



# BUSINESS BERMUDA

## A News Update For Today's International Investor

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### *Bermuda Elected Vice Chair of OECD Global Forum*

The Organization for Economic Cooperation and Development (OECD) has elected Bermuda as a Vice Chair of the Steering Group of the OECD's new Global Forum. The selection places Bermuda in a position of influence in developing and strengthening the future direction of international tax cooperation.

The choice was made by the 178 delegates from 70 governmental jurisdictions at the recent meeting of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, held in Mexico City on September 1-2. The international body, meeting to discuss progress made in implementing international tax standards, elected Australia as the Chair of the Global Forum and Bermuda, Germany and China as Vice Chairs.

"I am delighted in the recognition and support given Bermuda by the OECD members and non-OECD members at the Global Forum," Finance Minister Paula Cox said in announcing Bermuda's new position. "We are honored to share responsibility for advancing international cooperation in tax information exchange. We take very seriously the new responsibility to represent all members of the Global Forum in achieving a global level-playing field based on fairness and transparency."

The Minister praised the efforts of Assistant Financial Secretary Wayne Brown, Treaty Adviser Laura Semos and treaty negotiation team member Eduardo Fox, who represented Bermuda at the Global Forum meeting.



### *Ministry To Host Executive Briefing On New Directives*

The Ministry of Finance is preparing to host a two-day briefing for international financial and trade executives in Hamilton on May 13-14, 2010. The meeting will examine developments affecting the international economy and financial trade issues, especially those impacting the activities of offshore financial centers, in which Bermuda plays a key role.

Following on the heels of the G20 meetings and the OECD directives on international banking, transparency and exchange of tax information, the meeting

promises to provide timely insight into new rules and patterns of international trade

Bermuda's Minister of Finance, Paula Cox is inviting leading international trade and financial executives to join Ministry officials and Bermuda business leaders in considering how the new and proposed regulations will impact the worldwide economy and financial and service sectors and the affect the changes will have on the way manufacturing, service and financial firms will do business domestically and internationally.

### *Minister Signs 14th Tax Agreement with Ireland*

Bermuda has taken another major stride towards its stated goal of completing Tax Information Exchange Agreements (TIEAs) with all G7 countries as well as with other important international trading and commercial partner nations.



*Bermuda's Minister Paula Cox and Minister of Finance Brian Lenihan of Ireland sign Bermuda's 14th TIEA Agreement*

On July 28, Bermuda's Minister of Finance, Paula A. Cox signed the Island's 14<sup>th</sup> TIEA, a bilateral agreement with Ireland that provides for a full exchange of information on criminal and civil tax matters between the two countries. The

signing ceremony was held at the Department of Finance in Dublin, with Minister of Finance Brian Lenihan, signing for Ireland. Also at the signing were Bermuda's Financial Secretary Donald Scott and Kimberley Durrant, who heads Bermuda's London Office.

"The signing of this agreement represents a new chapter in relations between Ireland and Bermuda," said the Irish Finance Minister. "I welcome the commitment of Bermuda to implement the OECD standards of transparency and exchange of information in tax matters and their expressed willingness to enter into tax information exchange agreements."

Following the signing, Minister Cox said she was delighted to be in Dublin to sign the agreement and thanked Minister Lenihan for his efforts to quickly complete and sign the tax information exchange agreement with Bermuda, noting the importance the Organization for Economic Co-operation and Development (OECD) places on such agreements.



***Bermuda Acts to Improve Efficiency in International Business***

*By Anthony D. Whaley, Partner, Conyers Dill & Pearman, Bermuda*

**H**edge funds incorporated in Bermuda, and indeed in other popular offshore jurisdictions, face substantial legal challenges following the global economic and financial crises. The fund industry is going through a period of contraction. Many hedge funds have found it difficult to raise new capital through new share subscriptions, and at the same time are facing increased number of redemption requests, at a time when they do not have enough cash or liquid assets to pay all of them. But, many on the Island are confident that the hedge fund industry will again flourish and proliferate. And, Bermuda remains committed to attracting quality funds by offering political and demographic stability, an abundance of professional service providers, excellent fund administration services, a sophisticated telecommunications system and regulation that provides more transparency and disclosure in accordance with international standards.

The Investment Funds Act of 2007 – which introduced a new licensing regime for fund administrators – was an earlier step in enhancing Bermuda’s reputation as a premier jurisdiction for the establishment and administration of hedge funds and private equity funds.

The pre-approval process introduced by the Bermuda Monetary Authority, along with streamlining of the incorporation and registration process, means that funds can be incorporated within 24 hours. Bermuda was one of the first jurisdictions to pass segregated accounts legislation which enables companies to legally separate and therefore protect or “ring-fence” the assets and liabilities of one account or portfolio from the assets and liabilities and creditors of the other accounts or portfolios within the same company.

