



GOVERNMENT OF BERMUDA

The Premier and Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement

To the House of Assembly

by

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Premier and Minister of Finance

Initial Coin Offering Regulations

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Mr. Speaker, I am pleased to advise this Honourable House and the public of the Initial Coin Offering Regulations that have been published to supplement the Companies and Limited Liability Company (Initial Coin Offering) Amendment Act 2018.

Mr. Speaker, in November of 2017 I announced the members of the blockchain task force, which would be the catalyst to advance the Governments plans to create a FinTech industry in Bermuda. It is the Government's view that Fintech can provide economic diversification, bring new business to the island, help boost GDP and create meaningful jobs, while helping to prepare our financial system and economy for the future.

Mr. Speaker, it was clear to the Government then that there was a lot of legal ambiguity in relation to FinTech and companies were looking for legal certainty. In response to this market demand, the Government set out to develop a new regulatory framework for Distributed Ledger Technology companies looking to operate in a well-regulated environment. The first step in the process was for the Government to put in legislation specifying how Companies and Limited Liability Companies, wishing to raise funds via an initial coin offering, will need to conduct themselves. The next step in the process was the passing of the Digital Asset Business Act 2018, which was legislation specifically put in place to regulate companies carrying on digital asset business and to protect the interests of clients or potential clients of these digital asset businesses.

Mr. Speaker, having successfully passed both pieces of legislation, the Government has now turned its attention to prescribing Initial Coin Offering Regulations. As Honourable Members are aware, ICOs may be conducted in Bermuda only pursuant to a grant of consent from the Minister responsible for companies. The purposes of the ICO Regulations are to clearly define the minimum required information for ICOs and to outline the compliance measures that a company or limited liability company must adopt when conducting an ICO.

Mr. Speaker, Minimum Required Information, as outlined in the ICO Regulation includes such things as:

- Providing information on the all persons involved with the ICO;

- Providing a description of the project, including key features of the product or service, the target market, how the ICO will be financed and the amount of money the company is intending to raise via the ICO;
- Providing information on the technical standards of the digital asset that will be issued;
- Providing information on whether the digital asset can be traded or transferred between persons; and
- Providing a description of the technical standards or software, blockchain or other distributed ledger technology that will be used to identify participants in the ICO.

Mr. Speaker, Compliance Measures, as outlined in the ICO Regulations, includes such things as:

- The need to identify any participant and verify the participant's identity;
- The need for a company to ensure that it applies appropriate measures relating to identification and verification of the participants in the ICO before it issues a digital asset;
- Instances where companies must conduct enhanced due diligence on ICO participants;
- The types of records a company is required to keep and the retention period;
- The need for a company to carry out an internal compliance review on its ICO;

Mr. Speaker, it is important to note that the approach taken in developing the regulations is the same approach we have traditionally taken when developing regulations for our local financial institutions. Traditionally, we have used a risk based approach, meaning that the amount of regulations a company will be subject

to is based on the level of risk the activities of the company is engaged in. For instance, if a company's engages in activities that could potentially expose it to a high degree of money laundering risk, it will be subject to anti-money laundering regulations. However, if a company is running a project without any money laundering risk, then this company should not be covered by the same regulations.

Mr. Speaker, the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 were used as a blueprint when it came to the Compliance Measures, adopting parts of the Proceeds Of Crime Act Regulations that pertain to ICO type activities.

Mr. Speaker, any company wanting to commence the process for issuing an ICO from Bermuda can visit www.fintech.bm – to complete the application form. Once the form is completed and the white paper has been submitted for review the approval process is estimated to take four weeks.

Mr. Speaker, we continue to communicate to the world that Bermuda is a significant option for FinTech related businesses and that we have expeditiously developed rules and regulations which ensure that FinTech companies and their activities are well-regulated, within a safe environment for the industry to grow, whilst also ensuring that this new regulatory environment protects consumers and the reputation of this jurisdiction.

Thank you, Mr. Speaker.