can swim, sail

and play golf year-round in a sub-tropical paradise. After a day at the office in Hamilton, you can be enjoying cocktails on the beach or harbour terrace right after work (*you'll get a taste of this at tonight's beach party and barbecue*).

All these factors have shaped our destiny and our *value proposition*. But one thing stands out above all of them.

It's reputation. It's about the "Bermuda brand."

That's a notion which probably holds resonance for you as business leaders and executives who must take great care of both your professional brands and—in this world of social networks—your personal ones too. As a brand, our island has been known for quality above all else. Quality business. Quality tourism. Quality service... Quality rum!

It's about quality people, too. Bermuda has a wealth of world-class intellectual talent. A recent study found that an estimated fifteen thousand residents—a quarter of our population—are financial, legal, or regulatory experts in transatlantic capital markets.

This mind, management and high-level expertise, physically on the ground here in Bermuda, is an attribute many onshore might struggle to believe. But during your visit to Bermuda, you can bear witness to it. You can see for yourselves. You can go into Hamilton and see that we are not racks of brass nameplates. We have actual human beings here who are experts, pioneers, entrepreneurs and top-

echelon executives. Yes, they may wear sporty shorts and long socks, but trust me, after a steamy July and August, so would you.

I can say without hesitation that this brand is our greatest selling point. That's because it differentiates us from other offshore centres that, unlike Bermuda, cannot claim to have a well-established and well-monitored beneficial ownership registry, or robust oversight of financial companies, or zero bank secrecy laws.

It is important to note the distinction between "*privacy*" and "*secrecy*". Privacy provides protection over confidential information within a well-regulated, private and safe environment. Whereas secrecy enables the right to conceal information that should be disclosed. Bermuda has never been about secrecy. But we do believe our clients have a right to legitimate privacy.

*"Okay, okay, so I get the difference between privacy & secrecy, but that's just fun and games with terminology—you're still a tax haven—so there!"* Now look—just because we have sunshine, no corporate tax and a successful financial services sector does *not* make us a *tax haven*. As far as fiction goes, "tax-haven" has become a very loaded term affecting Bermuda's reputation. It is particularly annoying because it simply isn't true. I won't get too technical here, but it is important to debunk myth. In 1998, the OECD identified four factors that should *ALL* be met to earn the title of tax haven:

- 1) lack of transparency;
- 2) lack of information exchange;
- 3) no substantial activity;

4) no or nominal tax on income.

Well, Bermuda only just scrapes a tick in one of those boxes—we do have a tax on income that we call payroll tax. However, the OECD has publicly stated that “*no or nominal tax is not sufficient in itself to classify a country as a tax haven.*”

Bermuda is a willing and cooperative partner with the G20 nations, including the US, Canada and the UK. We have 91 treaty partners around the world, including 41 TIEAs, or Tax Information Exchange Agreements, and 87 multi-lateral partnerships. Bermuda has had a TIEA with the US since our Tax Convention Act 1986. Bermuda’s oldest TIEA, it could be one of the world’s first such agreements. Our TIEA with Canada took effect, fittingly, on July 1<sup>st</sup> Canada Day—2011.

We were the first offshore jurisdiction to make the OECD’s white list. Our regulator may be collaborative and business-friendly, but it is also rigorous and highly respected. And it has teeth. Just last month, the BMA slapped a \$50,000 fine on Bermuda firm Barrington Investments for regulatory breaches. There were mitigating circumstances, but it was a tough stance nevertheless.

That type of crackdown isn’t new—the BMA has been enforcing penalties on companies for years if they fail to meet standards—and in its 2016 strategy, the authority warned that it would be publicly naming and shaming non-compliant firms going forward. That’s good for the jurisdiction—and good for our reputation.

Indeed, the BMA has earned respect on both sides of the Atlantic. The European Parliament awarded Bermuda full equivalency under its Solvency II regulatory system this year. Switzerland is the only other non-EU nation to gain that distinction. And Bermuda is one of just seven jurisdictions deemed qualified by the US National Association of Insurance Commissioners (NAIC).

The BMA is now working towards similar success with the Alternative Investment Fund Managers Directive. It has signed agreements with most EU member states, we are waiting on ESMA for a decision on whether such rights will be granted to Alternative Fund Managers operating in non-EU jurisdictions.

Should Article 50 ever be triggered and Brexit actually occur, Bermuda, with AIFMD equivalence, should become even more attractive to UK based fund managers – particularly those who want to be a bit closer to North America.

Our beneficial register was established after the Second World War, more than 70 years ago—pre-dating those in most developed countries, including the UK.

We didn't set up our register because we were coerced by anyone else. It wasn't a reaction to this current wave of uber-regulation. We proactively did this. We put our register in place because *we* wanted to. We felt it important to protect our domicile. *We* wanted to know who was coming in. *We* wanted to screen for the right type of profile. We are a bit particular. We don't just take anybody.

This spring, we became early adopters of OECD standards for BEPS compliance. We signed up to the Common Reporting Standard and Country-by-Country

reporting. And because we chose to adopt Model Two FATCA, we've been able to learn from the experience of other domiciles that endured the trials and tribulations of FATCA Model One.

We need to help people understand that offshore business is not solely about tax. Nowadays, client focus is also on the business environment and pragmatic, respected and effective regulation. Offshore centres like Bermuda—the bonafide ones—are vital for economic development around the world.

A big problem in combatting the “fiction” is that the intricacies of international finance are far trickier to explain in layman’s terms than public-pleasing attacks on global corporations, wealthy individuals, or small island nations.

But it's not just the folks on Wall Street or Bay Street that benefit. As a Bloomberg story put it earlier this year, more than a third of the UK's local government pension plans allocate money to hedge funds. The same goes for the private sector—where an estimated 64 percent of the top UK corporate pension plans invest in hedge funds, most of which are based offshore.

So, the value of legitimate offshore investing touches everyone, including hard-working families and regular employees of large companies, government bureaucracies and trade unions. Few seem to grasp that reality in the rush to condemn domiciles that facilitate international transactions.

I say all this because when you go home you will tell some people that you were at a conference in Bermuda. Some will ask what the Caribbean was like. Some will

ask about the Triangle. Some may even ask to see your sporty shorts. But at least one of you is going to elicit the question: "*Bermuda, isn't that a tax haven?*" I hope you can now respond armed with facts, and avoid the fiction. Remember, we are the *good guys!* I'd like to think you'll have lots of positive things to say about your experiences here over the next few days and that this will be just one of many Bermuda visits—I know Tony is already planning next year's event!

In fact, once you've seen our island, met our people, frolicked on the beach—and had a few dark 'n' stormies—maybe you'll decide to come back for a vacation and better still, come back with business in mind. Maybe you'll choose our jurisdiction, for all the reasons I've outlined, to help your own enterprise.

When you do, I invite you to get in touch with the BDA. We can help you. Our team can work alongside you, make introductions to government, connect you to industry, to the regulator and realtors. We stand prepared to help you start up, re-locate, or expand your business in this jurisdiction, just as we're doing for many new companies that are choosing Bermuda for all the right reasons.

Until then, we'll consider you our honorary "ambassadors." Please help tell our story. Help separate fact from fiction.

So, enjoy your visit this week. See what Bermuda's all about. And know that our island is always ready to welcome you back.

Thank you.