We are also exploring a new vehicle which is a further development of the SAC concept: the incorporated segregated accounts company or ISAC. Each segregated account of an ISAC will itself be an individual incorporated company. Each can hold assets and incur liabilities in its own name without contamination of or by the assets and liabilities of another segregated account.

On the partnership side – partnerships are more commonly used for private equity or joint venture funds – changes resulted in removal of the requirement to make the register of limited partners available to the public and removed certain other procedural requirements. Other legislation also provides an option for limited partnerships to become legal persons by registration.

Amendments to the Companies Act of 2001 radically changed the look of the Bermuda company going forward. Of particular interest to the hedge fund industry are provisions which make the Companies Act “E-friendly.” Notices and documents may now be delivered electronically and also can be posted on a website to which the necessary persons are given access. Previous minimum share capital requirements have been abolished and written resolutions are effective when the same majority as would be necessary for a physical vote have signed the written resolution – unanimity is no longer necessary.

Bermuda’s flexible, user-friendly regulatory framework facilitates the convergence of hedge funds and the Bermuda reinsurance market, the establishment of infrastructure funds and the use of Bermuda as a domicile for funds offered to the public in Japan. Several sidecar reinsurers have been established in Bermuda by a variety of hedge funds and private equity funds wishing to participate in the property catastrophe market.

Over the past five to 10 years, Bermuda has seen a growing number of “blue chip” administrators set up operations here and this has had a tremendously positive impact on the hedge fund and trust sectors in Bermuda.

Financial services legislation in Bermuda has a common thread running through it, namely a risk-based approach to regulation – effective but appropriate – which facilitates the development of new ideas and products for our growing and sophisticated financial services industry.

*(Anthony D. Whaley is Chairman of the Bermuda International Business Association Legislative Change Committee.)*



***US Appoints New Consul General***

**G**race Shelton, a career diplomat in the US Foreign Service, has been named US Consul General to Bermuda, succeeding former Consul General Gregory Slayton.

Ms. Shelton had previously served in Slovenia, Nepal, Belarus and Malaysia. She has a J.D. and a Masters Degree in International Affairs from Columbia University.

“I am very pleased to be serving in Bermuda, Consul General Shelton said. “My focus will be to build upon the very positive US-Bermuda alliance that exists today, and that has been ongoing for four centuries.”



***Insurers Back Study on Climate Change***

**T**he Association of Bermuda Insurers and Reinsurers (ABIR) has joined forces with other insurance industry and environmental groups to back a report on climate change as a long-term priority for insurers.

The ABIR endorsed a study published by the Geneva Association, a global organization of CEOs from the world’s leading insurance companies, entitled “The Insurance Industry and Climate Change – Contribution to the Global Debate.” The report highlights the insurance sector’s understanding of the critical need to mitigate the effects of climate change. It also notes the threats posed by climate change to the insurance industry, including significantly increasing both risks and losses for its customers around the world. In a letter to Senator Barbara Boxer of California, the executives of the ABIR, together with the Reinsurance Association of America, the Sierra Club and the National Wildlife Federation and Ceres, said “As leaders of environmental organizations and insurance companies, we are in strong agreement on the urgent need to move away from the carbon economy.”

“We recognize the importance of crafting policies that promote the use of carbon reducing technologies and using various insurance policies to encourage climate enhancing decisions and to discourage activities that contribute to climate change.”



# *BMA Signs New Information Exchange Agreement*

The Bermuda Monetary Authority (BMA) is one of the first three regulatory authorities to sign the new Multilateral Memorandum of Understanding established by the International Association of Insurance Supervisors (IAIS). The Memorandum provides a formal basis for cooperation and information exchange between signatory regulators who supervise insurers with international, or cross-border operations.

The IAIS, which was established in 1994, is the body that sets international standards for insurance regulation. It has 190 member jurisdictions, including Bermuda, which was a founding member. The BMA, together with the Federal Financial Supervisory Authority of Germany and the Financial Supervisory Commission of Chinese Taipei were the first regulatory authorities approved as signatories to the Memorandum.

Matthew Elderfield, chief Executive Officer of the BMA, who formerly signed the Memorandum at the recent IAIS Tri-annual meeting, said, "this is an important development for Bermuda. It recognizes Bermuda's commitment to applying effective regulation that is compliant with international standards. It reflects our

long-standing history of cooperation with our regulatory counterparts and colleagues overseas."

"These issues are particularly significant today, given the emphasis placed on greater cooperation between financial regulators, as the international scope of business conducted by insurance companies continues to grow, and integration between financial markets increases," Mr. Elderfield said.

Such agreements complement the BMA's efforts to implement regulations to supervise the Island's insurance groups, and achieve mutual recognition, or regulatory equivalence, for Bermuda.

The Memorandum provides regulators with a formal framework for requesting and providing information about entities of mutual interest. It covers issues related to supervision of insurance companies, including licensing, ongoing supervision as well as anti-money laundering and anti-terrorist financing matters.

