



Doing Business in Bermuda: A 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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The Country: Bermuda is a small landmass consisting of approximately 21 square miles. This fact is never far from the conscious thought of the people who live on the islands. Bermudians are particularly sensitive to the concept of retaining the land of Bermuda for the citizens of Bermuda, ensuring that their citizens have preference with regard to employment, and that the assets of Bermuda inure to the benefit of Bermudians.

Bermuda is both a sophisticated and provincial island. Bermuda, an Overseas Territory of the United Kingdom, is the oldest self-governing colony in the British Commonwealth. It is sophisticated in that its regulatory and legal systems adhere to high ethical and current standards and have their history grounded in UK law. In addition, the country is a major industry center for the world reinsurance market. At the same time, with a Bermudian population of approximately 45,000 and an expatriate presence of roughly 15,000, Bermuda can be somewhat parochial. This manifests itself in all facets of life: social, political and business. Most Bermudians are either related, know one another or at a minimum know someone who knows another. Thus, the conditions for misunderstandings and conflicts of interest, both real and apparent, exist and are a part of the political landscape as well as day-to-day life. The labor force is highly unionized with labor relations adversarial and at times contentious, particularly in the public service sector and the hotel industry.

Market background: Bermuda offers potential investors a stable and democratic environment, relief from personal and corporate taxes, close proximity to the United States with extensive air and communication networks as well as a good pool of skilled professionals.

Extensive and sophisticated professional services have developed with the growth of international business in Bermuda. Bermuda is home to a substantial insurance and reinsurance sector. It also has the largest captive insurance industry in the world. The local banks offer full international banking, investment and fiduciary services. The major international accounting firms are all well -represented in Bermuda. Local law firms have extensive experience in the incorporation and administration of local and exempted undertakings.

Bermuda welcomes foreign investment in international business and the hospitality industry that generates local employment especially in the area of white collar/skilled jobs. Current major suppliers to Bermuda are the U.S. (\$718 million), United Kingdom, Canada and Caribbean countries (the latter mostly oil from the Netherlands Antilles).

Tax structure: Although there are no taxes on income or capital gains in Bermuda, international businesses are required to pay various other taxes. For instance, there is stamp duty on mutual funds and trusts, estate duty, payroll tax, land tax, customs duty, incorporation, and annual fees. U.S. individuals based in Bermuda must also be aware of the taxes levied on them whilst residing and working in Bermuda. Other taxes include hotel occupancy, foreign currency purchase and departure taxes, if applicable.

U.S./Bermuda relations: There is a history of friendliness and cooperation between Bermuda and the United States dating back to the Revolutionary War. The economy of Bermuda is inextricably tied to that of the U.S., with over two-thirds of Bermuda's imports coming from the United States and nearly half a million Americans vacationing in Bermuda each year. The number of international businesses, mostly with U.S. ties, particularly in the banking and insurance/reinsurance fields, continues to grow. Bermuda was host to a U.S. military base for fifty years until base closings in 1995. There is also a large number of skilled U.S. expatriates living and working on the island.

The most important U.S. interests here are assuring that Bermuda remains a stable democratic state, and protecting American citizens who live, work and visit on the island. In addition, the United States Government places a strong emphasis on working with the Government of Bermuda to eliminate money laundering and other illegal financial dealings; providing information and assistance in the fight to eradicate the trafficking, sale and use of illegal narcotics; encouraging expanded economic ties with the United States; and assisting American businesses who would like to establish themselves in Bermuda.

