



Choice destination in a fluid funds landscape

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Bermuda offers regulatory clarity, as the Bermuda Monetary Authority (BMA) understands risk, supports innovation and has seen the convergence of many industries over the years.

This started with insurance and capital markets, which led to Bermuda being a leader in insurance-linked securities (ILS) funds and structures, evolving into private equity and long-term insurance and now fintech and funds.

A considerable amount of institutional grade investment is attracted to the jurisdiction given the value proposition and diversification opportunities. Bermuda is credible and promotes quality.

Climate and ESG

On the climate side, this of course continues to be a priority and the BMA in its 2024 Business Plan – drawing on the importance of its ESG strategy – is working with the investment funds industry to set up a new framework that facilitates the ability to designate certain Bermuda funds as ESG compliant.

Bermuda's fund legislation continues to be flexible and has a 'menu' approach which lends itself well to sponsors wanting to choose the authorisation classification that best serves their needs, goals and investor base, while at all times remaining appropriately supervised by an internationally recognised and respected regulator.

The Island is a pivotal player in mitigating climate risk and building resilience for people, communities and business all over the world, through the insurance and reinsurance markets and in attracting capital through alternative investment vehicles.

We also see flexibility in the types of structures that are available to the market, be that limited partnerships for private equity funds (which can elect to have legal personality and do not need to have a local general partner), companies limited by shares, limited liability companies (LLCs) which can expressly provide in the governing instrument that maximum effect be given to the principle of freedom of contract, segregated accounts companies (with the ability for one cell to invest in another cell in the same structure) or incorporated segregated accounts which allows for separate legal personality between accounts – which lends itself to numerous possibilities of having different risk pools/investment strategies co-existing under one umbrella structure, leveraging governance efficiencies – each licensed according to its individual business needs. For instance, it is possible to have a licensed investment

manager in Cell 1 alongside a fund issuing tokenised shares in Cell 2 and a traditional closed end fund in Cell 3.

Bermuda provides significant benefits as a transparent, compliant and stable environment for funds and asset management. It is a global compliance and transparency leader and is considered by the EU to be a fully cooperative tax jurisdiction. At the end of 2023, the Bermuda Parliament passed legislation enacting a corporate income tax regime, the Corporate Income Tax Act, 2023 (CIT Act) which will become effective for tax years beginning on or after 1st January 2025. In general, as is the case with the OECD Global Anti-Base Erosion Model Rules (Pillar 2) (the GloBE Rules), certain entities are excluded, provided they meet the applicable conditions, including investment funds, pension funds and sovereign wealth funds.

AIMA Bermuda is working closely with industry participants, including the International Tax Working Group, to understand the implications of the introduction of the CIT Act and to ensure that the funds industry is appropriately represented.

As well as having regular dialogue with the BMA, the Registrar of Companies and the Minister of Finance, AIMA Bermuda continues to provide educational and networking opportunities for its members and works closely with the wider global network, in particular New York.

Digital

Another key development is the industry's digital transition, as the integration of new technologies and artificial intelligence (AI) continues apace.

When it comes to utilising technology and innovation to sustain operational effectiveness, Bermuda is very well placed to drive this space. This is in part due to Bermuda being an early adopter of robust Digital Asset Business legislation but also due to the approach of the BMA and Government of Bermuda in encouraging and promoting this innovation in a pragmatic way, whether that be using regulatory sandboxes to allow ideas to be tested in a safe and appropriately supervised environment or in streamlining legislation and processes in complementary sectors (investment business, digital assets and funds) to avoid unnecessary duplication.

Asset managers looking to establish outside of the US in order to be able to trade on crypto exchanges in Europe, are considering Bermuda as an ideal location given its proximity to the US and the quality of lifestyle on offer.

Insurance linked securities (ILS)

Bermuda is particularly well known for its expertise and leadership in the ILS sector. ILS funds allow investors to access insurance-linked risks, such as those related to natural disasters. Investors in this area are very sophisticated, including pension funds and sovereign wealth funds. At the end of 2023, the Bermuda Stock Exchange's ILS and cat bond listings were nearing a new high of \$60 billion in listed value, while the BSX ended the year as host to some 91% of the listed property catastrophe bond marketplace.

Private equity

Bermuda continues to see interest by private equity and alternative asset managers looking to invest in the Bermuda insurance market. We have seen a corresponding uptick in sponsors choosing Bermuda as their jurisdiction of choice in which to establish their private equity structures.

Private equity funds are a popular investment vehicle for institutional investors who are seeking to achieve long-term capital appreciation. Bermuda's legal system provides a high degree of certainty and predictability, which is essential for private equity funds that need to manage risks and protect investors' interests. Funds can be structured as limited partnerships, LLCs or companies to suit the investor base and preference.

Why Bermuda?

In the international alternative investment fund space, Bermuda remains a compelling jurisdiction. Investment funds are a popular investment vehicle for sophisticated, high-net-worth individuals and institutional investors who are seeking to achieve high returns while managing risks. Bermuda's robust regulatory framework combines efficiency and effectiveness, as it has been designed to provide a balance between investor protection and business flexibility.

Bermuda's sophisticated legal system, tax efficiency and excellent infrastructure have made it a world-class financial centre and an attractive location for asset managers who are seeking to establish funds that are flexible and responsive to investor needs. In addition, a world class regulator, the BMA, known for its transparent and collaborative approach to regulation and the Island's geographical location, being just 90 minutes from New York, two or three hours from major US East Coast cities like Atlanta and Miami and six hours direct flight to London, England, all combine to make it a jurisdiction of choice. Bermuda will certainly be a jurisdiction to watch as it continues to harness its existing reputation and experience to further drive innovation and growth in the areas of ESG and digital assets.

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