



Doing Business in Bermuda:

2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Bermuda

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Market Overview

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English-speaking Bermuda is a 21-square-mile island isolated in the Atlantic Ocean, 700 miles away from its nearest neighbor, the United States. Proximity makes the U.S. Bermuda's primary trading partner. With no natural resources other than its appeal as an offshore business center and a vacation destination, Bermuda imports most everything; 68% (\$601.4 million) of the island's imports derived from the U.S. in 2012, the latest date for which statistics are available. In addition, Bermuda's tourism industry relies on U.S. visitors - more than 472,000 or about 81% of all cruise and air passengers in 2013. An estimated 8,000 U.S. citizens also live in Bermuda.

Bermuda's economy relies on foreign direct investment (FDI), primarily international business (IB) – insurance and reinsurance. Tourism also brings in foreign exchange, but to a much lesser degree. IB is Bermuda's economic foundation, contributing directly and indirectly about 70% of total GDP in 2012, compared to tourism's direct and indirect contribution of 11.7%.

Bermuda's economy is in its sixth consecutive year of recession. In 2012, GDP was USD 5.5 billion, down 4.9% from 2011. The GOB expects overall GDP in 2013 to have contracted by another 2-2.5%. The National Economic Report 2013 projected that Bermuda's GDP will decline slightly in the region of 1.5 -0.0% in 2013. In March 2013, the GOB passed emergency legislation raising the debt ceiling from USD 1.45 billion to 2.5 billion and in July 2013 raised USD 750 million in a bond issue to cover operating deficits for the next three years. In December 2013 it launched another bond issue in Bermuda dollars in the amount of USD 50 million.

U.S. ratings agencies are cautious about Bermuda. In May 2014, Moody's Investors Service downgraded Bermuda's rating from Aa3-negative to A1-stable, citing the "ongoing deterioration of Bermuda's key fiscal metrics" and the "persistent economic recession." Moody expects output to grow in 2014 but believes any recovery to be fragile. Also in May, Fitch Ratings downgraded Bermuda's long-term foreign and local currency Issuer Default Ratings [IDRs] from AA- to A+, the issue ratings on its senior unsecured foreign and local currency bonds from AA- to A+, its Country Ceiling from AA+ to AA, and its short-term foreign currency IDR from F1+ to F. Fitch noted "improved business confidence" and believes that the economy "could be stabilizing" but expects "gross public debt to continue rising and reach 43.3 percent of GDP by 2016." In April 2014, Standard and Poor affirmed Bermuda's AA- credit rating with a negative outlook.

Market Challenges

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Among Bermuda's market challenges are its physical isolation (in the Atlantic Ocean 700 miles east of North Carolina); high import duties; high cost of living; limited land for development; and work permit requirements for expatriates.

Market Opportunities

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Bermuda's advantages include a relatively stable, democratic government; low personal and corporate taxes; a pool of skilled professionals; and extensive air and communication networks – especially for business travel. Its currency, the Bermuda dollar, is pegged one-to-one to the U.S. dollar.

As a UK Overseas Territory, Bermuda's legal system is grounded in UK law. Its legal, regulatory, and accounting systems generally adhere to high ethical and transparency standards. It effectively and impartially enforces its laws to combat money laundering. The local banks offer full international banking, investment, and fiduciary services. Major international accounting firms are all well-represented in Bermuda. Local law firms have extensive experience in the incorporation and administration of local and foreign undertakings.

Bermuda law recognizes and enforces secured interests in property, both movable and real. The Government of Bermuda's (GOB) policies facilitate the free flow of financial resources in the product and factor markets, and the U.S. Securities and Exchange Commission recognizes the Bermuda Stock Exchange (BSX) as a "Designated Offshore Securities Market." There have been no recent incidents of political violence in Bermuda, although several strikes and non-violent, labor-related marches on Parliament occurred during 2013 and 2014.

In July 2012, the GOB eased foreign ownership restrictions by allowing companies listed on the BSX to apply for a license to seek foreign investment over and above the 40% maximum foreign ownership. Previously, foreign investors interested in doing business in Bermuda had to adhere to the 60/40 rule whereby Bermudians own at least 60% of the shares, exercise at least 60% of the total voting rights, and make up at least 60% of the directors of a company.

As of May 2014, the Bermuda Business Development Agency was still developing a concierge service to facilitate and expedite international company formation. The Bermuda Tourism Authority has formed a tourism investment division to support investors interested in doing business in Bermuda.

In early 2014, the GOB announced plans to privatize, mutualize (a form of privatization in which employees are shareholders), and/or outsource non-core government functions and stated it would seek private partners to help fund redevelopment of the airport. As of this writing, the GOB has not undertaken any concrete steps to implement these initiatives.

Market Entry Strategy

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Companies seeking to enter the Bermuda market should adhere to Bermuda's strict rules about conducting business on the island. To best enter the market, one should conduct market research to find potential niches, develop a sound marketing plan, visit potential partners or distributors in Bermuda (forging relationships is key to finding a

good partner), and use a local wholesaler/distributor for help with pricing, promotion, inventory, distribution, and financial support. Good after-sales support is important.

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Chapter 2: Political and Economic Environment

<http://www.state.gov/r/pa/ei/bgn/5375.htm>

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Using an Agent or Distributor

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The most efficient and generally effective means for U.S. exporters to conduct business in Bermuda is through a wholesale distributor, of which there are more than 30 on the island. Wholesalers distribute groceries (fresh, frozen, and dry), health and beauty products, pharmaceuticals, food service supplies and equipment, and other products.

To find a partner to assist with shipping needs, contact Bermuda Consumer Affairs at www.ca.gov.bm, the Bermuda Chamber of Commerce at www.bermudacommerce.com, or the Economic/Commercial section of the U.S. Consulate General Hamilton at <http://hamilton.usconsulate.gov>, or visit the Bermuda Yellow pages at www.bermudayp.com. Note: U.S. businesses can export construction materials directly to Bermuda without going through a wholesaler. Potential exporters should contact local construction firms or the Construction Association of Bermuda (www.constructionbermuda.com) for information.

A salesperson's permit is an alternative to engaging a wholesale distributor. Non-Bermudians may not sell or promote products on behalf of an overseas agent or business until the Department of Immigration grants permission to do so. The Chamber of Commerce screens each application for a salesperson's permit to determine if a product is already represented by a Bermudian company and whether the permit will threaten that company's interests. If that is the case, the Chamber will not submit the application for a salesperson's permit to Immigration. If a product is unavailable locally, the Chamber selects Bermudian companies that might have an interest in the product and sets up appointments for the visiting salesperson. Sales representatives are permitted entry on a case-by-case basis. There are two classes of permits: a) a sole agent's permit for those who are sponsored by a local agent b) a sole agent's permit for those who are without a local agent.

For more information on the salesperson's permit, please contact the Bermuda Chamber of Commerce at <https://www.bermudachamber.bm> . Please note that the Department of Immigration closely monitors travel into Bermuda for the purpose of business and requires that proper documentation (i.e. work permit, salesperson's permit) be issued prior to entry into Bermuda.

Establishing a Local Office

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The process of establishing an office in Bermuda may involve several government entities depending on the size and type of business. The Bermuda Monetary Authority (BMA) (www.bma.bm) vets all prospective companies. The Registrar of Companies (www.roc.gov.bm) issues certificates of incorporation. Companies wishing to carry on a restricted business activity (see Schedule 9 under the Companies Act 1981) must seek the approval of the Minister of Education and Economic Development and/or the Ministry of Finance. In October 2009, the BMA launched an automated e-filing and e-approval system for corporate registrations. The system improved the speed of processing applications. Currently, company incorporation may take as little as four weeks. The Bermuda Business Development Agency is developing a concierge service to facilitate and expedite international company formation.

For incorporation, the BMA requires at a minimum:

- a detailed business plan
- a copy of a company's most recent financial statements,
- the memorandum and articles of association,
- equivalent documentation for non-incorporated bodies,
- copies of client agreements used or intended to be used for the business,
- personal questionnaires completed by all proposed institutional and/or individual controllers of the entity,
- a description of the legal business/group structure,
- an up-to-date chart for licensed institutions forming part of wider groups,
- register the business name, and
- payment for a business license

Once the government approves a business plan, businesses should contact a local attorney and/or local accounting firm for further assistance.

Franchising

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The GOB generally prohibits the establishment of foreign franchises, with the exception of franchise hotels. However, the Companies Act 1981 authorizes the Minister of Education and Economic Development to grant investors special permission to establish a franchise on the island. Current exemptions include Marks and Spencer, Avon, and Kentucky Fried Chicken. In addition, several local companies sell American franchise products, including Body Shop and Gap products.

Direct Marketing

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Direct telephone marketing and door-to-door sales are rare in Bermuda. Local newspapers sometimes carry grocery/retail flyers. Bermudians shop online both locally and internationally, though duty attaches to the latter.

Joint Ventures/Licensing

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Overseas and resident investors may form partnerships under the Partnership Act 1902. Partnerships are either local or exempt. A local partnership is composed of Bermudian partners only and is permitted to conduct business locally and abroad.

If one or more of the partners is not Bermudian, then the partnership is considered “exempt” and may only conduct business outside Bermuda from a principal place of business within Bermuda.

An overseas partnership formed outside Bermuda may, through the BMA, apply to the Minister of Education and Economic Development for a permit to operate in Bermuda or outside Bermuda from a place of business in Bermuda. Issuance is entirely at the discretion of the Minister and will be for such duration and subject to such terms and conditions as the Minister imposes. These partnerships must appoint and maintain a resident representative on the island. Local law or accounting firms may provide assistance. See www.bermudayp.com and <http://www.bermudayp.com> for listings or ask the Bermuda Business Development Agency at www.bermudabda.com for advice.

In Bermuda, partnerships are somewhat less regulated regarding their structure and operation than companies. For example, partnerships do not require a Board of Directors and there are no requirements for statutory meetings or minutes of meetings.

The Bermuda Monetary Authority (www.bma.bm) vets all prospective companies. The Registrar of Companies (www.roc.gov.bm) issues certificates of incorporation. In some cases, companies may need to seek approval from the Ministry of Education and Economic Development (www.gov.bm). For example, if a company - local or exempt - wishes to engage in a restricted business practice, such as the provision of professional services such as accounting or health care, the company needs ministerial consent.

For further advice contact the Bermuda Business Development Agency at www.bermudabda.com.

Selling to the Government

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There are opportunities for foreign companies to do business with the Government of Bermuda; however, the GOB prefers to acquire goods and/or services first from local vendors/companies. If the goods or services are unavailable locally, the GOB advertises tenders for bid in the Official Gazette section of the Royal Gazette and on the GOB website at http://rentcommission.gov.bm/portal/server.pt?open=512&objID=945&&activetab=TabCTRL_DropDownTabsGovernment1&mode=2&in_hi_userid=2&cached=true.

Legal requirements for selling to the government are covered by general legal principles. Recent opportunities include the development of a human resource model, channel widening study and the removal of asbestos at a former Naval Annex.

Distribution and Sales Channels

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U.S. exporters may use Bermudian wholesalers/distributors to import and distribute goods intended for sale in Bermuda. Bermuda Customs inspects all goods arriving in Bermuda, regardless of the port of entry. The main distribution center/port is in the capital, Hamilton, where most goods arrive by container ship. Some items, particularly perishable/specialty/courier items, arrive by air at the L.F. Wade International Airport. Petroleum arrives via oil tanker to the Ferry Reach oil docks in St. George's. Special construction materials may arrive directly at the docks in St. George's town.

Selling Factors and Techniques

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At the retail sales level, Bermudians expect good after-sales service, which has become increasingly important as local retailers compete with international and online shopping. Networking with friends or family about products is also common.

Most local wholesalers employ their own salespersons, buyers, and customer service representatives. In some instances, they use on-line ordering sites. Some wholesalers host trade promotions and other events for potential investors. An example is the annual Butterfield and Vallis Food Show. (See Chapter 9: Contacts, Market Research & Trade Events).

Packaging requirements in Bermuda are the same as in the U.S. and UK.

Electronic Commerce

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Bermuda is comparable to the U.S. in terms of electronic sophistication. The GOB welcomes and pursues emergent e-commerce technology. The Regulatory Authority Act 2011 established an independent and accountable Regulatory Authority to protect the rights of consumers, encourage the deployment of innovative and affordable services, promote sustainable competition, foster investment, promote Bermudian ownership and employment, and enhance Bermuda's position in the global market. It also allowed the bundling of services for the first time.

The Electronic Transactions Act 1999 recognized not only the importance of e-Business but also the need to establish a proper legal framework within which to conduct it.

For more information on these acts, visit Bermuda Laws online (www.bermudalaws.bm) or call the Department of Telecommunications at: (441) 292-4595.

Telecommunications: Bermuda has a well-developed telecommunications network and transportation facilities that link the island directly with North and South America, the Caribbean, and Europe. The networks comprise four diverse bandwidth routes through fiber optic and satellite networks, quality hosting facilities with maximum security and full redundancy, and sophisticated telephone, fax, and satellite services. Bermuda has seven Internet Service Providers and several web design companies, computer hardware and software vendors, and certified internet payment solutions companies. Although communications in Bermuda are state of the art, severe winds and storms can bring local communications down for periods ranging from hours to weeks. Prices are generally higher compared to the US.

Trade Promotion and Advertising

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There are opportunities for trade promotion in Bermuda. Please review *Chapter 9: Contacts, Market Research and Trade Events* for a complete listing.

Advertising is common via the media or through professional advertising agencies. The local newspapers are the Royal Gazette (www.royalgazette.com) and the Bermuda Sun (www.bermudasun.bm). Bernews provides news online at www.bernews.com. Businesses also advertise on local radio (ZBM/ZFB; VSB (www.vsbbermuda.com); Hott 107.5 (www.hot1075bermuda.com), as well as in local magazines like *Bottomline* (www.royalgazette.com). For more information, contact the Bermuda Chamber of Commerce at: www.bermudacommerce.com.

Pricing

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Job losses, company closures, and a declining population as a result of the continuing recession make pricing very important to Bermudians. In 2013, to assist those in need, the GOB persuaded local grocery stores to increase their Wednesday price discounts from five to ten percent.

Prices in Bermuda reflect the costs of importing nearly all goods and products, and this contributes significantly to the high cost of living. According to 2011 figures released by the World Bank's International Comparison Program on April 29, 2014, Bermuda ranked third, after Switzerland and Norway, among the most expensive economies in which to live.

In setting prices, vendors should consider shipping costs, customs duties/wharfage, competition, overhead costs and any wholesaler charges. There is no sales tax or VAT in Bermuda.

