

Bermuda Funds

— AN OVERVIEW —



BUSINESS DEVELOPMENT AGENCY
BERMUDA

Flowchart for Funds under the Investment Funds Act 2006

Applies to all funds whether established as companies, incorporated segregated account companies, incorporated segregated accounts, segregated account companies, partnerships, limited liability companies (LLCs) or unit trusts. Investment funds incorporated in Bermuda must be registered or authorised in order to conduct business. Registered and authorised funds must satisfy criteria that are specific to each classification. Additionally, authorised funds are subject to a higher level of regulation than registered funds.



REGISTERED FUND CATEGORIES

ALL CATEGORIES

- Must comply with Anti-Money Laundering/ Anti-Terrorist Financing (AML/ATF) regulations and have a compliance officer, a money laundering reporting officer and board approved AML/ATF policies and procedures
- Operator and service providers must be fit and proper
- Financial statements must be prepared in accordance with International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP)
- No local auditor sign-off requirement
- A registrar must be appointed and the registrar shall establish and maintain in Bermuda a register of participants subject to the regulator's approval
- Must have an officer, trustee or representative resident in Bermuda who is a person who has access to the books and records of the investment fund

PROFESSIONAL CLASS A & CLASS B FUNDS

- Only open to "qualified participants" i.e. a sophisticated investor
- Investment manager regulated by the BMA or recognised regulator (SEC/Financial Conduct Authority) or AUM >\$100 million (for Class A only)
- Must appoint a fund administrator, registrar, auditor and custodian or prime broker – service providers can be based anywhere
- Must have an officer or resident representative in Bermuda with access to fund's books and records
- Annual reporting to the BMA – annual certification together with audited financials (for Class B only – prior approval required to change to service providers and director

PROFESSIONAL CLOSED FUNDS

- Fund is closed-ended
- Only open to "qualified participants" i.e. sophisticated investor
- Must have a local service provider licensed by the BMA e.g. company secretary, or officer or representative resident in Bermuda
- Must appoint an auditor
- Must appoint a designate to segregate and safeguard the assets of these funds (Sections 5 and 6 of the Investment Fund Rules 2019)
- Must provide all qualified participants an investment warning prior to the time of the purchase of units
- Annual reporting to the BMA - annual certification together with audited financials

PRIVATE FUNDS

- No more than 20 investors and not offered to the public
- Closed-ended – no prescribed service providers other than a designate to segregate and safeguard the assets of these funds (Sections 5 and 6 of the Investment Fund Rules 2019)
- Open-ended – must appoint a fund administrator and a custodian
- Must have a local service provider licensed by the BMA (can be the Corporate Service Provider)
- Audit is not mandatory
- Annual reporting to the BMA - annual certification together with audited or unaudited financials

Authorised Fund Categories

ALL CATEGORIES

- Must comply with the AML/ATF regulations and have a compliance officer, a money laundering reporting officer and board approved AML/ATF policies and procedures
- Operator and service providers must be fit and proper
- No local auditor sign-off requirement
- Financial statements must be prepared in accordance with IFRS or GAAP, but no requirement to file statements
- Statistical reporting to the BMA (net asset value, aggregated subscriptions and redemptions)
- Annual reporting to the BMA – statement of compliance signed off by fund operator
- A registrar must be appointed and the registrar shall establish and maintain in Bermuda a register of participants subject to the regulator’s approval
- Modifications permitted where appropriate alternative arrangements are in place to safeguard the interests of investors; all funds “four eyes principle” applies; therefore, at least two directors required at all times
- Must have an officer, trustee or representative resident in Bermuda who is a person who has access to the books and records of the investment fund

INSTITUTIONAL FUND

- Minimum investment per investor is US\$100,000, OR only open to “qualified participants” i.e. a sophisticated investor
- Must have an investment manager, fund administrator, auditor, custodian or prime broker – can be based anywhere

ADMINISTERED FUND

- Minimum investment per investor is US\$50,000, OR entity is listed on recognised stock exchange
- Must have an investment manager, auditor and custodian or prime broker – can be based anywhere
- Must have an administrator licensed under the Fund Administration Providers Business Act 2019

STANDARD FUND *(used for retail investors)*

- No minimum investment or investor qualification test required
- Must have an investment manager and an auditor – can be based anywhere
- Bermuda-based administrator or custodian

Registered and Authorised Funds

FUND DOCUMENTATION

- Prospectus, offering document, term sheet or other documents prepared in accordance with the Offering Document Rules 2019
- Subscription agreement
- Bye-laws, trust deed, partnership or LLC agreement (as applicable)
- Material contracts

TAXES

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

WHY BERMUDA?

1. Bermuda is safe, secure and stable
2. Bermuda is a blue-chip jurisdiction
3. Bermuda is open, accessible and business-friendly
4. Bermuda is globally connected
5. People love Bermuda's sophisticated island lifestyle, including its quality education and top-tier healthcare services

Learn more: www.bda.bm/why-bermuda/

COMPANIES

- Ability to waive an Annual General Meeting, in certain circumstances
- Investor securities are freely transferable with no additional government approval

PARTNERSHIPS

- Delaware/UK Limited Partnership Agreements can be easily customised for Bermuda
- GP does not need to be Bermuda-based or registered

LLCS

- Based on Delaware model
- Manager can be US LLC

UNIT TRUSTS

- Same-day organisation

SEGREGATED ACCOUNTS COMPANIES/ INCORPORATED 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 a Master/Feeder structure
- Incorporated cells have a separate legal personality



Government/Regulatory Fees for Incorporation & First Year of Operations

Bermuda's regulatory and incorporation fees remain competitively priced.

[Click here](#) for the latest Bermuda Monetary Authority fees, or [here](#) for the latest fees from the Registrar of Companies.

LAUNCH AND LIST

- BSX is an internationally recognised stock exchange
- BSX provides a listing platform for all funds, which can offer additional transparency to investors
- The BSX has launched an Environmental, Social and Corporate Governance (ESG) initiative in line with the World Federation of Exchanges' Sustainability Principles and is the world's leading exchange for the listing of Insurance Linked Securities (ILS) which are acknowledged as sustainable development investments

INVESTMENT MANAGERS (IMS)

- Bermuda IMs can act as investment managers to all forms of Bermuda and foreign funds and entities
- IMs engaging in investment business either in or from Bermuda are required to be licensed or registered (as applicable) by the BMA (unless designated as non-registrable)
- IMs that service Bermuda incorporated funds are eligible to apply to the BMA for registration
- Incentives currently being offered by Bermuda Government to attract asset managers to domicile in Bermuda: Work from Bermuda residency certificate – allows overseas residents to work remotely from Bermuda for one year
 - New business work permits – new companies to Bermuda will receive up to five 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 MORE INFORMATION, PLEASE CONTACT:

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