

# BEYOND CRYPTO

How Bermuda is emerging as a hub for digital assets

By Sean Moran

While many nations are taking a cautious, wait-and-see approach to cryptocurrencies and other products enabled by distributed ledger technology (DLT), Bermuda is embracing the revolution. Swift, progressive efforts by Bermuda's government, regulator and industry groups have succeeded in making the island the world's first jurisdiction to regulate blockchain-driven virtual currency offerings and myriad other digital assets – a factor that is already driving revenue-generating fintech incorporations and investment.

## Next-gen Premier

Bermuda's push into the world of blockchain was advanced by the July 2017 election of a new Progressive Labour Party government, whose leader, David Burt, became the island's youngest ever Premier. Burt, now 39, is a tech-focused entrepreneur who graduated from George Washington University with a master's in information systems development. He pledged to make Bermuda a leader in the world of blockchain and financial technologies, and a few months later had established two working groups to develop a road map to that end.

One, the Fintech Legal and Regulatory Working Group, was tasked with building the framework of laws and supervisory rules to govern the island's nascent fintech industry. The group comprises legal and financial experts from Bermuda's private sector, as well as officials from the Bermuda Monetary Authority, National Anti-Money Laundering Commission, Ministry of Finance and Attorney General's Chambers.

The second, the Fintech Business Development Working Group, is made up of local technologists, entrepreneurs, various financial services providers and the Bermuda Business Development Agency. It was created to develop key messaging

and a marketing strategy to promote the jurisdiction, and secure strategic partners to enable a thriving fintech ecosystem.

Work began immediately on crafting Bermuda's legal and regulatory framework. Premier Burt took a lead role in the jurisdictional promotion effort when he attended the World Economic Forum in Davos in February 2018, accompanied by Bermuda's Minister of National Security, Wayne Caines, who, assigned responsibility for ICT Policy and Innovation, has been dubbed the 'Minister of Blockchain'. At Davos, they invited several leading blockchain experts to visit Bermuda the following week to brainstorm how best to build a new industry powered by blockchain. Supporters of this vision flew directly to the island a few days later, and ideas from the impromptu think tank were promptly put into action.

In consultation with international advisors, legislation and regulation governing initial coin offerings (ICOs) and digital asset businesses were passed by Bermuda's parliament within five months. Both the *Companies and Limited Liability Company (Initial Coin Offering) Act 2018* and the *Digital Asset Business Act 2018* (DABA) oversee compliance and due diligence requirements, among other things. They regulate all ICOs and businesses that operate digital asset exchanges, facilitate payments of virtual currencies, provide custodial wallet services, or generally issue, sell or redeem virtual currency as a commercial activity. The DABA is modelled on laws already governing insurance and investment funds companies in Bermuda, thereby setting a suitably high bar to attract quality businesses seeking a well-regulated domicile from which to operate, while also protecting Bermuda's reputation as a blue-chip international financial centre.

Several memoranda of understanding were signed in 2018 between the Bermuda government and strategic

partners, who pledged to be anchors for the island's new fintech community. These included Binance (the world's largest cryptocurrency exchange by transaction volume), along with high-profile companies such as Omega One, Shyft Network, and Medici Ventures, which confirmed their plans to launch operations on the island and offer support in enabling operating efficiencies by investing in educational programmes and infrastructure initiatives.

## Silicon Valley of the Atlantic

The fast pace of fintech developments has set Bermuda apart as the 'Silicon Valley of the Atlantic'. Bermuda-based tech firm Trunomi, for example, announced a joint venture with Shyft to develop a blockchain-based system for hosting and maintaining digital identity information for Bermuda residents and businesses. By the summer of 2018, the government had also announced plans to amend the island's *Banks and Deposit Companies Act 1999* to allow for a new class of bank for fintech and DLT companies. In addition, Bermuda began a programme to convert its Land Title Registry database to a blockchain solution.

It is clear that Bermuda's burgeoning fintech sector will create opportunities for those looking to invest in the economy of the future – where blockchain technologies and the digitisation of assets will soon be an integral part of everyday business. Wealthy next-gens, entrepreneurs and technologists looking to support the development of innovative solutions to global problems will find those solutions in Bermuda. ■



Sean Moran is Interim CEO at the Bermuda Business Development Agency and a member of the Bermuda Fintech Business Development Working Group