Market Challenges

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The Bermuda business market does have several challenges that need to be met and kept on top of. Such as:

- Adhering to strict standards and regulations (i.e. 60/40 ownership rule)
- The high cost of customs/import duties
- The drop in the U.S. dollar re: Euro/Sterling
- Attracting and keeping key employees -work permit issues, salary, housing
- The increasing cost of living - the overall cost of living in Bermuda is at least 380% more expensive than in the U.S. and 280% more expensive than in the UK and Canada and rates arguably as the 3rd most expensive in the world
- Lack of land to develop
- Increasingly apparent racism/classism issues
- Physical isolation from any major continent

Market Opportunities

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Several factors that encourage marketing opportunities in Bermuda are:

- Bermuda's small size dictates that almost everything be imported
- No taxes on income or capital gains which promotes business thereby increases capital and maximizes profits
- Stable currency, fixed or pegged to the U.S. dollar

- Stable economic and political environment
- World class accounting, legal, banking, and professional support services
- Easy accessibility to several U.S. east coast cities via daily direct air service

There are also several international commercial/ marketing events which can provide an opportunity for U.S. based businesses to showcase their products, for instance, the Butterfield and Vallis Food Show. (Please review *Chapter 9: Contacts, Market Research and Trade Events* for more information)

Market Entry Strategy

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The Bermuda Government restricts foreign investors from directly doing business with local businesses; therefore, goods intended for sale to the general public usually pass through a local wholesaler. Local importers/wholesalers are the gatekeepers of 70 percent of food retail sales. The other 30 percent are direct imports by the island's largest food retailers. Penetrating the market is a difficult endeavor in Bermuda because of the high degree of brand loyalty. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop an excellent marketing plan, and then begin exporting from the U.S. via a local distributor. The wholesaler/distributor can then assist with pricing, promotion, inventory, distribution, and financial support. If possible, travel to Bermuda to get first hand experience of the market is recommended.

Some goods can be sold directly to the customer, but for a product to be successful in the competitive Bermuda market the vendor should establish a local contact who can act on the companies' behalf.

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Chapter 2: Political and Economic Environment

Government: Bermuda, an Overseas Territory of the United Kingdom, is the oldest self-governing colony in the British Commonwealth. Representative government was first introduced to the colony in 1620. Since 1684, the Crown has appointed a Governor and local legislation has been enacted by the colony. Bermuda has its own written constitution, giving its elected cabinet government almost complete self-determination in conducting local affairs. The Bermuda parliament is the third oldest in the world, following Iceland's and Britain's.

The Governor, who is appointed by the Queen, is responsible for external affairs, defense, and internal security. In other matters, he or she acts on the advice of the cabinet. A Deputy Governor is appointed by the UK's Foreign and Commonwealth Office, and is normally a British Foreign Service officer. These two officials and their staff are the representatives of the United Kingdom in Bermuda.

Bermuda's legislature is composed of a Senate and House of Assembly. Members of the Senate are appointed by the Governor, five on the advice of the Premier, three on the advice of the Leader of the Opposition, and three at the Governor's own discretion. The Senate elects its own president and vice president. The House of Assembly, consisting of popularly elected members from 36 single seat constituencies, elects a Speaker and a Deputy Speaker. Universal suffrage, with one vote for one person, has existed since 1968. In 1989, the voting age was lowered from 21 to 18.

The Cabinet consists of the Premier and at least 6 other members of the House of Assembly or the Senate. The Governor appoints the majority leader in the House of Assembly as Premier, who in turn nominates at least six other members of the House or the Senate as other Cabinet ministers. This Cabinet is responsible for government departments and related business. The Opposition Leader, whose position is formally designated under British parliamentary practice, is the leader of the largest minority party in the House of Assembly.

The judiciary consists of a Court of Appeal, Supreme Court, and Magistracy. The Chief Justice presides over the Supreme Court and is consulted by the Governor in the appointment of judges, magistrates, and court officers.