Sales Service/Customer Support

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The quality and level of sales service and customer support in Bermuda are improving as the result of competition from online shopping and the interest of those in retail sales to keep their jobs. To attract customers back to brick-and-mortar shopping, in May 2014 one retailer opened a Gap section in its store in Hamilton and advertises that its prices are the same as U.S. prices.

Local wholesale agents/distributors are knowledgeable about the market and can provide sales, marketing, warehousing and customer support to local consumers, which enables better penetration of the market. U.S. exporters should be prepared to provide customer and after-sales support.

For more information on sales, service and customer support, contact the Bermuda Chamber of Commerce at www.bermudacommerce.com or Consumer Affairs at www.ca.gov.bm.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property ("IP") rights in Bermuda. First, it is important to have an overall strategy to

protect your IP. Second, IP is protected differently in Bermuda than in the U.S. Third, rights must be registered and enforced in Bermuda, under local laws. Your U.S. trademark and patent registrations will not protect you in Bermuda. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Bermuda market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Bermuda. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Bermuda law. The U.S. Consulate General can provide a list of local lawyers upon request:

<http://photos.state.gov/libraries/hamilton/19452/pdfs/lawyerslist2010B.pdf>

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Bermuda require constant attention. Work with legal counsel familiar with Bermuda laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Bermuda or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy

- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché (Christine Peterson) who covers Bermuda at: <http://www.stopfakes.gov/contact> .

For more information on Bermuda's intellectual property law, contact the Registry General's Office at www.registrygeneral.gov.bm.

Due Diligence

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While there is no local equivalent of a Dunn and Bradstreet in Bermuda, international and local accounting and law firms are able to check the bona fides of banks, agents, or customers. The Registrar of Companies (www.roc.gov.bm) and the Bermuda Chamber

of Commerce (www.bermudacommerce.com) may also be able to help. Please note that the U.S. Commercial Service does not provide information about Bermuda in its International Company Profile.

Local Professional Services

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A wide range of professional services is available in Bermuda, including accounting, legal, information technology and real estate. See www.netlinkbermuda.com. Local wholesalers are available to help with sales. The Bermuda Bar Association's current list of attorneys is at www.bermudabar.org.

Limitations

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The GOB categorizes certain jobs as closed or restricted, including jobs in construction, landscaping, and sales. The 60/40 rule may also apply to companies. See "Joint Ventures/Licensing." In terms of entertainment, GOB policy requires the hiring of local entertainment if foreign entertainment comes to Bermuda.

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Bermuda Bar Association: www.bermudabar.org
Bermuda Business Development Agency: <http://bermudabda.com/>
Bermuda Chamber of Commerce: www.bermudachamber.bm
Bermuda Government: www.gov.bm
Bermuda Monetary Authority: www.bma.bm
Bermuda On-line: <http://bermuda-online.org/>
Bermuda Economic Development Corporation: www.bedc.bm
Bermuda Yellow Pages: www.bermudayp.com
Construction Association of Bermuda:
<http://constructionassociationofbermuda.com/index.aspx>
Ministry of Finance: www.gov.bm
Netlink Bermuda: www.netlinkbermuda.com
Registrar of Companies: www.roc.gov.bm
Registry General: www.registrygeneral.gov.bm
Royal Gazette: www.royalgazette.com
The Bermuda Sun: www.bermudasun.bm

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Chapter 4: Leading Sectors for U.S. Export and Investment

Bermuda's small size and lack of natural resources and manufacturing mean that almost everything is imported. Imports have increased 1.8% from \$868.7 million in 2011 to \$884.4 million in 2012. The U.S. is Bermuda's primary trading partner, providing approximately 68% of imports at an estimated value of \$601.4 million in 2012, the most recent year for which data are available.

Commercial Sectors

1. International Business
2. Financial Intermediation
3. Hotels and restaurants
4. Wholesale and retail trade and repair services
5. Transportation and communications
6. Electricity, gas and water supply
7. Education, health and social work
8. Construction and quarrying
9. Real estate and renting activities
10. Agriculture and forestry and fishing

I. International Business

Overview

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	2011	2012	2013
Total Market Size ¹	4,077	3,878	3,768
Total Local Production ² (BD\$)	1,887,893,487	1,895,828,580	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est, BD\$)	n/a	n/a	n/a
Imports from the U.S. (est, BD\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

International business (IB) - primarily insurance and reinsurance - is Bermuda's economic foundation, contributing directly and indirectly 70% of total GDP in 2012. In 2012, it directly contributed an estimated \$1.37 billion to the economy, or 25.1% of total GDP, plus another estimated 45% of GDP by way of industry support services for the sector, such as financial intermediation, business activities, and retail and real estate services. Over the first nine months of 2013, foreign exchange earnings of IB companies increased by \$47.4 million, representing growth of 3.3%. In 2013, IB employed 3,768 people, or 11% of all filled jobs.

In common with similar jurisdictions that host IB sectors, Bermuda's Department of Statistics does not recognize the international business sector as a resident industry. By law, international (called "exempt") businesses registered in Bermuda generally are not permitted to conduct business or sell their products in Bermuda.

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Bermuda's IB (exempt) sector comprises insurance, reinsurance, insurance captives, insurance-linked securities (ILS), and other financial services such as securities trading, commodity brokering, shipping, and consultancy.

Opportunities[Return to top](#)

IB remains the largest single component of Bermuda's economy. Current opportunities for U.S. investors are in insurance, reinsurance, captive insurance, investment holding, insurance-linked securities (ILS), and general financial services. See Part II below. The GOB has been pursuing Islamic finance since 2009, although the Bermuda Monetary Authority has no statistical information to measure the success of those efforts.

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Association of Bermuda Insurers & Reinsurers: www.abir.bm
 Bermuda Business Development Agency: <http://bermudabda.com/>
 Bermuda Monetary Authority: www.bma.bm
 Ministry of Finance: www.gov.bm
 Registrar of Companies: www.roc.gov.bm

II. Financial Intermediation**Overview**[Return to top](#)

	2011	2012	2013
Total Market Size ¹	2,747	2,501	2,559
Total Local Production ² (BDA\$)	976,732,177	945,142,121	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est, BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est, BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

Bermuda's financial intermediaries - investment funds, trusts, pension fund administration, collective investment schemes, hedge funds, and banking - have historically performed well in the global and local markets. In 2012, the financial intermediation sector was the second largest contributor to Bermuda's economy, accounting for \$694.2 million or 12.7% of total GDP output, although the value added for this industry remained well below the peak level recorded in 2008. The sector declined \$25.5 million from 2011 to 2012, the most recent year for which data are available, and likely declined from 2012 to 2013, given the continually shrinking economy.

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The best prospects for U.S. investment in the financial intermediation/management sector are in investment funds, trusts, pension fund administration, collective investment schemes, hedge funds, and banking.

Opportunities[Return to top](#)

There is no information on specific investment opportunities at this time.

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Bermuda Business Development Agency: <http://bermudabda.com/>

Bermuda Monetary Authority: www.bma.bm

Ministry of Finance www.gov.bm

Registrar of Companies: www.roc.gov.bm

III. Wholesale, Retail Trade & Repair Services**Overview**[Return to top](#)

	2011	2012	2013
Total Market Size ¹	4,529	4,214	4,113
Total Local Production ² (BDA\$)	563,422,561	549,958,404	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est, BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est, BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

Bermuda has virtually no manufacturing capacity, so nearly all goods are imported, primarily from the U.S. (68%), Canada (11%), the Caribbean (5%), the U.K. (4%), and other countries (13%). Value added in this industry decreased \$9.6 million or 2.5% in 2012 compared to 2011, the most recent year for which data are available. Wholesale distributors supply retail stores and restaurants with high quality merchandise from both sides of the Atlantic. The retail trade sector is heavily dependent on resident and visitor spending and is closely correlated to the global economy as a whole.

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Bermuda imports a wide variety of goods in the sub-sectors of food, liquor, clothing, health and beauty supplies, restaurant equipment and supplies, automobiles and motorcycles and parts, building materials, hardware goods, household consumer goods, appliances, and pharmaceuticals.

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Despite the ongoing recession and a reduction in the island's population, food and liquor sales remain relatively constant. Retail sales of apparel and building materials, however, are consistently down. Sales of building materials fell \$11.2 million (19.2%) from March 2013 to March 2014, for example. Motor vehicle sales increased in 2014 after years of declining sales, but it is too early to tell whether that indicates an upward trend or whether residents were simply replacing aging vehicles. The GOB promotes the use of energy-efficient products and technology. Although rebates for solar/green products ceased in 2014, duty on most such goods remains at 0%.

Web Resources[Return to top](#)Bermuda Chamber of Commerce: www.bermudachamber.bmBermuda Yellow Pages: www.bermudayp.comRegistrar of Companies: www.roc.gov.bm**IV. Hotels and Restaurants****Overview**[Return to top](#)

	2011	2012	2013
Total Market Size ¹	4,533	4,385	4,217
Total Local Production ² (BDA\$)	479,125,813	462,041,842	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est. BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est. BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs² Calculated at current market prices³ Not available

Tourism is Bermuda's second largest source of foreign exchange. However, the industry has contracted over the years. Total visitor arrivals in 2013 (579,808) decreased 6% over 2012 (615,171). Air visitor arrivals for 2013 (236,343) rose almost 2% compared with the previous year (232,063), but cruise arrivals continued to decline in 2013, down 10% over 2012, the result of 32 fewer cruise calls compared to the 2012 cruise season. U.S. visitors to Bermuda in 2013 totaled 472,115, 81% of all arrivals. The value added for the hotel and restaurant industries fell 6.4% in 2012, on top of the 2.2% decline in 2011.

Hotels: The number of hotels in operation dropped from 58 in 2003 to 47 in 2013. The number of beds decreased from 6,167 in 2005 to 5,265 in 2013. The hotel occupancy rate declined from 67% in 2007 to 57% in 2013, although the current rate is higher than the 2009 low of 51%. The reduced demand for tourist accommodations resulted in lower operational costs but was not enough to offset the 10.3% decrease in revenue from 2012 to 2013.

Restaurants: The ongoing recession has impacted negatively on restaurant and bar sales. There was a 3.0% drop in food sales and a 0.4% decrease in liquor sales from March 2013 to March 2014.

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Efforts are underway to regenerate interest in Bermuda's tourism product. If successful, there may be prospects in the development/construction/renovation of hotels, resorts and the provision of construction materials and hotel and restaurant equipment and supplies.

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The recession, which contributed to the closure of many hotels in Bermuda, continues to have a negative impact on hotel/resort development on the island. Some possible bright spots include the GOB's "exclusive negotiation" agreement, signed in May 2014, with Venezuelan resort hotel developer Desarrollos Hotelco Group to discuss construction of a full service resort and casino at the east end of the island. (Note: Gambling is still illegal in Bermuda.) Another prospect is Morgan's Point Limited's (MPL) proposed development of the former U.S. Naval Air Station Annex at the west end of Bermuda into a luxury resort. The GOB is clearing the site of residual pollution, but there is uncertainty about overall project funding.

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Bermuda Chamber of Commerce: www.bermudachamber.bm

Bermuda Hotel Association: www.experiencebermuda.com

Bermuda Tourism Authority: www.gotobermuda.com/bermudatourism/

V. Transport & Communications

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	2011	2012	2013
Total Market Size ¹	2,293	2,176	2,139
Total Local Production ² (BDA\$)	477,653,588	473,774,418	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est. BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est. BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

Transportation: The Ministry of Tourism Development and Transport administers the departments of Civil Aviation, Airport Operations, Marine and Ports Services, Maritime Administration, Transport Control Department, and the Public Transportation Board, the latter of which operates the island's extensive bus and ferry system. Despite the global increase in the cost of fuel, the GOB has tried to maintain reasonable rates. The 2013 Bermuda aircraft registry remains steady with more than 700 aircraft currently on the registry. Most are new, sophisticated, and technically advanced corporate jets, owned by high net worth individuals.

Communications: Legislative changes in 2013 allowed for the bundling of telecommunications services, including cell phone, long distance, cable television, and internet services, via Integrated Communication Operating Licenses (ICOLs). This change created operating efficiencies and better pricing for consumers.

Bermuda's internal telephone system is gradually being upgraded to 100% digital, with fiber optic trunk lines. The overseas links are fiber optic cables, and there is considerable redundancy built into the system to negate the effect of faults.

The GOB operates postal services. International courier services include DHL, Federal Express, UPS, IBC, and ZipX.

Sub-sector Best Products[Return to top](#)

Best products and services for U.S. investment include: aircraft, buses, ferries, motor vehicles, postal and courier services, and telecommunication technology and equipment. Since 2012, Bermuda has chartered a ferry from a U.S. company to supplement its aging fleet. More ferries may be needed in the near future.

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Ministry of the Environment & Planning: www.gov.bm

Ministry of Tourism Development & Transport: www.gov.bm

Department of Telecommunications: www.gov.bm

VI. Electricity, Gas & Water Supply**Overview**[Return to top](#)

	2011	2012	2013
Total Market Size ¹	389	386	341
Total Local Production ² (BDA\$)	97,644,117	86,597,947	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est. BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est. BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

Electricity: Government-regulated monopoly the Bermuda Electric Light Company Limited (BELCO) produces nearly all of the island's electricity from imported oil. BELCO is wholly owned by Bermuda-based joint stock company Ascendant Group, which trades on the Bermuda Stock Exchange (BSX).

Electricity rates are high compared to the U.S., Canada, the UK, or Europe; however, BELCO replaced its fixed, monthly residential facilities charge with a graduated fee structure, effective June 1, 2014. The change reduced bills for 44% of customers and increased bills for 28% of the highest energy users. The GOB's Tynes Bay Waste Treatment facility produces some electricity by incinerating garbage and converting it into electricity, which is sold to BELCO and represents 2% of total electricity produced.

Gas and Petroleum Products: Two retailers, Sol Petroleum and Rubis, supply gasoline and oil in Bermuda. The GOB sets the price of petroleum products. Two local companies, Bermuda Gas and Utility and Sunshine Gas, provide Bermuda with household gas (propane only). Bermuda Gas and Utility, like BELCO, is wholly owned by the Ascendant Group. Bermuda Bulk Gases and Pure Air Gases supply medical and industrial gas, which it purchases directly from the U.S.

Water: A 21 square mile island without fresh water streams or lakes, Bermuda obtains water from three main sources: rain, ground, and sea. Harvested rainwater collected on roofs or in large water catchments and stored in underground tanks is Bermuda's

primary fresh-water source (56 percent). Ground and sea water (via reverse osmosis) supplement rain water, delivered by commercial water trucks or through a limited pipeline system.

