



BERMUDA BUSINESS VEHICLES

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This Memo sets out some of the key Bermuda business vehicles and briefly summarises key points in relation to each type of vehicle.

Exempted Companies

Exempted companies are the most common business vehicle used by foreign companies in Bermuda. The main benefit of the exempted company vehicle is that it enables foreign business to operate out of Bermuda - a respected international business jurisdiction with a commitment to transparency and sensible regulation. Bermuda is recognised for transparency and co-operation by the international community and was an early adopter of the OECD's Common Reporting Standard. Exempted companies are able to receive a certification that they are exempt from certain taxes under the Exempt Undertakings Tax Protection Act 1966.

An exempted company is typically an international company incorporated by non-Bermudians that conducts business outside of Bermuda (although it may do so from a place of business in Bermuda). An exempted company wishing to carry on business domestically in Bermuda must have a licence to do so.

Exempted companies may be wholly foreign owned and do not need to comply with the 60/40 Rule (discussed below).

Local Companies

A company, trust or individual who is a 'Bermudian' within the meaning of the Companies Act 1981 can incorporate a local Bermuda company to conduct business within Bermuda. The 60/40 Rule requires that local companies must be controlled by Bermudians, such that Bermudians hold 60% of the shares and 60% of the board of directors are Bermudians (Companies Act 1981). There are a number of exceptions to the 60/40 Rule.

Limited Liability Companies (LLCs)

The LLC is a hybrid entity which merges characteristics of both a partnership and a company limited by shares. It is a flexible vehicle and provides a useful alternative structuring option to complement the existing choice of vehicles in Bermuda.

Companies Limited by Guarantee

Bermuda company law permits the incorporation of companies for charitable or other socially useful purposes. Members of a guarantee company contribute to the assets of the company, to the extent of their guarantee in the event of the company being wound up.

Partnerships

Under Bermuda law, a partnership arises where two or more persons agree that they will run a business together with a view to profit. Bermuda Limited partnerships consist of at least one general partner and one limited partner, and the limited partnership can either be local or exempted. Two or more partners can form a Bermuda exempted partnership on application to the Minister of Finance.

SACs/ISACs

Bermuda law allows for the incorporation of an incorporated segregated account company (**ISAC**). The jurisdiction originally developed segregated account companies (**SACs**) as a solution for the (re)insurance industry and saw the use of the concept grow beyond its origins which enhanced Bermuda's attractiveness as an offshore jurisdiction. In an ISAC structure, each segregated account constitutes an incorporated entity distinct from the other incorporated segregated accounts (**ISAs**) within the same structure. The premise that incorporated entities enjoy separate legal personality is a widely accepted and upheld legal principle. The ISAC provides greater certainty via a statutory and common law basis for the segregation of assets and liabilities by creating separate bodies corporate.

Permit companies

A company incorporated outside of Bermuda wishing to carry on its business from a place of business in Bermuda requires a permit issued by the Minister of Finance.

Trusts

Bermuda has developed a reputation as a premier trust jurisdiction. Purpose trusts (that is, non-charitable trusts for a specific purpose) and unit trust funds are used in the commercial context. Individuals, public trust companies and private trust companies can set up trusts in Bermuda.

Investment funds

Investment funds can take the form of open-ended or close-ended mutual fund companies, unit trust funds, partnership funds or LLCs.

Vetting Requirements

Anyone wishing to carry on business in or from within Bermuda through any type of corporate structure is subject to vetting by both the local service provider(s) and the regulatory authority, the Bermuda Monetary Authority (**BMA**). Further, transfers of shares by non-Bermudians are also subject to review and/or control. Companies must seek consent to carry on business in designated areas.

This article is intended for informational purposes only and is not a substitute for legal advice. BeesMont Law Limited is a professional company incorporated with limited liability in Bermuda. We are happy to provide additional details and attend to any queries which may arise upon reading this informational document.



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