

Alert | Blockchain



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Bermuda Launches Two Key Fintech Initiatives, Becomes First Nation to Accept Stable Coins for Government Payments

On Oct. 16, 2019, Bermuda Premier the Hon. E. David Burt JP, MP announced that Bermuda has committed to accept, for payment of government taxes, fees, and services, 1:1 U.S.-dollar-backed digital currencies of entities licensed by the Bermuda Monetary Authority (BMA) under the 2018 Digital Asset Business Act (DABA), becoming the first nation to do so. Known for its established skill in regulating financial services, particularly in the insurance and re-insurance markets, Bermuda has in recent years sought to exploit its market experience by creating a regulatory framework around digital assets. In addition to DABA, Bermuda adopted other key legislation in 2018 in connection with initial coin offerings and to allow for limited banking licenses for digital asset issuers and providers. Earlier in 2019, Bermuda announced arrangements with Signature Bank, the first bank to receive approval from the state of New York for a blockchain platform for digital assets, for digital banking services for Bermuda-licensed companies.

In launching its “Currency Standard Initiative,” Bermuda aims to drive adoption of regulated 1:1 U.S.-dollar-backed stable coins issued by private entities, rather than create its own digital fiat currency. Under the initial phase of the Initiative, Bermuda will accept stable coins licensed by the BMA for payment of government taxes, fees, and services. The government has stated that it intends to explore payment of the stable coins to civil servants and contractors on an opt-in basis to encourage and support adoption and to provide a friendly jurisdiction for innovation for the international fintech community. The government

also expects to invite foreign regulators and legislators to meet with local officials and innovators to learn how they can apply the technology within their home countries and work with the private sector to increase financial inclusion.

According to the government's FinTech Bermuda website (www.currencystandard.com), a number of key digital asset companies have expressed interest in participating in the Initiative, including, among others, Coinbase, Binance, Celsius Network, SALT and Stably. The financial services platform Circle has been the first entity licensed by the BMA under DABA to provide services under the Initiative. DABA regulates providers of digital assets and exchanges in Bermuda and sets out requirements for licensing, including AML, KYC, and ATF compliance, by the BMA in order to conduct a digital asset business in that nation. Under Section 2(2) of DABA, a "digital asset business" is defined as the provision of any of the following activities to the general public in Bermuda: (i) issuing, selling, or redeeming virtual coins, tokens or any other form of digital asset; (ii) operating as a payment service provider business utilizing digital assets, which includes the provision of services for the transfer of funds; (iii) operating as an electronic exchange; (iv) providing custodial wallet services; or (v) operating as a digital asset services vendor. The full text of DABA can be found at: <https://fintech.bm/wp-content/uploads/2018/09/Digital-Asset-Business-Act-2018.pdf>.

A separate announcement the same day noted that the initial phase of Bermuda's national blockchain-based electronic identification program is being launched in concert with Perseid Network and Shyft Network. This program intends to create a digital identity authentication mechanism and bridge for Bermuda residents to permit the exchange of attested data attached to that ID. It is expected that such data will include driver's license information, health records, and employee identification, among others, which will be encrypted across Shyft's public key infrastructure.

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