Bermuda imports bottled water from the following countries (in alphabetical order): the Azores, Belgium, Canada, France, Iceland, Italy, UK, and the U.S. In 2013, the island imported approximately \$12.0 million worth of bottled water with about two-thirds coming from the U.S.

Sub-sector Best Prospects

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BELCO is considering converting its power generation plant to liquefied natural gas in an effort to move away from its 100% reliance on petroleum. The GOB acknowledges that the current outdated plant needs to be modernized and made more cost efficient.

Solar energy is a growing energy alternative. The GOB is also looking into wave and wind technologies as potential alternative sources of energy in Bermuda. The GOB continues to consider green energy policies and incentives for investors to promote green technology on the island. There is no or very little customs tariff duty on most renewable energy and energy efficient technologies.

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Bermuda Gas: www.bermudagas.bm

Bermuda water dealers: www.bermudayp.com

Bermuda Stock Exchange: www.bsx.com

Ministry of Transport, Ministry of Public Works, Department of Energy: www.gov.bm

VII. Education, Health & Social Services

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	2011	2012	2013
Total Market Size ¹	3,895	3,750	3,600
Total Local Production ² (BDA\$)	639,005,231	645,582,475	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est, BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est, BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

The sector includes activities in public and private educational institutions and private health and social service agencies.

Health: The Ministry of Health and Environment regulates most health care in Bermuda, most of which is privately provided. A Quasi-Autonomous Non-Governmental Organization (Quango), the Bermuda Hospitals Board, operates the island's only hospital. There is no universal, publicly-funded health insurance in Bermuda, although the GOB offers two health insurance plans - the Health Insurance Plan (HIP) and

Futurecare for seniors. Hospitalization insurance is mandatory for all employed or self-employed persons. Both employers and employees contribute an equal share of insurance premiums. Health services are largely paid through insurance and by the consumer. The Ministry of Health and Environment delivers some public health services.

Education: Education is free in public schools and compulsory up to age 18. The Ministry of Education and Economic Development has oversight responsibility for all education in Bermuda, whether at a government-funded/taxpayer-supported school (a public school) or private school.

Social rehabilitation/services: The Department of Child and Family Services within the Ministry of Community, Culture and Sports has jurisdiction over social services in Bermuda, specifically daycare services, care and protection services for children, and residential and counseling services for adolescents. The Ministry provides training, employment, and supportive services to assist recipients of government financial assistance in moving from financial dependence to economic independence. Court Services, under the jurisdiction of the Attorney General and Ministry of Legal Affairs, provides programs, services, and resources through case management, referrals, supervision, monitoring, community partnering, and treatment regimes.

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Bermuda employs a number of professionals in the fields of education, health care, and social services and actively recruits expatriates and consultants from the U.S., Canada, UK, and other countries to fill vacancies.

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Construction of a new acute care wing for Bermuda's primary hospital was completed in 2014. The Bermuda Hospitals Board is still in the process of purchasing equipment for the new wing. Furnishings, etc., have already been purchased. The education and social services sector consistently hires consultants for development specialty programs.

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Ministry of Community & Cultural Development: www.gov.bm

Ministry of Education: www.gov.bm

Ministry of Health: www.gov.bm

Attorney General & Ministry of Legal Affairs: www.gov.bm

VIII. Construction, Mining & Quarrying

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	2011	2012	2013
Total Market Size ¹	2,549	2,264	2,143
Total Local Production ² (BDA\$)	384,350,388	322,965,233	unavailable
Total Exports	n/a	n/a	n/a

Total Imports (est, BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est, BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

The ongoing recession has hit Bermuda's construction and quarrying industry hard. The sector's contribution to GDP fell from \$317 million in 2007 to \$180 million in 2012. This sector continues to decline due to the absence of large construction projects. Hotel developments, commercial properties, and large scale housing projects have diminished across the island, resulting in layoffs of construction workers. For example, the number of filled construction jobs decreased from 3,488 in 2009 to 2,143 in 2013.

Quarrying of local limestone - used primarily for roofing - does not factor greatly into GDP. No mining, either land-based or offshore, exists in Bermuda.

Sub-sector Best Prospects

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The prospects for construction are uncertain at present. On June 9, 2014, the GOB announced it intended to provide payroll tax relief to the construction industry in an effort to stimulate activity. The industry has lost more than 1,200 construction jobs since 2009.

In the event of an economic turnaround, the best prospects in this sector would likely be in the development/renovation of hotels/resorts, airport renovation, docks (perhaps moving the main cargo dock in Hamilton to another location to permit redevelopment of the Hamilton waterfront), sewerage development, and mixed residential/commercial properties. U.S. businesses can export construction materials directly into Bermuda without going through a wholesaler. Businesses should contact local construction firms or the Bermuda Construction Association for any opportunities at <http://www.constructionassociationofbermuda.com/>.

Opportunities

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Other opportunities in this sector include possible widening of the channel into St. George harbor to accommodate larger cruise ships. See also "Opportunities" under section IV. Hotels and Restaurants above.

Web Resources

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Bermuda Land Development Corporation: <http://www.bldc.com>
 Bermuda Construction Association: www.constructionbermuda.com
 Ministry of Public Works: www.gov.bm

IX. Real Estate and Renting Activities

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	2011	2012	2013
Total Market Size ¹	491	488	432
Total Local Production ² (BDA\$)	1,287,230,648	1,309,787,978	unavailable

Total Exports	n/a	n/a	n/a
Total Imports (est, BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est, BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

Rego Sotheby International Realty reported in May 2014 that real estate sales had increased in 2013 – USD 225 million vs. 2012's \$197 million – but were nowhere near pre-recession 2008's \$685 million. Rego also noted the number of property transactions in 2013 increased by 10% over 2012. While luxury home sales declined in 2013, the market for homes in the middle price range (\$750,000-\$1.5 million) grew in 2013 and through Q1 2014, due, according to Rego, to a reduction in the license fee paid by non-Bermudian permanent resident homebuyers. Rego said 2014 legislation allowing Bermuda-based companies to purchase residential property has had minimal impact on the real estate sector to date.

Non-Bermudians are not permitted to acquire undeveloped land, and they are generally allowed to purchase only high-end real estate, i.e., houses with an annual rental value (ARV) of \$177,000 or condominiums with an ARV of \$32,400. In the current market, that puts the starting price for houses for non-Bermudians at approximately USD 3.5 million and for condominiums at around \$800,000, on top of which a non-Bermudian must pay an 8% license fee for a house and a 6% license fee for a condominium (set to increase to 12.5% and 8%, respectively, in October 2014). Generally, a non-Bermudian is not permitted to own more than one residential property at a time.

While those who hold permanent resident certificates (PRC) do not enjoy the same purchase rights as Bermudian citizens, they are able to purchase lower-priced properties unavailable to those without PRC status. PRC holders may purchase a free-standing house at or above an ARV of USD 63,600, which in the current market equates to USD 975,000. They may also purchase condominiums starting from USD 499,000. The average price in 2013 for a luxury home was \$6 million and the average price of a single-family home was \$1.1 million; condominiums hit an all-time low of \$473,000.

Bermudians may buy and sell to anyone. Due principally to the exodus of as many as 2000 expatriate workers from the international business sector since 2009, housing and rental prices have generally decreased.

Bermuda does not have an economic citizenship program, but there are indications the current government is leaning toward establishing one. In 2013 it expanded the Incentives for Job Makers Act (IJMA) 2011, which offers a form of permanent residency to those who create jobs for Bermudians and gives them residential property purchase rights not available to other non-residents.

Sub-sector Best Prospects

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The best prospects in real estate and renting activities are in fractional ownership properties (standard hotel structures and condominium complexes), hotel development/management, and brokerage of luxury and executive properties.

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In March 2014, Parliament passed the Companies Amendment Act 2014 to allow companies – local and exempt - to purchase “restricted” properties – high-end residential properties with an annual rental value of more than \$177,000 and some commercial properties if used for the operation of the business. Exempt companies may lease commercial land for up to 50 years and residential property for their employees for up to 21 years. Local companies are permitted to own property. (Exception: The Hotel Concession Act authorizes a company to lease a hotel or residential unit for a period not exceeding 131 years with an option to renew for a similar period.)

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Ministry of the Environment & Planning: www.gov.bm

Bermuda Land Development Company: www.blcdc.bm

X. Agriculture, Forestry and Fishing**Overview**[Return to top](#)

	2011	2012	2013
Total Market Size ¹	639	594	589
Total Local Production ² (BDA\$)	43,781,585	41,232,726	unavailable
Total Exports	n/a	n/a	n/a
Total Imports (est. BDA\$)	n/a	n/a	n/a
Imports from the U.S. (est. BDA\$)	n/a	n/a	n/a

¹ Number of filled jobs

² Calculated at current market prices

³ Not available

Agricultural and fishing activities are limited in Bermuda; there is virtually no forestry.

Agriculture: Agriculture does not play a significant role in Bermuda's economy. The island is only 21 square miles, and only a very small portion of the land is under cultivation. Food supplies derive primarily from the U.S. and Canada. The U.S., Canada, UK, Republic of Ireland and New Zealand are the source for most of Bermuda's dairy products. A local company, Dunkley's Dairy, has a monopoly on the production and sale of fresh cow's milk.

Bermudian farmers produce milk, eggs, carrots, bananas, grapefruit, oranges, and other fruits and vegetables. When certain locally grown fruits and vegetables are in season (and premium priced), temporary embargoes are placed on the importation of competing produce to allow local farmers to take advantage. While there is some cultivation of flowers for the local market, many indoor and outdoor plants are imported into Bermuda for resale by local nurseries. The Department of Environmental Protection employs tight restrictions to control/prevent the importation of harmful pests and diseases.

Forestry: There is little/no forestry in Bermuda. Any cultivation of trees is closely regulated by the Ministry of Health and Environment under the 1986 Bermuda National

Parks Act and the 1988 Bermuda National Parks Regulations. Most wood and lumber products are imported from the U.S. and Canada.

Fisheries: Bermuda has no factory fisheries. Local fishermen sell their small catches directly to the public, restaurants, and grocery stores. Wholesalers import fish and seafood for sale to markets and restaurants. For more information on fishing restrictions and how to obtain fishing licenses, contact the Department of Environmental Protection in the Ministry of Health and Environment.

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Ministry of Health and Environment: www.gov.bm

Ministry of Public Works: www.gov.bm

Department of Environmental Protection: www.gov.bm

Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Bermuda's Customs Department collects import duty, which makes up approximately 18% of the GOB's revenue. Bermuda uses the Harmonized Commodity Description and Coding System 2012 as the basis for its customs tariff.

The Customs Department's main office is in Hamilton, where officers process Bermuda customs declarations for arriving air and ocean freight and control the movement of passengers and cargo. The Customs Department works with the Bermuda Police Service in combating the cross-border movement of illicit drugs, contraband, and the proceeds of crime. Customs officers are located at the official ports of Hamilton, St. George, L.F. Wade International Airport, and Dockyard.

Bermuda has adopted the World Trade Organizations' valuation rules (GATT) for valuing imported goods for duty purposes. Customs duty is normally calculated on an ad valorem basis, generally on the transaction value of imported goods. The most common rate is 22.25%, although most food items have a lower rate of 5% - 15%. Certain goods, such as medicines, corrective spectacles, and reading materials, have a 0.0% rate. Vehicles principally designed for the transport of passengers are normally dutiable at the rate of 75% on the first \$10,000 and 150% on the value in excess of \$10,000 (vehicles with 10 or more seats and hybrid vehicles are at 33.5%). Vehicles principally designed for the transport of goods are normally dutiable at 33.5%. The duty on motorcycles is 33.5%.

Some sectors qualify for tax relief. Qualifying retailers and hotels are exempt from payroll tax until March 31, 2015. Restaurants are eligible for partial payroll tax relief. Customs duty relief is available for some materials used in local manufacturing. See relevant sections of the following:
http://www.customs.gov.bm/portal/server.pt/gateway/PTARGS_0_2_10793_256_1438_43/http%3B/ptpublisher.gov.bm%3B7087/publishedcontent/publish/ministry_of_finance/h_m_customs/quick_links_2/bermuda_customs_tariff_20140401v1r0.pdf.

The duty rate for most accompanied personal goods of persons arriving in Bermuda by air or sea is currently 25% of the transaction value. Visitors are entitled to a \$50.00 allowance each visit. Visitors and residents may claim one liter of wine, one liter of spirits, 200 cigarettes, 50 cigars, and ½ kg of tobacco duty-free per arrival. Alcohol and

tobacco imported in excess of the duty-free allowance are subject to duty of \$2.89 per liter of wine, \$10.63 per liter of spirits, \$44.00 per carton of 200 cigarettes, and 33.5% for cigars and tobacco. While solar rebates were discontinued in 2014, most solar/green goods are not subject to duty.

The airport has a dual-channel, red/green system for arriving passengers. Travelers having no more than their duty-free allowances, no prohibited or restricted goods, and no more than \$10,000 (or equivalent) in cash or negotiable instruments may choose the green channel. Those with goods that exceed their duty-free allowances, goods for business use, prohibited or restricted goods, or more than \$10,000 (or equivalent) in cash or negotiable instruments must use the red channel. See “travelers” at www.customs.gov.bm for more information.

Trade Barriers

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No formal trade barriers exist between the U.S. and Bermuda. However, when certain locally grown fruits and vegetables are in season (and premium priced), temporary embargoes are placed on the importation of competing produce to favor local farmers. There is also a prohibition on the importation of fresh cow’s milk.

Import Requirements and Documentation

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Bermuda Customs inspects all items being imported or exported. Other government agencies, such as the Bermuda Police Service, are involved in cases of restricted or prohibited imports/exports.

Importers bringing into Bermuda goods for resale, commercial samples, or goods bought on commission must complete a Bermuda Customs Declaration form (BCD). All travelers arriving in Bermuda must complete a Customs Traveler Declaration (CTD).

The value of goods being declared should be expressed in Bermuda dollars. The Bermuda dollar is pegged 1:1 to the U.S. dollar. Exchange rate information for currencies other than the U.S. dollar is available on the Bermuda Customs Department website at http://www.customs.gov.bm/portal/server.pt/gateway/PTARGS_0_2_10793_256_1438_43/http%3B/ptpublisher.gov.bm%3B7087/publishedcontent/publish/ministry_of_finance/hm_customs/customs_exchange_rates/gadget.html and at duty payment points. The U.S. dollar may be used to purchase goods and services in Bermuda.