"The BMA's work over the years has raised standards in Bermuda to a level that places us among leading jurisdictions in terms of insurance regulation," Mr. Elderfield said.



## *16th Annual Hedge Fund Summit Set for May, 2010*

The 16<sup>th</sup> Annual Global Hedge Fund Summit in Bermuda will be held at the Fairmont Southampton, May 2-4, 2010.

The Institutional Investor's Alpha Hedge conference, headlined "Reassessing, Rebuilding and Recovering" will bring together fund managers, investors, academics, and economists to reflect on the industry's next steps and establish the framework for a successful future.

The conference will review investment strategies, sectors, markets and regions, to identify where opportunities and risks remain and discuss the potential developments and changes in the years ahead.

The Global Hedge Fund Summit in Bermuda is known as the place to network with leading investors and top performing hedge funds and funds of funds on topics critical to growing business in the new economy.



## *Short Takes*

### **Well Wishers**

Gulf Keystone Petroleum Ltd., a Bermuda-based explorer of Middle East oil fields, witnessed its stock price soar after saying its new Shaikan-1 well in Kurdistan may contain twice as much crude as originally forecast. The well, near the northern Iraqi city of Dihok, may hold three billion barrels of oil, the company said, double initial estimates of 1.5 billion barrels. It is a "value-transforming discovery" the company said.

### **Adds Flights**

American Airlines will begin operating daily service to Bermuda out of Miami beginning November 19. It currently operates three flights per week in the winter and five flights a week in summer.

### **New Venture**

Ariel Reinsurance has opened a branch office in Switzerland to venture into credit and surety reinsurance. The new Zurich office is led by a team of three experienced executives who joined Ariel from Swiss Re, which scaled back involvement with trade credit and surety lines of business.

### **Standing Tall**

The tallest building in the US now carries the name of Bermuda-domiciled Willis Group Holdings Ltd. Chicago's Sears Tower was renamed Willis Tower, following the company's lease agreement for three floors in the building.

### **Validus Takes Over**

Bermuda reinsurer Validus Holdings Ltd., completed its takeover of IPC Holdings Ltd., following approval of the shareholders of both companies. "Bermuda will benefit from being home to a larger, stronger business committed to its markets and positioned for long term growth," said Ed Noonan, Validus chairman and CEO.

### **Gosling Exporting Old Rum**



After generations of keeping its Family Reserve Old Rum for family members and close friends, Gosling's Brothers Ltd, is exporting the aged rum to overseas markets, including the US.

Gosling's, Bermuda's oldest business house, presents the rich, dark Old Rum, matured in oak barrels, in a champagne bottle of dark green frosted glass sealed in black wax, with a unique hand-written number on the label.

### **Bacardi Founder Honoured**

Bermuda-based beverages giant Bacardi Ltd. cemented its links with the Spanish seaside town of Sitges recently at the unveiling of a sculpture to honour the company's founder. Don Facundo Bacardí Massó, who was one of Sitges' most distinguished citizens, was the founder of Bacardi.

## *New Reinsurance Lobbying Group Formed*

Executives from two leading Bermuda companies are among the founding members of The Global Reinsurance Forum (GRF), a new organization of international reinsurers formed to present the industries position to lawmakers and regulators.

PartnersRe and XL Capital are among the 10 companies plus the Lloyds of London to be represented.

The GRF, will develop industry positions on regulatory, legal, tax and accounting developments and represent the industry views to relevant international, regulatory and supervising organizations. In its founding statement the organization said it will seek to promote an open and fair framework for a stable, innovative and competitive reinsurance market environment on a worldwide basis.



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## *MF Global Opens Office in Japan*

MF Global Ltd., is opening a brokerage in Japan to take advantage of a void left by rival firms exiting the world's No. 2 equity market.

According to Graham Elliott, the managing director of the new venture, Japan will be the fourth market in which Bermuda-based MF will offer equity research. "There is a real gap right now, especially with the withdrawal of key competitors, restructuring and corporate cost cutting," he said.

MF has offices in 14 countries and conducts equity research in the US, Europe and India. The new venture will be called MF Global FXA Securities Ltd., combining the name with the firm's Tokyo-based foreign-exchange business that's been operating for nine years.



## *Bermuda's 14<sup>th</sup> Annual Music Festival*

The 14<sup>th</sup> Annual Bermuda Music Festival, featuring a lineup of award winning international musicians, headed by Quincy Jones and "friends," will be staged this year at the waterfront Royal Naval Dockyards from October 29-31.

The Festival, sponsored by the Bermuda Department of Tourism, broke all records last year and attracted 1500 visitors from overseas, who flew into the Island for the star-studded event. The headliners who will be performing at this year's Festival - a group who have won more than 45 Grammys between them - include: Patti Austin, James Ingram, Michael McDonald, Kenny Rogers, Erykah Badu, Wyclef Jean, John Legend and the Natural Seven group.



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