All animals arriving in Bermuda must be accompanied by an Import Permit issued in advance by the Department of Environmental Protection. See http://www.gov.bm/portal/server.pt?open=512&objID=926&&PageID=235505&mode=2&in_hi_userid=2&cached=true

U.S. Export Controls

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The U.S. Departments of State, Commerce, Homeland Security, Justice, Treasury, Defense, and Energy play a critical role in export control and nonproliferation activities both within the United States and outside its borders. The U.S. Export Administration

Regulations (www.gpo.gov/bis/ear/ear_data.html) provides important information to exporters.

Temporary Entry

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Some goods imported on a temporary basis may be exempt from customs duty. See the 6th Schedule of the Bermuda Customs Tariff (www.customs.gov.bm) for qualifying goods. Some restrictions apply, and proper export procedures must be followed in order to obtain a refund of the financial security. Goods imported for short periods of time (e.g., tools of trade) must have a monetary security placed with Customs prior to being released. Any goods that remain in Bermuda are subject to import duty at the appropriate rate. If the goods are sold or otherwise disposed of without authorization from the Collector of Customs, the goods are liable to forfeiture, and the importer is liable for a monetary penalty of up to \$12,000.

Goods re-entering Bermuda may be imported exempt from duty providing HMS Customs is satisfied that they have not undergone any changes and ownership remains the same. Goods re-imported after repairs or replacement are subject to duty on the cost of those repairs or replacement. However, goods re-imported that are warranty repairs or replacements are exempt from duty with proof of warranty.

Those relocating to Bermuda with their used personal possessions may qualify for a Transfer of Residence Allowance (TRA), which applies to first-time Bermuda residents and former residents returning after living abroad for more than one year. The exemption applies to goods older than six months that arrive within 90 days before or after arrival. An itemized list with depreciated values must be supplied for used goods. Goods purchased within six months of arriving in Bermuda must be duty-paid with invoices submitted. Customs reserves the right to inspect all incoming shipments. For exceptions and additional information, refer to "Public Notice #28, Duty Free Allowance: Transfer of Residence," which is available at http://www.customs.gov.bm/portal/server.pt/gateway/PTARGS_0_2_10793_256_1438_43/http%3B/ptpublisher.gov.bm%3B7087/publishedcontent/publish/ministry_of_finance/hm_customs/dept__hm_customs__public_notices/articles/public_notice_28__transfer_of_residence_allowance__published_march_20__2012_0.pdf.

Labeling and Marking Requirements

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Bermuda follows the same labeling and marking requirements as the U.S. and the UK. The Public Health Act regulates and enforces food labeling legislation. The merchandise itself must bear a mark of origin (e.g. "Made in the U.S.A.") whenever English wording appears that could possibly be considered misleading as to the true origin or the goods.

Foreign food labels must be applied prior to import into Bermuda. The U.S. Department of Agriculture (USDA) requires that food product labels indicate:

- The descriptive name of the product;
- The list of ingredients, including food additives in descending order by weight;
- The name, address and telephone number of the manufacturer or distributor;
- Net weight or volume in metric units; and
- Any instructions for storage and use when applicable

In addition, the USDA may require the following in a new market:

- Product expiration date;
- Percentages of major product ingredients;
- Special food additive codes; and
- Nutrition information based on the destination country's regulations

No Bermuda food labeling legislation applies to locally-produced or manufactured goods. As of 2014, the Department of Health and the Department of Consumer Affairs were drafting labeling legislation for locally produced products. To date, local producers have been operating under a voluntary agreement to provide the following minimum information on the labels:

- Name of food;
- Name of manufacturer or distributor;
- E-mail address, address or contact number of the manufacturer or packer;
- List of all ingredients in descending order of quantity;
- An appropriate date marking;
- List of natural and artificial additives;
- Net quantity of the food (by weight if solid, by volume if liquid); and
- Appropriate storage information.

In addition, the Public Health (Food) Regulations 1950 prohibit the importation of any food that:

- is intended but is unfit for human consumption;
- has been manufactured or prepared under unsanitary conditions;
- has been adulterated;
- is not permitted to be sold, or whose sale is restricted, in the country from which it is exported.

For more information please contact the Bermuda Department of Health (www.health.gov.bm) and the Department of Consumer Affairs (www.ca.gov.bm).

Prohibited and Restricted Imports

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The GOB prohibits or restricts the importation of the following items:

- Animals – live, prohibited, endangered species;
- Arms, ammunitions, explosives – armaments and weapons of war, explosive substances and fireworks, firearms, weapons;
- Building sand, crushed rock, gravel, peat and synthetic potting media;
- Controlled chemicals;
- Foodstuffs – embargoed produce, fish, lobster, meat, milk;
- Fumigating substances – restricted to licensed fumigators;
- Gambling machines;
- Historic articles (relating to Bermuda) – this is an export restriction;
- Lottery advertisements and material – foreign lotteries are banned;

- Motorcycles;
- Motor vehicles;
- Obscene publications;
- Organotin or tributyltin anti-fouling paint;
- Petroleum – restriction on storage only;
- Plants, plant material, fruits and vegetables (living or dead, including seeds);
- Pesticides;
- Prescription drugs;
- Prohibited publications;
- Seditious publications;
- Soil;
- VHF radios, radar and CB radios – license required to operate.

To import or export these items, importers and exporters must seek permission from the appropriate Ministry (for example, soil – Ministry of Environment, Planning and Infrastructure at www.gov.bm).

Customs Regulations and Contact Information

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H.M. CUSTOMS

P.O. Box 2084

Custom House

40 Front Street

Hamilton HM HX

Bermuda

Telephone: (441) 295-4816

Fax: (441) 295-5392

Email: customs@gov.bm

Webpage: www.gov.bm

Customs regulations may be found in the sections on Import Tariffs and Import Requirements and Documentation.

Standards

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Overview

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HMS Customs inspects all goods arriving in Bermuda. Standards are based upon the country of origins standards (i.e., U.S. UK, and Canada) and the U.S. Consumer Products Safety Commission (CPSC) regulations. Existing standards can be found online at www.bermudalaws.bm under the Consumer Protection Act 1999 and the Sales of Goods Act 1978. The Department of Consumer Affairs oversees product standards in Bermuda; see www.ca.gov.bm for information about standards and conformity assessments in Bermuda. Safety standards fall under Bermuda's Consumer Protection Act. Products must be able to be sold in the U.S., UK, or Canada before being sold in Bermuda.

For information regarding standards in Bermuda, contact the Consumer Affairs office. There is no plan at this time to develop an annual plan of standards.

Consumer Affairs
2nd Floor, Ingham & Wilkinson Building
129 Front Street
Hamilton, HM 12
Bermuda
Phone: (441) 297-7627
Fax: (441) 295-6892 Website: www.ca.gov.bm

Bermuda, as an overseas territory of the U.K., is not a member of the World Trade Organization (WTO).

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity assessment: Bermuda has the same standards as the U.S., UK, and Canada. The National Center for Standards and Certification Information (NCSCI) at the National Institute of Standards and Technology (NIST) in the U.S. Department of Commerce provides information on U.S. and foreign standards, technical regulations, and conformity assessment procedures for non-agricultural products. NCSCI staff responds to requests for information by identifying relevant standards and regulations, and by referral to the appropriate standards-developers or private-sector organizations. Under copyright restrictions, NCSCI cannot provide copies of standards, but NCSCI does provide sources for accessing standards.

Product certification: Bermuda is guided by the same product safety certification standards as the U.S., Japan, U.K., and Canada. A product sold in Bermuda should have the international symbol indicating that it has been tested to the legal required standard of the fore mentioned countries. The Bermuda Department of Health clears pharmaceutical certifications and tobacco licensing. There are no mutual recognition agreements (MRAs) between Bermuda and any U.S. conformity assessment organizations at this time.

Bermuda follows the same product safety certification standards as the U.S., UK, and Canada but has no legislation in place to enforce product certification. The Ministry of Health and Environment controls the sale of cigarettes, tobacco, and tobacco products, including the registration of tobacco wholesalers and requirements for health warnings on packets and containers. The Ministry also controls the importation, sale, and dispensing of medicinal drugs and poisons. There are no mutual recognition agreements (MRAs) between Bermuda and any U.S. conformity assessment organizations at this time.

Accreditation: No official accreditation bodies exist in Bermuda. Many products and services utilize U.S., UK, or Canadian accreditation bodies. The Bermuda Monetary Authority vets all financial institutions wishing to do business with Bermuda. The Chief Medical Officer at the Bermuda Department of Health keeps a register of clinical laboratories accredited in the U.S., UK, and Canada.

Labeling/marketing requirements: See page 28 et seq.

Publication of technical regulations: See www.bermudalaws.bm for regulations, searching for the appropriate legislation (i.e. food regulations under the Health Act, vehicle regulations under the Motor Car Act).

Trade Agreements

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No bilateral investment treaty or free trade agreement exists between the U.S. and Bermuda. Bermuda, as an overseas territory of the U.K., is not itself a member of the World Trade Organization (WTO). Bermuda adopted the International Harmonized System 2007 as the basis for its Customs Tariff and the WTO Valuation rules (GATT) as the basis for the valuation of imported goods for duty purposes. Bermuda has been a member of the World Customs Organization since 1990 and is an associate member of Caricom (Caribbean Community).

Web Resources

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Bermuda Laws Online: www.bermudalaws.bm

Bureau of Industry and Security/DOC Regulations: [www.access.gpo.gov/bis/Consumer Affairs](http://www.access.gpo.gov/bis/ConsumerAffairs): www.ca.gov.bm

Department of Environmental Health: www.gov.bm

Department of Environmental Protection: www.gov.bm

Department of Health: www.health.gov.bm

H.M. Customs Bermuda: www.customs.gov.bm

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Chapter 6: Investment Climate

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Overview of Foreign Investment Climate

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Executive Summary

The government of Bermuda (GOB) welcomes foreign direct investment (FDI). Bermuda's economy is almost wholly dependent on FDI deriving primarily from international business (IB) – principally insurance and reinsurance – with a small contribution from tourism. In the mid-1990s, IB overtook tourism to become Bermuda's economic foundation, and in 2012 it contributed directly and indirectly about 70% of total GDP, compared to tourism's 11.7%.

Bermuda's economy continues in distress after more than five years of recession. In 2012, GDP was USD 5.5 billion, down 4.9% from 2011. Continued job losses and business closures adversely affected production. The GOB expects overall GDP to have decreased again in 2013, estimating another 2-2.5% contraction. In March 2013, the GOB passed emergency legislation raising the debt ceiling from USD 1.45 billion to 2.5 billion and in July 2013 raised USD 750 million in a bond issue to cover operating deficits for the next three years. In December 2013 it launched another bond issue - but in Bermuda dollars - in the amount of USD 50 million.

In April 2013, Moody's placed the island's Aa2 government bond rating on review for a possible downgrade due to the steep rise in government debt and the prospect of further rises in the next two years. In June 2013, Fitch Ratings downgraded Bermuda's AA government bond rating to AA-, citing the lack of economic diversification and a narrow revenue base. In April 2014, Standard and Poor affirmed Bermuda's AA- credit rating with a negative outlook.

In an effort to reduce government funding in a faltering economy, in early 2014 the GOB announced plans to privatize, mutualize (a form of privatization in which employees are shareholders), and/or outsource non-core government functions and stated it would seek private partners to help fund redevelopment of the airport. Bermuda's sewerage system is also in desperate need of upgrading. There may be opportunities for FDI in these areas.

Bermuda's advantages include a stable, democratic government; low personal and corporate taxes; a pool of skilled professionals; close proximity to the U.S.; and extensive air and communication networks. Its currency, the Bermuda dollar, is pegged one-to-one to the U.S. dollar. As a UK Overseas Territory, Bermuda's legal system is grounded in UK law. Its legal, regulatory and accounting systems adhere to high ethical and transparency standards. It effectively and impartially enforces its laws to combat corruption and money laundering.

Bermuda law recognizes and enforces secured interests in property, both movable and real. The GOB's policies facilitate the free flow of financial resources in the product and factor markets, and the U.S. Securities and Exchange Commission recognizes the Bermuda Stock Exchange (BSX) as a "Designated Offshore Securities Market." There is a general awareness of corporate social responsibility among both producers and consumers. There have been no recent incidents of political violence in Bermuda, although there were several strikes and non-violent, labor-related marches on Parliament during 2013 and 2014.

1. Openness To, and Restrictions Upon, Foreign Investment

Under Bermuda's UK-based legal system, the island has its own written constitution. Its elected government enjoys almost complete self-determination in conducting local affairs and enacting its own legislation. The UK-appointed Governor is responsible for external affairs, defense, and internal security.

Bermuda is a major offshore financial center specializing in insurance, reinsurance, and financial services, colloquially and collectively known as "international business" (IB). The island is one of the top five reinsurance centers in the world, the largest captive insurance domicile, and a major center for the growing trade in investment-linked securities.

The GOB understands and welcomes the island's dependence on FDI. IB directly contributed 25.1% of GDP in 2012, and the Ministry of Finance and local economists generally agree that IB indirectly accounts for as much as another 45%, for a total of 70% of GDP. In 2013, the Association of Bermuda International Companies released survey results estimating that IB injected USD 1.47 billion into the island's economy in 2012, including salaries, taxes, rents, and services. (Note: While company registrations increased in 2013 and early 2014, the number of active IBs has dropped significantly, from 15,959 at the end of 2008 to 15,435 at the end of 2013, a loss of 572 companies.) By comparison, the direct impact of tourism in 2012 was 5.4% of GDP and 5.9% in terms of employment. The GOB estimates the direct and indirect contribution of tourism to GDP at 11.7%.

Bermuda's economy has been contracting for more than five years. As noted in the summary, the GOB sees privatization, mutualization (a form of privatization in which employees are shareholders), and/or outsourcing as a possible means to effect government cost-savings. In its 2014-15 budget statement, the GOB said it would look to privatize/mutualize/outsource non-core government functions such as airport operations, garbage collection, water and sewerage, highway maintenance, parks, conservations services, ship and aircraft registries and government health insurance. (Note: Generally speaking, the political opposition and Bermuda's labor union are skeptical about privatization-mutualization-outsourcing if not outright against it.) It also said it would seek private funding to help redevelop the airport (built by the U.S. during WW II), to include a new terminal building and reconstruction of the hurricane-damaged causeway that connects the airport to the main portion of the island. The island's antiquated sewerage system is also in need of modernization.

The Minister of Economic Development has broad discretion to approve privatization applications under the Companies Act 1981. The Ministry of Finance treats foreign and local investors equally when privatization opportunities arise. An informal March 2014 study conducted by the U.S. Consulate showed that nearly 60% of government contracts granted in 2013 went to U.S. firms, worth almost USD 18 million. The Bermuda Department of Project Management and Procurement publishes public tenders in the Royal Gazette (official gazette); information is also available on its website: http://www.gov.bm/portal/server..pt/gate/gateway/?open=512&objID=945&mode=2&in_hi_userid=2&cached=true.

The Companies Act 1981 as amended is the principal statute governing the formation and operation of Bermuda companies and foreign investment. The Bermuda Monetary Authority (BMA) is the integrated regulator of the financial services sector in Bermuda. It provides rigorous vetting, supervision, inspection, and regulation of all financial institutions operating in or from within the jurisdiction. It also assists other authorities in Bermuda with the detection and prevention of financial crime and develops risk-based financial regulations that it applies to the supervision of Bermuda's banks, trust companies, investment businesses, and insurance companies. The BMA also regulates the BSX.

For incorporation, the BMA requires at a minimum a copy of a company's most recent financial statements, a detailed business plan, the memorandum and articles of association, equivalent documentation for non-incorporated bodies, copies of client agreements used or intended to be used for the business, personal questionnaires completed by all proposed institutional and/or individual controllers of the entity, a description of the group structure, an up-to-date chart for licensed institutions forming part of wider groups, and a check for the application fee.

In October 2009, the BMA launched an automated e-filing and e-approval system for corporate registrations. The system enhances the existing process by improving the speed of processing applications, while maintaining the integrity of its application review procedures. Currently, company incorporation may take as little as four weeks. The Bermuda Business Development Agency is developing a concierge service to facilitate and expedite international company formation.

The BMA has the authority to restrict or revoke a company's license and, under the Investment Business Act, the options of public censure, issuance of warning/

discontinuance notices, or company dissolution. An investment provider may appeal the BMA's decision to a tribunal constituted on a case-by-case basis in accordance with the Investment Business Act.

Most IB companies are classified as exempt. The term "exempt" addresses ownership, not taxation; Bermuda's tax system applies equally to both local and exempt companies, a fact that the GOB emphasizes when responding to claims that Bermuda is a tax haven.

An exempt company may be 100% owned by non-Bermudians. Being exempt does not relieve exempt companies of the supervisory, regulatory, or fiscal rules governing local, non-exempt companies (more about non-exempt companies below). Exempt companies may not do business within the local economy, with a few exceptions created by individual acts of the legislature. They may, however, deal with other Bermuda-based exempt companies without restriction. Exempt companies may also buy their locally-needed supplies or services from local companies, such as accounting, banking, legal, management and office supply services.

An exempt company is exempt from the ownership regulations – otherwise known as the "60/40 rule" – governing local, non-exempt companies, which are permitted to do business within the local economy. To be classified as a local or non-exempt company, Bermudians must be beneficial owners of at least 60% of the shares in the company; exercise at least 60% of the total voting rights in the company; and make up at least 60% of the directors of the company.

In July 2012, in an effort to ease foreign ownership restrictions and boost the economy, Bermuda amended the Companies Act to allow companies listed on the BSX to apply for a license to seek foreign investment over and above the 40% maximum foreign ownership. Previously, foreign investors interested in doing business in Bermuda had to adhere to the 60/40 rule. Many hotels and telecommunications companies fall into this category, as do three of Bermuda's four banks. Compliance with Organization for Economic Cooperation and Development (OECD) guidelines that seek to eliminate separate regulatory regimes for local and international companies may have been a factor contributing to the decision to ease ownership restrictions. Some local businesses support relaxing the 60/40 rule to encourage FDI, increase liquidity in the local market, and boost the economy, while others oppose it out of concern that they might not be able to compete on a level playing field with majority foreign-owned businesses.

Overseas and resident investors may form partnerships under the Partnership Act 1902. Partnerships are either local or exempted and may be general or limited. A local partnership is composed of Bermudian partners only and is permitted to conduct business locally and abroad. If one or more of the partners in a partnership is not Bermudian, then the partnership is considered an exempted partnership and may only conduct business outside Bermuda from a principal place of business within Bermuda. An overseas partnership formed outside Bermuda may, through the BMA, apply to the Minister of Finance for a permit to operate in Bermuda or outside Bermuda from a place of business in Bermuda. These partnerships must appoint and maintain a resident representative on the island.

Bermuda strives to be innovative with new financial services and products. For example, in an effort to make Bermuda more competitive in the hedge fund management arena, the Investment Fund Amendment Act 2013 exempts certain hedge funds from authorization and supervision requirements, provides two new classes of exempt funds, and grandfathers currently-exempt funds. Exempt class A funds, which must be regulated by a recognized authority or have at least USD 1000 million in assets under management, are eligible for expedited registration. To encourage improvements in telecommunication, the Customs Tariff Amendment (No 2) Act 2013 gives full customs duty relief on the importation of goods, apparatus, and machinery imported by holders of integrated communications operating licenses to be used to build or maintain telecommunications network infrastructure.

Bermuda generally prohibits the establishment of foreign franchises, with the exception of franchise hotels. The Companies Act 1981 gives the Ministry of Economic Development the authority to grant investors special permission to establish a franchise on the island.

Because Bermuda is an overseas UK territory, it does not receive mention in many third party data information sources, such as the World Bank or Transparency International. Because it is not a member of the Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), or World Bank, it does not participate in any of those organizations' routine reviews. Bermuda is part of the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (see <http://www.oecd.org/tax/transparency/>), so it is reviewed under this initiative. Neither the World Trade Organization nor the UN Committee on Trade and Development has reviewed Bermuda's investment policy.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	n/a	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	n/a	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	n/a	http://doingbusiness.org/rankings
Global Innovation Index	2013	n/a	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 104,590	http://data.worldbank.org/indicator/NY.G

			NP.PCAP.CD
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Bermuda has no economic citizenship program, but in part to recognize the contributions of key IB executives to past job creation, and in part to encourage new job creators to come to Bermuda, in 2013 it liberalized the Incentives for Job Makers Act 2011 to offer a form of permanent residency to those who create jobs for Bermudians and to give them residential property purchase rights not available to other non-residents. Further along these lines, in the spring of 2014 Parliament passed the Companies Amendment Act 2014 to allow individuals and local and exempt companies to purchase commercial and residential properties under specially defined circumstances.

Conversion and Transfer Policies

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The U.S. dollar is used and accepted in Bermuda with the Bermuda dollar, which trades at par. Within Bermuda, both currencies are freely interchangeable and transferable without restriction. The Bermuda dollar, however, cannot be used outside Bermuda.

The BMA issues Bermuda's national currency and manages exchange control transactions. It administers the Exchange Control Act 1972 that states that no capital or exchange controls apply to non-residents or to the various forms of offshore entities (exempt or permit companies or partnerships), which are free to import and export funds in all currencies.

The Exchange Control Regulations 1973 and the Companies Act 1981 regulate the issue, transfer, redemption, and repurchase of securities. For exchange control purposes, the BMA must give prior approval for issues to and transfers of securities in Bermuda companies involving non-residents, except where general permission has been granted pursuant to the Notice to the Public of June 2005.

The Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Amendment Regulations 2009 gave the BMA the authority to oversee all wire transfers. The legislation requires financial institutions to verify the accuracy and completeness of the information on the payer/originator before transferring funds, retain complete records on the payor/originator of the fund transfer for a period of five years, and maintain effective procedures to detect whether complete information on the payor/originator is received with the wire transfer. The legislation specifies how the receiving institution should treat transfers with missing or incomplete information. In 2013, amendments to the act created an obligation to report suspicions of money laundering or terrorist financing and allowed civil proceedings before the Supreme Court for the recovery of property obtained through unlawful conduct.

In 2009, Bermuda updated the Revenue Act 1898 to strengthen the requirements relating to cross-border transportation of currency and monetary instruments. The threshold for reporting is USD 10,000. All incoming passengers (regardless of point of embarkation) must complete mandatory declaration forms. A disclosure system is in place for outgoing passengers to the U.S., Canada, and the UK.

The Foreign Currency Purchase Tax Amendment Act 2010 applies to the purchase of all non-local currencies, including the U.S. dollar. The foreign currency purchase tax doubled from 0.5% to 1% per transaction in 2010.

Bermuda is a member of the Caribbean Financial Action Task Force (CFATF), the regional equivalent of the Financial Action Task Force (FATF). It is listed as a “monitored” country under the 2013 International Narcotics Control Strategy Report (INCSR).

Expropriation and Compensation

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The Housing Loan Insurance (Mortgage) Regulations 1984 and the Municipalities Act 1923 regulate expropriation. There is no history of expropriation without just compensation in Bermuda. The GOB reports no expropriatory acts towards U.S. investors in Bermuda, although it does not keep a record of the nationality of individuals that sue the GOB.

Dispute Settlement

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Bermuda’s legal system is based on English statutory and common law and principles of equity. The rules of practice and procedure are very similar to those of the UK. The system is generally effective at enforcing property, commercial and contractual rights.

There is no government interference in the court system. Three courts preside in Bermuda: the Magistrates Courts, the Supreme Court, and the Court of Appeal. The court of last resort in Bermuda’s legal system is the Privy Council in London. The Bankruptcy Act 1989, the Companies Act 1981, and the Companies (Winding Up) Rules 1982 govern bankruptcy and the winding-up of companies. The Supreme Court (the first instance court of general jurisdiction) administers the bankruptcy process. A foreign creditor may apply for the bankruptcy of an individual or for the winding-up of a company provided the creditor follows the procedures set out in the aforementioned statutes.

Foreign money judgments can be enforced under Bermudian statutory or common law, depending upon the country in which the original judgment was obtained. Under the Judgments Reciprocal Enforcement Act 1958 (JRE), Bermudian courts generally recognize and enforce foreign money judgments as if they had been originally obtained in Bermuda. The JRE follows the same procedure as the UK Foreign Judgments (Reciprocal Enforcement) Act 1933.

Bermuda also has arbitration legislation. The Bermuda International Conciliation and Arbitration Act 1993 adopted the UN Commission on International Trade Law (UNCITRAL) model law of arbitration to handle international disputes. The UK extended the 1958 UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("The New York Convention") to Bermuda in 1979, and Bermuda became a party in 1980. Bermuda has not entered any reservations regarding its ratification of the New York Convention. As a result, arbitration awards from other countries – including the U.S. – are readily enforceable in Bermuda, and vice versa. The UK has also ratified and extended to Bermuda the Washington Convention on the Settlement of Investment Disputes between States and Nationals of other States 1965 (“ICSID Convention”). Bermuda is not a party to any bilateral or multilateral investment treaties.

Under unwritten GOB policy, arbitrators and foreign counsel traveling to Bermuda for the purposes of arbitration do not need work permits. However, the Department of Immigration requires advance notice of their presence in the jurisdiction for the purpose of the arbitration.

The judicial system handles investment disputes unless the parties resort to arbitration, in which case the dispute process follows international arbitration law. Commercial arbitration in Bermuda is directly linked with the growth of international companies, in particular insurance and reinsurance companies. Many insurance and reinsurance contracts contain arbitration clauses, often naming Bermuda as the arbitral seat, although they sometimes provide for arbitration in other locations, including London under New York substantive law (the so-called “Bermuda form”). Providing for arbitration in Bermuda pursuant to Bermudian substantive and procedural law is becoming increasingly popular in lieu of “Bermuda form” arbitration clauses. The GOB has in the past considered attempting to make Bermuda a global center for arbitration cases.

Performance Requirements and Incentives

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Bermuda is a low tax jurisdiction. It imposes no income tax, profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty/inheritance tax, or VAT or sales tax. It does, however, impose customs duty on an ad valorem basis, generally on the transaction value of imported goods, and depending on whether it is for commercial or personal use. The most common customs duty rate is 22.25%, although luxury items such as boats and cars carry a higher rate, while most food items have a lower rate. The rate for accompanied personal goods of persons arriving in Bermuda by air or sea is 25% of the transaction value. The GOB also imposes annual fees on businesses, including a sliding payroll tax, of which employers pay two-thirds and employees one-third. For a breakdown of payroll tax rates, see http://www.gov.bm/portal/erver.pt/portal/server.pt?open=512&objID=275&&PageID=231418&mode=2&in_hi_userid=2&cached=true.

Bermuda has no discriminatory or preferential import or export policies affecting foreign investors. The GOB does not require investors to export a set percentage of output or to purchase goods from local suppliers, even though there are a number of preferential duty reliefs for certain local commercial activities (e.g., for the importation of energy efficient goods and renewable energy resources, hotel and restaurant renovations, etc.).

While the GOB does not require foreign investors to follow the “forced localization” of goods or technology, it encourages IB to support the economy by purchasing from local companies, such as those providing accounting, banking, legal, management, and office supply services. Since the world economic downturn of 2008-09, however, a number of IBs have restructured and re-domiciled, in some cases shifting IT, HR, and other administrative services to lower-cost jurisdictions, including Canada and the U.S.

The BMA imposes minimum capital and regulatory requirements on institutions licensed under the Banks and Deposit Companies Act 1999 and requires companies to file a liquidity return every quarter. The standard requirement is for liquid assets to be at least equivalent to the total of three months’ expenditure. This does not apply in the case of

licensees who act neither as principal nor agent, in which case only one month's expenditure must be maintained in the form of liquid assets.

With respect to research and development, the Bermuda Institute of Ocean Sciences (BIOS), a Registered Bermuda Charity and a U.S. 501(c) (3) not-for-profit research and educational organization, is a world-class ocean science research and education facility. BIOS performs research in many fields, including oceanography, marine biology, genetics and molecular biology, chemistry, air/environmental quality, optics, biogeochemistry, and climate change.

The Sargasso Sea Alliance, a partnership led by the Government of Bermuda in collaboration with scientists (including BIOS), international marine conservation groups, and private donors, works to protect the unique and vulnerable ocean ecosystem of the Sargasso Sea, which surrounds Bermuda. In March 2014, representatives from the governments of five countries and territories from around the Sargasso Sea, including the U.S., signed the "Hamilton Declaration on Collaboration for the Conservation of the Sargasso Sea," a non-binding political statement that indicates signatories' interest in voluntarily collaborating on efforts to conserve the Sargasso Sea.

For information about labor requirements and work permits, see the section entitled "Labor" below at para. 18.

Right to Private Ownership and Establishment

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In March 2014, the House of Assembly passed the Companies Amendment Act 2014 to allow local and exempt companies to purchase "restricted" properties – high-end residential properties with an annual rental value of more than USD 177,000 and some commercial properties if used for the operation of the business. Exempt companies may lease commercial land for up to 50 years and residential property for their employees for up to 21 years and local companies are permitted to own property. (Exception: The Hotel Concession Act authorizes a company to lease a hotel or residential unit for a period not exceeding 131 years with an option to renew for a similar period.)

Except for trash collection and ferry services, the GOB has few government monopolies. The postal service competes with private mail services. Public education competes with private education. Public bus service competes with taxis, local mini-bus services, and multi-passenger airport buses.

In April 2013, the Regulatory Authority Act and the Electronic Communications Act came into effect, increasing competition and allowing providers to "bundle" wireless, internet, and television services. As a result, there is greater competition within the telecommunications industry than in the past. Bermuda currently has four categories of telecommunication companies: Class A providers, which are international service providers; Class B providers, which are fixed and wireless domestic service providers; Class C providers, which are internet service providers (ISP) providing DSL (broadband) and dial-up services; and Cable TV providers, which are Bermuda-based cable television companies authorized to provide limited telecommunication services. Because of Bermuda's small size, the GOB does not normally solicit investment in infrastructure, although it has occasionally entered into public-private partnerships for large projects like the hospital.

Protection of Property Rights

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Bermuda law recognizes and enforces secured interests in movable and real property. The Registry General, the Land Tax Office and the Land Valuations Office regulate the acquisition and disposition of property, including land, buildings, and mortgages. The Land Title Registration Act 2011 moved Bermuda from a deeds-based property transaction to a parcel-based land registration system. Until the new registration system is implemented - expected in 2014 - land owners must retain a Bermudian lawyer to research the history of the property and ensure there are no third party claims. A deed of conveyance or a mortgage is recorded each time real estate changes hands.

Bermuda law provides adequate protection for intellectual property (IPR), patents, copyrights, trademarks, and trade secrets. These include the Patents and Designs Act 1930, the Trade Marks Act 1974 (as amended), and the Copyright and Designs Act 2004. As an Overseas Territory of the UK, Bermuda may not enter into international treaties independently unless the UK expressly authorizes it to do so and judges Bermuda's implementing legislation to be compliant. The UK extended the right to Bermuda to join the Berne Convention for the Protection of Literary and Artistic Works, which requires its signatories to recognize the copyright of works of authors from other signatory countries (known as members of the Berne Union) in the same way it recognizes the copyright of its own nationals. In 2014, the GOB plans to conduct a legislative review of its Trademark Act to bring it in line with the World Trade Organization's Trade Related Intellectual Property Rights (TRIPS) Agreement and the Madrid Protocol. Bermuda has yet to sign the World Intellectual Property Organization (WIPO) internet treaties.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>. The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can contact IP attaché Christine Peterson who covers Bermuda at: <http://www.stopfakes.gov/contact> . To view a list of local Bermuda attorneys, please go to: <http://photos.state.gov/libraries/hamilton/19452/pdfs/lawyerslist2010B.pdf>

Transparency of Regulatory System

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Bermuda's legal, regulatory and accounting systems adhere to high ethical and transparency standards. As noted previously, the legal and regulatory systems are grounded in UK law. Accounting systems and auditing standards typically follow Canadian Generally Accepted Accounting Principles (GAAP). A Bermudian company may choose to follow the GAAP of any other jurisdiction, subject to full disclosure of its accounts.

Bermuda is a member of regulatory standard-setting bodies for banking (via the Basel Committee on Bank Supervision), insurance (via the International Association of Insurance Supervisors or IAIS), and investment business (via the Financial Services Authority or FSA). In November and December 2013, Bermuda signed the Foreign Account Transaction Compliance Act (FATCA) Intergovernmental Model 2 Agreement with the U.S. to promote transparency on tax matters. At the same time, it concluded a FATCA-type agreement with the UK. Bermuda financial institutions will now automatically transmit FATCA information to the U.S. and UK.

The BMA is Bermuda's sole regulatory body for financial services, responsible for the licensing, supervision, and regulation of financial institutions conducting deposit-taking, insurance, investment, and trust business on the island. Bermuda continues to strengthen its anti-money laundering and anti-terrorism financing (AML/ATF) framework to ensure a high level of compliance with international standards. In 2013, the GOB amended the Proceeds of Crime Act to create an obligation to report suspicions of money laundering or terrorist financing and to allow civil proceedings before the Supreme Court for the recovery of property obtained through unlawful conduct.

The BMA's Guidance Notes for AML/ATF Regulated Financial Institutions on Anti-money Laundering and Anti-terrorist Financing outline and interpret the legal and regulatory framework, propose good industry practices, and assist institutions to design and implement systems and controls to limit AML/ATF risks to institutions. Bermuda laws and regulations do not distinguish between businesses operating in the local economy and exempt companies operating internationally from within Bermuda. Neither unlicensed nor unregistered entities are permitted to operate in the financial services sector.

Bermuda's Financial Intelligence Agency is a member of the Egmont Group of Financial Intelligence Units. It shares information with other agencies, within and outside Bermuda. The BMA Amendment (No. 3) Act 2004 clarified the power of the BMA to share information with other overseas authorities. Other laws that authorize the sharing of information with overseas regulators include the Banks and Deposit Companies Act 1999, the Trusts (Regulation of Trust Business) Act 2001, and the Investment Act 2003.

The Investment Business Amendment Act 2012, the Trust (Regulation of Trust Business) Amendment Act 2012, and the Banks and Deposit Companies Amendment Act 2012 regulate investment businesses, trusts, and banks in the areas of civil penalties, public censure, prohibitions against providing certain services, and publication of decisions. The Investment Business Act 2003 granted the BMA stronger intervention powers, including the ability to cooperate with foreign bodies, while the Investment Business Amendment Act 2012 brought the Bermuda Stock Exchange (BSX) under the regulation of the BMA. Other provisions provide for criminal penalties, e.g., the Banks and Deposit Companies Amendment Act.

The BMA regulates collective investment schemes (CIS). The 1997 Proceeds of Crime Act (POCA) and the 2006 Investment Funds Act (IFA) regulate fund administrators. CIS are also subject to IFA, which clarifies and codifies the current regulation of funds in order to strengthen Bermuda's position in the international funds market.

The GOB posts new laws and regulations in the Royal Gazette newspaper (the official gazette).

Efficient Capital Markets and Portfolio Investment

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As noted above, Bermuda's currency, the Bermuda dollar, is pegged 1:1 to the U.S. dollar. Bermuda does not have a central bank, but the BMA issues and redeems notes and coins, supervises, regulates, and inspects financial institutions which operate in or from Bermuda, and generally promotes the financial stability and soundness of financial

institutions. The BMA does not, however, determine interest rates, which are set by the market, regulated by the Ministry of Finance, and usually follow the Federal Reserve System rates.

Bermuda does not have developed capital markets and does not control monetary policy. Commercial credit lines are normally arranged through U.S. or other overseas institutions. Credit is allocated on market terms, and foreign investors are able to get credit on the local and international market. The private sector has access to a variety of credit instruments through the local banks. Many companies, particularly the larger ones, maintain external banking relationships.

The Banks and Deposit Companies Act 1999 implemented the Basel Committee's Core Principles for Effective Banking Supervision. Bermuda banks are currently compliant with the Basel II Accord. In 2011 and 2013, the BMA published discussion papers on enhancing Bermuda's current regulatory framework for banks in line with Basel III and is now moving toward implementation.

Liquidity and solvency are important concerns for Bermuda's four banks as there is no monetary policy, no lender of last resort, and no implied guaranty. In July 2011, the GOB passed the Deposit Insurance Act, which lays out proposals for implementing a Deposit Insurance Scheme (DIS) for the Bermuda market; it has yet to be implemented. The DIS would provide insurance coverage to small depositors in banks and credit unions.

While Bermuda's banking system is generally sound, there has been a steady increase in the ratio of non-performing loans to capital. December 2013 statistics indicated that non-performing loan balances relative to total loans continued to grow steadily each quarter, rising to 11.7% during Q3 of 2013, up from 11.4% in Q2 and 10.2% from the same period in 2012.

Banking sector solvency remained high as capitalization improved slightly during Q3 of 2013. The aggregate risk asset ratio (RAR) rose to 21.8% in Q3 of 2013, up from 21.4% in Q2 of 2013. Overall, net capital levels rose by 1.3% and risk-weighted assets (RWAs) declined by 0.3% or \$35.5 million. Since total assets of the sector remain virtually unchanged at 23.2 billion, the leverage ratio (equity to total assets) improved to 9.4%, up from 9.2% in Q2 2013.

Bermuda's banks are highly capitalized and hold significantly high quantities of liquid U.S. dollar assets on their balance sheets. Approximately two-thirds of their aggregate balance sheet consists of inter-bank placements or holdings of high quality marketable securities. Movements within asset categories were led by interbank deposits (up 7.4% or \$409.1 million), followed by investments (down 2.9% or \$232.4 million). The BMA's December 2013 Regulatory Update reported that total assets for the banking sector dropped by 1.6%, or \$383 million. Cash and deposits increased by 6.9%, from \$564.9 million in Q1 2013 to \$603.9 million in Q3 2013, while loans and advances decreased by \$8.0 million, from \$863.1 in Q1 2013 to \$862.3 in Q3 2013. Banks are required to meet a minimum capital ratio of 10 percent at the consolidated level, but the aggregate ratio exceeded 20% in 2013. Banks are required to maintain separately capitalized subsidiaries in order to conduct their trust business.

The U.S. Securities and Exchange Commission recognized the Bermuda Stock Exchange (BSX) as a “Designated Offshore Securities Market” in October 1996. In 1999, the BSX became a full member of the International Federation of Stock Exchanges. In 2005, the UK Financial Services Authority granted the BSX Designated Investment Exchange status. The BMA provides oversight of the BSX and its trading activity. The BSX employs the Bermuda Securities Depository (BSD) - an electronic clearing, settlement and registration system – under BMA oversight. The BSD was designed to facilitate more efficient trade settlement for BSX-listed securities by allowing book entry settlement rather than paper-based settlement. Currently, over 600 companies are listed on the BSX.

Protection from hostile takeovers falls under the Insurance Amendment Act 2013 and the Companies Act 1981. The Insurance Amendment Act is designed to improve insurance group supervision by requiring that certain material changes be reported to the BMA, such as amalgamation with another firm or acquisition of a controlling interest in a business. The Companies Act requires notification of shareholders of amalgamation agreements.

Competition from State Owned Enterprises (SOEs)

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Bermuda has several traditional state-owned enterprises (SOEs) that compete with the private sector, including buses and ferries used in public transportation and the postal service. Governance of SOEs is hierarchical in structure and led by a politically-appointed Cabinet Minister. SOEs must provide financial information as necessary to the Minister, who submits the information annually to the Auditor General. Most SOE’s are prohibited from having a board of directors but may have an advisory board.

Bermuda also has quasi-autonomous, non-governmental organizations (QUANGOs)/Public Authorities, established under their respective legislative incorporation acts. The GOB controls several other organizations either through the possession of shares or voting rights or by some other means. These organizations include the National Sports Center, Port Royal Golf Course, Ocean View Golf Course, Bermuda College, Bermuda Housing Trust, Bermuda Housing Corporation, Bermuda Land Development Corporation, West End Development Corporation, Bermuda Hospitals Board, Bermuda Health Council, the Regulatory Authority (telecommunications), Bermuda Tourism Authority, Bermuda Economic Development Corporation, Pension Commission, and parish councils.

Little information is available on sovereign wealth funds in Bermuda. The GOB has been actively pursuing Islamic finance since 2009, although so far there is no statistical information available to gauge whether those efforts have been successful. Anecdotal evidence suggests that Islamic finance business in Bermuda is minimal. Bermuda law is applicable to Islamic finance.

Corporate Social Responsibility (CSR)

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The concept of corporate social responsibility (CSR) is strong in Bermuda, particularly among international companies.

Political Violence

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There have been no recent incidents of political violence in Bermuda.

Corruption

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Bermuda has a series of laws, regulations, and penalties to combat corruption and, generally speaking, effectively enforces them. In 2012, Parliament passed the Good Governance Act 2012 to discourage financial abuse by ministers and members of the civil service and to protect whistleblowers. Under the Act, politicians who attempt to influence the award of government contracts could face a USD 10,000 fine and a year-long jail sentence. The penalties also apply to contractors and public officers found guilty of collusion. The Act also improved the transparency and accountability of government contracts, strengthened requirements for internal audits, and established an Office of Project Management and Procurement to strengthen oversight and control of government projects.

The Bermuda Criminal Code and the Proceeds of Crime Act provide for punishing corrupt practices in the area of investments, particularly for misleading statements and practices, market manipulation, and insider trading.

To distance itself from perceived impropriety often associated with offshore banking centers, Bermuda continues to update its regulatory framework to meet international standards, including those of the IMF, the Financial Action Task Force (FATF) and the OECD.

Contact agency responsible for combating corruption:

Bermuda Police Service
10 Headquarters Hill, Prospect
(441) 295-0011
dcop@bps.bm

Contact information for "watchdog" organization:

Bermuda Ombudsman
Suite 102, 14 Dundonald Street West
Hamilton HM 09
Tel: (441) 296-6541
E-mail: complaint@ombudsman.bm
E-mail 2: info@ombudsman.bm

Bilateral Investment Agreements

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There is no bilateral investment treaty or free trade agreement between the U.S. and Bermuda. There are, however, two bilateral taxation-related treaties – the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland (on Behalf of the Government of Bermuda) and the Government of the United States of America Relating to the Taxation of Insurance Enterprises and Mutual Assistance in Tax Matters (Convention) (1986) and the “Tax Information Exchange Agreement” (TIEA) (1988). Under the latter, the U.S. agreed to waive income and excise taxes on insurance premium income derived from the U.S. for eligible Bermudian insurance companies, i.e., companies whose “predominant business activity is the issuing of

insurance, reinsurance, or annuity contracts and the investing of insurance reserves and other capital incident to the carrying on of the insurance business” and that does not operate as a permanent establishment in the U.S.

Bermuda is on the category “A” list of signatories to the International Organization of Securities Commissions Multi-lateral Memorandum of Understanding (IOSCO MMOU), which provides for mutual co-operation and the exchange of information among securities regulators. In June 2009, the International Association of Insurance Supervisors (IAIS) approved the BMA as a signatory to the Multi-lateral Memorandum of Understanding. The MMOU establishes a formal basis for cooperation and information exchange between signatory regulators who supervise insurers with international or cross border operations.

OPIC and Other Investment Insurance Programs

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Bermuda is not a member of the Overseas Private Investor Corporation (OPIC) or any other investment insurance programs. There is no deposit protection for owners of mutual funds or trusts, nor is there any central fund to reimburse investors. However, the BMA restricts many investments to institutional investors or high net worth individuals, so-called “sophisticated” investors, who exercise their own due diligence. The BMA also maintains as public information a register of all licensed investment service providers. Moreover, investment managers must be licensed pursuant to the Investment Business Act of 1998. Prior to licensing, the investment service must provide proof of adequate professional indemnity insurance. The Investment Funds Act 2006 clearly outlines how public funds are regulated, defines the framework for non-public, institutionalized funds, and includes requirements for fund administrators.

Labor

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Approximately 26% (7,353) of Bermuda’s labor force is unionized, with the majority being members of the blue-collar Bermuda Industrial Union (BIU), the white-collar Bermuda Public Services Union (BPSU), and the Bermuda Teachers Union (BTU). With the economy still in decline, and in light of the GOB’s proposal to reduce the size of the civil service through the privatization/mutualization/outsourcing of some government functions, the unions’ principal focus is on job security. Generally speaking, the BPSU has been collaborative and moderate, seeking to improve worker skill sets and performance. The BIU has taken a more active approach, orchestrating several strikes and peaceful marches in 2013 and 2014, disrupting public transportation and other services. Both the BIU and the BPSU oppose privatization-mutualization.

Aggregate employment has dipped sharply because of the recession. While official government statistics put unemployment at 7-8%, local economists estimate it as closer to 12-14%. According to the National Economic Report 2013, nearly 5,700 jobs have been lost since the recession hit Bermuda in 2008 – 1,166 from 2012 to 2013 alone – a considerable number in an economy with an approximate total of 34,000 current jobs. The continuing rise in the numbers of people seeking public assistance bears that out. The GOB increased financial assistance from USD 16 million in FY 2005/06 to what it characterized as an “unprecedented” and “unsustainable” USD 50 million in FY 2013/14.

Third country nationals (TCN) fill positions all along the economic scale and in most occupations. They comprise approximately 22% of the total population and in 2013 held

29% of all jobs, compared to 32% in 2009. In the major occupational groups, the highest concentrations of jobs filled by TCNs were professional (41% or 2,661 jobs); service workers and shop/market sales workers (34% or 2,357 jobs); and senior officials and managers (32% or 2,064 jobs).

In recent years, IB companies have downsized and outsourced to less costly jurisdictions, including the U.S. and Canada. This has serious implications for the employment of Bermudians. The Bermuda Chamber of Commerce points out that for every one TCN work permit lost, five Bermudian jobs also disappear. The Association of Bermuda Insurers and Reinsurers also reports a direct correlation between TCN senior executives headquartered in Bermuda and employment opportunities for Bermudians.

Although the GOB and many Bermudians recognize the importance of TCNs to the island, the GOB generally espouses a Bermudianization/put-Bermudians-first employment policy that often creates political tension between and within the parties and among Bermudians at large. The situation is exacerbated by Bermuda's below-replacement level birth rate and its aging population.

In recognition of the key role IB and foreign investment play in the economy, particularly in terms of job creation for Bermudians, in January 2013 the GOB eliminated the controversial "term limits" policy, under which TCNs were allowed to work in Bermuda for no more than six years, or up to ten years if their employers could demonstrate they were "key employees." To reward and retain companies already in Bermuda, and to encourage new companies to establish themselves on the island, in December 2013 the GOB amended the Incentives for Job Makers Act (IJMA) 2011 to change from recruiting and retaining TCNs whose residence in Bermuda was critical to a company's remaining in Bermuda to those who were critical to jobs in general remaining on the island.

In February 2013, the GOB introduced special category work permits, including global work permits, which facilitate a global company's ability to transfer employees throughout their organization, including to Bermuda, and new business work permits. New business work permits allow exempt companies that are new to Bermuda to expedite up to five work permits for overseas recruits for senior executive positions.

Foreign-Trade Zones/Free Ports

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Bermuda has no free port or duty-free import zones.

Foreign Direct Investment Statistics

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There are few statistics available regarding foreign direct investment in Bermuda. In general, ownership in the Bermuda insurance sector is geographically diverse, but as of the end of 2011, U.S. companies owned approximately 62.7% of Bermuda's active commercial insurers. Bermudian-owned and European-owned insurers represented approximately 11.1% and 15.8% of the market, respectively. Approximately one in three commercial insurers is a publicly-listed company, of which two-thirds are listed on U.S. exchanges. According to the Coordinated Portfolio Investment Survey conducted by the BMA, the international business industry held \$439 billion in portfolio investment assets outside of Bermuda in 2012.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (<i>Millions U.S. Dollars</i>)	2012	5500 million	2012	5474 million	http://data.worldbank.org/country/bermuda#cp_surv http://bit.ly/1qPqsK9
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (<i>Millions U.S. Dollars, stock positions</i>)	Insert (Year) n/a	Amount Unknown	Insert (Year) 2012	Amount 304,524	(BEA) click selections to reach. <ul style="list-style-type: none"> Bureau of Economic Analysis http://1.usa.gov/1eOiYP6
Host country's FDI in the United States (<i>Millions U.S. Dollars, stock positions</i>)	Insert (Year) n/a	Amount unknown	Year 2012	Amount 2,324	(BEA) click selections to reach <ul style="list-style-type: none"> Balance of Payments and Direct Investment Position Data http://1.usa.gov/1fW79KV
Total inbound stock of FDI at % host GDP	n/a	unknown	n/a	Unknown	

Host country source: www.gov.bm

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Bermuda Chamber of Commerce: <http://www.bermudacommerce.com>

Bermuda Hospitals Board: www.bermudahospitals.bm

Bermuda Insurance Market: www.bermuda-insurance.org

Bermuda Laws On-line www.bermudalaws.bm

Bermuda Monetary Authority www.bma.bm

Bermuda On-line: <http://bermuda-online.org/>

Bermuda Stock Exchange: www.bsx.com

Business Bermuda - www.businessbermuda.org

Department of Statistics: www.statistics.gov.bm

Government of Bermuda: www.gov.bm

HSBC Bank of Bermuda: www.hsbc.bm

Registrar of Companies: www.roc.gov.bm

The Royal Gazette: www.royalgazette.com

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)?

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Bermuda companies commonly pay for goods and services by check, bank draft, standing order, local interbank transfers or international money transfers (wire payments or cables). Drafts are checks issued on behalf of a client and are used to make payment overseas in instances where checks drawn on a local account are not acceptable. Drafts are drawn on funds held at correspondent accounts so they clear through the country where the currency is domiciled. Standing orders are used if checks, drafts, money transfers, or account transfers are requested for the same amount on a regular basis. International Money Transfers (IMTs) are often referred to as wire payments or cables using the SWIFT network. They provide the means for receipt and transfer of funds internationally. Manager's checks are used to make payments locally rather than being drawn on overseas correspondent banks.

Payments for goods and services may also be made by open account, letter of credit, cash in advance, documentary collections, and factoring. There is no central clearing house that provides clearing and settlement services for financial and commodities derivatives and securities transactions, but common Automated Clearing House (ACH) standards are in use.

Settlement of payments occurs through a network of correspondent banks and can, therefore, be made in any major currency at nearly any bank in the world. Typically, employees of local firms are paid in BMD (Bermuda dollars), whereas some exempt firms pay in USD.

No credit rating agencies exist in Bermuda. Bermuda does have several debt collection agencies listed in the Bermuda Yellow pages www.Bermudayp.com.

How Does the Banking System Operate?

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Bermuda banks offer a wide range of commercial banking facilities, including comprehensive investment, trust, financial management services and direct access to a variety of currency alternatives. Bermuda has four licensed banks: HSBC Bank Bermuda Limited, Bank of N.T. Butterfield, Clarien Bank (formerly Capital G Bank), and Bermuda Commercial Bank. (The branch of the Bank of New York located in Bermuda is an investment bank only.) HSBC is a global bank; the Bank of N.T. Butterfield is a regional bank with offices in the Caribbean; and Bermuda Commercial Bank is a local bank. Clarien Bank is seeking to grow internationally. On December 31, 2013, the Clarien Group, a wholly-owned subsidiary of the foreign-owned CWH Ltd., a Bermuda exempt company, took controlling interest (80%) of what was then called Capital G Bank. To

prepare for international as well as domestic investment, the Clarien Group applied for and was granted permission from the Ministry of Finance for an exemption from the 60/40 rule whereby Bermudians are required to own and control at least 60% of the shares of a company.

The English common law rule of confidentiality prevails. Accounts can be maintained in many foreign currencies. The International Monetary Fund, international risk rating agencies, and the Bermuda Monetary Authority (BMA) closely monitor Bermuda's banking sector. The BMA is the integrated regulator of the financial services sector in Bermuda and assists other authorities in Bermuda with the detection and prevention of financial crime.

A majority of the population uses Internet banking to transfer cash and pay for services.

Foreign-Exchange Controls

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Exempt businesses and non-resident individuals may trade and maintain bank accounts in Bermuda in any currency, remitting or repatriating their funds without exchange controls. The Foreign Currency Purchase Tax Amendment Act 2010 applies to the purchase of all non-local currencies, including the U.S. dollar. The foreign currency purchase tax is 1%, applicable to all purchases of foreign currencies for travel and business purposes and all telegraphic (wire) transfers of monies from Bermuda to individuals and businesses abroad.

The Revenue Act 1898, as amended in 2009, strengthened the requirements relating to cross border transportation of currency and monetary instruments. The threshold for reporting is \$10,000. All air passengers importing or exporting cash and/or negotiable instruments exceeding \$10,000 must complete a written declaration.

U.S. Banks and Local Correspondent Banks

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No U.S. banks are located in Bermuda. (The branch of the Bank of New York located in Bermuda is an investment bank only.) While there are no correspondent banks in Bermuda, all Bermudian banks have relationships with major U.S. banks. No multilateral development banks exist in Bermuda.

Project Financing

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Potential investors should have project financing in place as part of their business plan for proposed projects in Bermuda. No financial entities exist in Bermuda to assist with foreign project financing.

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HSBC Bank Bermuda: www.hsbc.bm

Bermuda Commercial Bank: www.bcb.bm

Butterfield Bank: www.bm.butterfieldgroup.com

Clarien Bank: www.clarienbank.com

EXIM Bank Country Limitation Schedule:

<http://www.exim.gov/tools/countrylimitationschedule/>

Export-Import Bank of the United States: <http://www.exim.gov>

OPIC: www.opic.gov

USDA Commodity Credit Corporation:

<http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc>

U.S. Agency for International Development: <http://www.usaid.gov>

U.S. Small Business Administration (SBA) Office of International Trade:

<http://www.sba.gov/about-offices-content/1/2889>

U.S. Trade and Development Agency: www.ustda.gov/

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Business Customs

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Bermudians value good manners and personal courtesy. A greeting of “good morning,” “good afternoon,” or “good evening” is expected. Bermudians usually shake hands upon meeting and sometimes exchange business cards. Bermudians appreciate being addressed by their family name (i.e., Mr. Smith or Mrs. Brown). Conversations move to a first-name basis a bit more slowly than in the U.S. Business visitors should be punctual.

Appropriate business attire (i.e., suits) is expected, especially among professionals. During the summer months, many Bermudian men wear Bermuda shorts for business and to cocktail parties and other social events. The shorts are worn three inches above the knee, accompanied by Bermuda (knee-length) socks, a short- or long-sleeved button down shirt, a tie, and a single- or double-breasted navy blue blazer, sport coat, or linen jacket. Black or brown loafers with tassels, depending on the color of the shorts, are the most appropriate shoes. Women’s professional wear includes suits or dresses and high heels.

Travel Advisory

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The U.S. Department of State's Consular Information Program advises Americans traveling and residing abroad through Consular Information Sheets, Travel Alerts, and Warnings. Consular Information Sheets exist for all countries and provide information on entry and exit requirements, currency regulations, health conditions, safety and security, crime, political disturbances, and the addresses of U.S. Embassies and Consulates abroad. Travel alerts are issued to disseminate information quickly about terrorist threats and other relatively short-term conditions overseas that pose significant risks to the security of American travelers. Travel Warnings are issued when the State Department recommends that Americans avoid travel to a certain country because the situation is dangerous or unstable.

Americans should register with the Smart Traveler Enrollment Program (STEP) for the U.S. Embassy or Consulate in the country in which they are visiting or residing to make their presence and whereabouts known in case of an emergency, a disaster overseas, or an evacuation if that were to become necessary.

Visit <http://travel.state.gov/content/passports/english/country/bermuda.html> for Consular Information Sheets, travel alerts, and warnings and to enroll in STEP for Bermuda and other countries. See also the website of the U.S. Consulate General in Bermuda at <http://hamilton.usconsulate.gov>.

Visa Requirements

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For visitors

U.S. citizens entering Bermuda as visitors need a valid U.S. passport but do not require a visa. Upon arrival, visitors must present their round-trip ticket to Bermuda Immigration. Visitors may remain in Bermuda for up to 90 days; longer stays require application to Bermuda Immigration headquarters in Hamilton. Applicants for extended stay must present supporting documentation, such as proof of financial solvency and health insurance.

For potential residents (employment)

Non-Bermudians require a work permit to work in Bermuda, obtained before arrival to the island. Non-compliance may result in denial of entry into Bermuda. Prospective employers are responsible for securing work permits for their non-Bermudian employees.

The Department of Immigration's primary consideration in determining whether to grant a work permit is whether there is a suitably qualified Bermudian interested in the job and available to do it. If so, the qualified Bermudian, i.e., one who meets the minimum advertised requirements and qualifications for the job, is to be hired over a non-Bermudian. An employer who applies to employ a non-Bermudian in a position for which a Bermudian applied is required to provide clear, satisfactory reasons for not employing the Bermudian. If no qualified Bermudians are available, then the employer may apply for a work permit for a non-Bermudian, unless the position is in a closed category where non-Bermudians are not allowed to work (e.g. general laborer, taxi driver, salesperson). For more information see:

http://www.gov.bm/portal/server.pt/gateway/PTARGS_0_2_19651_214_232817_43/http%3B/ptpublisher.gov.bm%3B7087/publishedcontent/publish/ministry_of_labour___haps/immigration/wp_documents/work_permit_policiesimplementation_document_20140516_updated.pdf.

In February 2013, the Bermuda government introduced special category work permits, including global work permits and new business work permits. A global work permit allows a person who is already employed in a senior position by a global company in another jurisdiction to transfer to the Bermuda office without the requirement to advertise the position. A new business permit allows an exempt company that is new to Bermuda to receive up to five work permits for overseas recruits for senior positions. All five employees must earn at least \$125,000.00 per annum. Advertising for the five work permits is automatically waived if the waiver is used within the first twelve months of establishing a physical presence in Bermuda.

In recognition of the key role international business and foreign investment play in the economy, particularly in terms of job creation for Bermudians, in January 2013 the government eliminated the controversial "term limits" policy, under which non-

Bermudians were allowed to work in Bermuda for no more than six years, or up to ten years if their employers could demonstrate they were “key employees.” To reward and retain companies already in Bermuda, and to encourage new companies to establish themselves on the island, the government expanded the Incentives for Job Makers Act (IJMA) 2011 (effective December 2013), to offer a form of permanent residency to those who create jobs for Bermudians and to give them residential property purchase rights not available to other non-residents. See

http://www.gov.bm/portal/server.pt/gateway/PTARGS_0_2_19651_214_232817_43/http%3B/ptpublisher.gov.bm%3B7087/publishedcontent/publish/ministry_of_labour___haps/immigration/wp_documents/work_permit_policiesimplementation_document_20140516_updated.pdf.

For U.S. citizens traveling to Bermuda on business, the U.S. Consulate strongly recommends the company/individual contact Bermuda Immigration to see if a work permit is required. Bermuda Immigration and Bermuda Customs are very strict and some travelers without correct/sufficient documentation may be sent back to their country of origin. U.S. citizens planning to visit Bermuda who need more information about Bermuda Immigration or Customs requirements should phone 441-295-5151 or www.immigration.gov.bm.

Every official U.S. Government (USG) visitor to Bermuda must obtain a country clearance from the U.S. Consulate at least 72 hours in advance. For more information please contact the U.S. Consulate in Bermuda at <http://hamilton.usconsulate.gov>.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/>

U.S. Consulate Visa Information: http://hamilton.usconsulate.gov/non-immigrant_visas.html

Telecommunications

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In April 2013, the GOB enacted telecommunication reform legislation allowing telecom companies to apply for Integrated Communication Operating Licenses. The new law allows telecoms to offer bundled cell phone, long distance, cable television, and internet services and create operating efficiencies and better pricing for consumers. Overseas links are through four diverse bandwidth routes via fiber optics, ocean cables, and multiple satellite networks. Although there is considerable redundancy built into the system to negate the effect of faults, severe winds and storms can bring local communications down for periods ranging from hours to weeks.

Seven internet service companies provide dial-up and Broadband/DSL service to the island. Currently, prices are considerably higher than in the U.S., UK, Canada and Europe. For example, residential DSL service runs about US \$33.74 per month for 8Mbps while the worldwide average is US \$9.47 for 8Mbps. WIFI is usually available in larger hotels and at various hotspots throughout the island.

Landline and cell phone service extends throughout the island. Bermuda's internal telephone system is 100% digital, with fiber optic trunk lines. Long distance service is rapid and efficient, with direct dialing to the U.S. and most of the world. Rental rates for telephone lines and long distance rates are comparable to those in the U.S. and range from US \$.09 to \$.19 per minute depending on the payment package selected. Many international telephone and fax brands are available for purchase on the island for home and business use. Almost all forms of cellular phone technology, equipment, and servicing are available in Bermuda. U.S. cell phones do work in Bermuda, although roaming charges can be expensive.

Like North America, Bermuda's voltage system is 120 volts, 60 cycles. Some larger appliances use 220/240 volts, and some smaller ones and lights use 110 volts.

The Emergency Broadcast Station - FM 100.1

The Emergency Broadcast Station (EBS) is a Government Disaster Preparedness Facility used by the Emergency Measures Organization (EMO). In the event of an emergency, the Department of Communication and Information (DCI) and the Police Media Relations (PMR), as directed by the EMO, will disseminate emergency information to the public via the EBS on an as needed basis. The station is located at COMOPS (Combined Operations), Police Operations Centre, Prospect Devonshire. The Department of Telecommunications is responsible for the maintenance of the station and carries out prerecorded weekly testing of the station.

Transportation

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Airlines

Bermuda has only one airport, the L.F. Wade International Airport, which is located at the Civil Air Terminal in St. David's Parish, approximately 10 miles east of the capital, Hamilton. Several commercial airlines fly between Bermuda, the U.S., Canada, and the UK daily, including American Airlines, Delta, Jet Blue, US Airways, British Airways and Air Canada. During the winter months flight schedules are reduced. Go to www.bermudaairport.aero/default.aspx for flight information and schedules.

Automobiles

Driving on the island is on the left, British-style, with a maximum speed limit of 15 mph in Hamilton and 21 mph elsewhere, although in practice driving speeds are slightly higher. Non-residents may not own, rent, or drive four-wheeled vehicles but must rely on taxis, buses, or rental motor scooters for transport.

Buses/Ferries

There is regular, island-wide public bus and ferry service. Daily, weekly and monthly passes are available at the Central Bus Terminal on Church Street, Hamilton, or at the Ferry Terminal on Front Street, Hamilton. Buses and ferries are generally inexpensive, accommodating, clean, and efficient. Schedules can be found in the phone book or at http://www.gov.bm/portal/server.pt/gateway/PTARGS_0_2_18606_252_993_43/http%3B/ptpublisher.gov.bm%3B7087/publishedcontent/publish/ministry_of_tourism_and_transport/public_transportation_board/bus_schedules/bus_schedule_2014.pdf and at http://www.seaexpress.bm/ferries_about.aspx.

Motor Scooters

Visitors may rent motor scooters island-wide, along with the required safety helmet.

Visitors should carefully consider the risk of riding a scooter. Those unfamiliar with driving on the left are likely to find the roundabouts and regulations for yielding at junctions confusing and dangerous. Roads - even main roads - while generally in good condition, are narrow, shoulder-less, and often bordered by heavy vegetation or low stone walls. Those renting scooters should be aware that scooter accidents involving visitors are common and can involve serious injuries or fatalities.

Taxis

Taxis are readily available across the island. The best availability is at hotel taxi stands. The rates are as follows:

Monday to Saturdays (6 a.m. to midnight):

For 1-4 passengers the meter starts at \$5.15 then is \$2.75/mile.

For 5-7 passengers the meter starts at \$6.45 then is \$3.50 per mile.

Sundays, holidays, and midnight to 6 a.m.:

For 1-4 passenger there is a 25% surcharge.

For 5-7 passengers there is a 50% surcharge.

Language

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English is the official language of Bermuda. Portuguese is widely spoken among the island's sizeable Portuguese community.

Health

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Local doctors and dentists generally meet international standards. Many are trained in the U.S., Canada, or the UK and are licensed and accredited in those countries. The Bermuda government licenses all physicians.

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy coverage applies overseas and will cover emergency expenses such as a medical evacuation. Some U.S. health insurance plans, including Medicare and Medicaid, do not cover health costs incurred outside the U.S. unless supplemental coverage is purchased. Many travel agents and private companies offer insurance plans covering overseas healthcare expenses, including emergency services such as medical evacuations. Those who do not have insurance valid in Bermuda will most likely have pay to at the time of service with either cash or credit card and then submit the receipts to their insurance company for reimbursement.

To obtain Centers for Disease Control and Prevention (CDC) travel notices, call the CDC at 1-800-CDC-INFO (1-800-232-4636) from within the United States, or 1-404-639-3534 from overseas, or visit the CDC website at <http://www.cdc.gov/travel>.

There are two hospitals and two clinics in Bermuda. The King Edward VII Memorial Hospital, just east of Hamilton, is a relatively well-equipped, modern medical and surgical hospital with about 300 beds. It provides all general services, including an emergency and outpatient department. The Mid Atlantic Wellness Institute, Bermuda's second hospital, provides psychiatric care. The Hamilton Medical Centre is a walk-in clinic located in Hamilton. The Lamb-Foggo Urgent Care Centre is an emergency

medical clinic located in the northeast end of the island. All facilities are accredited through either a U.S. or Canadian health accreditation system. It is common for patients to be medically evacuated to the U.S. or Canada for treatment of complicated or serious medical conditions.

King Edward VII Memorial Hospital
7 Point Finger Road
Paget, DV 04
Phone: (441) 236-2345

Mid Atlantic Wellness Institute
P.O. Box DV 501
Devonshire DV BX
Phone: (441) 236-3770

Lamb-Foggo Urgent Care Centre
1 Hall St. South Side
St. David's DD 03
Phone: (441) 298-7700

Hamilton Medical Centre
9 Victoria Street
Hamilton, HM 11
Phone: (441) 400-8378

Prescription Drugs

Most common medications are available locally upon presentation of a prescription from a Bermuda doctor. Bermuda pharmacies do not honor U.S. prescriptions. If you enter Bermuda with prescription medication, you must inform Bermuda customs officials at the point of entry. Medicines must be in labeled containers, and travelers should carry a copy of the written prescription and a letter from the physician or pharmacist confirming the reason the medicine is prescribed.

Emergencies

The emergency telephone number for the Police, Fire and Ambulance service is 911. The phone number for the King Edward VII Memorial Hospital is (441) 236-2345.

For information about outbreaks of infectious diseases abroad, consult the website of the World Health Organization (WHO) at: www.who.int/en

For information about hurricanes in Bermuda, consult the Bermuda weather website at: www.weather.bm or the U.S. National Hurricane Centre at: www.nhc.noaa.gov.

Local Time, Business Hours, and Holidays

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Time Difference

Bermuda is on Atlantic Standard Time (AST) and observes daylight savings time. AST is GMT minus 4; Atlantic Daylight Time (ADT) is GMT minus 3. Put simply, Bermuda is one hour ahead of the U.S. east coast. Daylight saving time is from March to November.

Business hours

The regular business work week in Bermuda is Monday to Friday from 9 a.m. to 5 p.m. Most retail and grocery stores are open on Saturdays and many are now also open Sundays, although hours vary. During the traditional tourist season (May through October), some retail stores in Hamilton will stay open on Wednesday until 9 p.m. Banks are generally open from 9:30 a.m. to 3:00 p.m. Monday to Thursday and from 9:30 a.m. to 4:00 p.m. on Friday.

U.S. and Bermuda Official Holidays 2014

NOTE: (O)=OBSERVED, A=AMERICAN, B=BERMUDA

Holiday/Event	Date	Country
2014 New Year's Day (O)	Wednesday, January 1	A/B
Martin Luther King Jr. Birthday (O)	Monday, January 20	A
Washington's Birthday	Monday, February 17	A
Good Friday	Friday, April 18 29	B
Bermuda Day	Monday, May 26	B
Memorial Day	Monday, May 26	A
National Hero's Day	Monday, June 16	B
Independence Day	Friday, July 4	A
Emancipation Day	Thursday, July 31	B
Somer's Day	Friday, August 1	B
Labor Day	Monday, September 1	A/B
Columbus Day (O)	Monday, October 13	A
Remembrance/Veterans Day	Tuesday, November 11	A/B
Thanksgiving Day	Thursday, November 27	A
Christmas Day (O)	Thursday, December 25	A/B
Boxing Day (O)	Friday, December 26	B
2014 New Year's Day (O)	Thursday, January 1	A/B

Temporary Entry of Materials and Personal Belongings

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Please see page 28.

Web Resources

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American Consulate in Bermuda website: <http://hamilton.usconsulate.gov>

Bermuda H.M. Customs website: www.customs.gov.bm

Bermuda Ferry Schedule: http://www.seaexpress.bm/ferries_about.aspx

Bermuda Hospitals Board: www.bermudahospitals.bm

Bermuda Immigration: www.immigration.gov.bm

Bermuda Public Transit information: www.bermudabuses.com

Bermuda Weather: www.weather.bm

Centre for Disease Control: www.cdc.gov

Government of Bermuda: www.gov.bm

National Hurricane Centre website: www.nhc.noaa.gov

Travel.state.gov: <http://travel.state.gov>

World Health Organization: www.who.int/en

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P.O. Box HM 655 Hamilton HM CX
Tel: (441) 295-4201
Fax: (441) 292-5779
Website: www.bermudachamber.bm

- **Bermuda Employers Council**
4 Park Road
Hamilton, HM 11
Bermuda
Tel: (441) 295-5070
Fax: (441) 295-1966
Website: www.bec.bm
- **Bermuda Insurance Market** Website: www.bermuda-insurance.org
- **Bermuda Monetary Authority (BMA)**
BMA House, 43 Victoria Street
Hamilton, HM 12
P.O. Box 2447, Hamilton HM JX
Bermuda
Tel: (441) 295-5278
Fax: (441) 292-7471
Website: www.bma.bm
- **Bermuda Business Development Agency**
Maxwell Roberts Building
6th Floor, 1 Church Street
Hamilton, HM 11
Bermuda
Tel: (441) 292-0632
Fax: (441) 292-1797
Website: <http://bermudabda.com>
- **Institute of Chartered Accountants of Bermuda**
Sofia House, 1st Floor
48 Church Street
Hamilton, HM 12
Bermuda
Phone: (441) 292-7479
Fax: (441) 295-3121
Web site: www.icab.bm Email: info@icab.bm
- **Ministry of Finance**
Government Administration Building
2nd Floor, 30 Parliament Street
Hamilton, HM 12
Bermuda
Tel: (441) 295-5151
Fax: (441) 295-5727
Website: www.gov.bm

- **Registrar of Companies**
Government Administration Building
30 Parliament Street
Hamilton, HM 12
Bermuda
Tel: (441) 297-7530
Fax: (441) 292-6640
Website: www.roc.gov.bm

Market Research

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The U.S. Commercial Service does not include information about Bermuda in its International Company Profile.

Locally, Total Research Associates, Ltd. (<http://www.totalgroup.bm/tra>) can assist with market research. Advertising agencies include AAC Saatchi & Saatchi (www.aac.bm); Aardvark Communications (www.aardvark.bm); Advantage Ltd. (www.advantage.bm); Emedia Bermuda Ltd. (www.emedia.bm); Insight Visual (www.insight.bm); and RBK Advertising & Design (www.rbk.bm).

Trade Events

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Trade events in Bermuda for 2014 include:

- Coldwell Banker Home Show – February
- Butterfield & Vallis Food Show – March
- Annual Capital G Private Wealth Conference – April
- Bermuda Captive Conference - June
- Insurance Day Summit Bermuda – June
- Bermuda (Re) Insurance Conference – November
- Bermuda Insurance Linked Securities (ILS) Convergence Conference - November
- International College and University Fair hosted by the Bermuda College - December

Please click on the link below for information on upcoming trade events in the U.S.:
<http://export.gov/tradeevents/index.asp>