Revenue

2005/06 Revenue Estimates (\$BDA)

(Fiscal Year April – March)

Revenue Item	Original Estimate	Revenue: April-Sept
Payroll tax	250,000,000	111,482,014
Customs duty	202,755,500	108,696,412

Intl Com. Fees	48,892,000	38,147,855
Land tax	45,000,000	22,618,209
Stamp duties	33,420,000	23,503,511
Passenger taxes	27,150,000	17,131,714
Vehicle licenses	24,596,840	26,836,179
Air terminal & Aviation	10,003,000	1,818,687
Hotel occupancy tax	10,000,000	6,056,924
Immigration receipts	8,386,400	10,109,950
Telecommunications	8,577,500	3,360,338
Bus & Ferry receipts	7,806,000	5,099,430
Miscellaneous	10,229,082	6,019,301
All other receipts	213,199,078	27,183,100
Total revenue	750,493,000	408,063,624

Expenditures

**(2005/06 Current Account Expenditure (\$BDA)
(Fiscal Year April – March)**

Ministry	Original Estimate	Expenditure: April - Sept
Health and Family Services	147,330,000	71,919,654
Education & Development	120,206,000	62,585,518
Tourism & Transport	100,377,000	44,859,747
Finance	97,813,000	42,074,806
Labour, Home Affairs, & Public Safety	96,306,000	47,079,512
Works, Engineering & Housing	62,775,000	35,234,120
Environment	22,389,000	10,833,809
Justice	19,661,000	6,928,984
Community Affairs & Sport	16,735,000	9,075,276
Cabinet	14,468,000	6,171,772
Telecommunication & E-		

Commerce	8,416,000	3,824,593
Non-Ministry Depts.	4,676,000	1,743,973
Total Expenditure	711,152,000	342,313,764

Politics: Bermuda has two main political parties, with a third newly established and hoping to secure seats in the next election. The United Bermuda Party (UBP), ousted in 1998 after more than thirty years in government, is fighting the perception that it represents the island's elite white minority. Under new opposition leader Michael Dunkley, the UBP is actively attempting to expand its political base to more accurately represent the country's demographic, which is roughly 60% black and 40% white. In contrast, the governing Progressive Labor Party (PLP) has no white Members of Parliament, although it appears that several white Bermudians will stand for the PLP in the next election, which must be called by 2008.

Economy: The island's economy is based primarily on international business, related financial services and tourism. In general, Bermuda has a well-deserved reputation for the integrity of its financial regulatory system. In recent years, the Government of Bermuda has made that system even stronger by complying with financial and regulatory standards enunciated by several international organizations, including the Financial Action Task Force and the Organization for Economic Cooperation and Development. In 2005, Bermuda's GDP was estimated to be over \$4.9 billion BDA, about \$76,403 per capita — one of the highest per capita income rates in the world. International companies account for 21% (\$926.5 million BDA) of the total GDP. The real estate/rental sector was the second largest contributor to GDP at 16% (\$712 million BDA), followed by the financial intermediation sector at 12% (\$536 million BDA), trade/retail/repair at 9% (\$245.8 million BDA), hotel and restaurant at 6% (\$272.4 million BDA), construction at 6% (272.4 million BDA), and 30% (1.5 billion BDA) from other sectors.

For background information on the political and economic environment in Bermuda, please click on the link below to the U.S. Department of State Background Notes.

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

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

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Using an Agent or Distributor

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Bermuda has approximately 30 wholesale distributors who are able to assist U.S. companies interested in selling their products here on the island. Current wholesalers distribute grocery (fresh, frozen, and dry), health and beauty, pharmacy, food service, and direct store delivery products. There are also several shipping agents that can assist with any importing and exporting shipping needs. For a current listing please go to the Bermuda Yellow pages on-line at: www.bermudayp.com or contact the Commercial/Economic section of the U.S. Consulate.

Although Bermuda law prohibits direct sales by non-Bermudians, sales representatives are permitted entry on a case-by-case basis upon application for a Salespersons Permit. This permit allows the user(s) to enter Bermuda multiple times within a certain time period for sales to multiple potential customers. For more information on the Salesperson's Permit please contact the Bermuda Chamber of Commerce. Please note, travel into Bermuda for the purpose of business is closely monitored by Bermuda Immigration and proper documentation (work permits) must be issued prior to entry into Bermuda.

Establishing an Office

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The process of establishing an office in Bermuda is complicated and well regulated by several government bodies depending on the type of business being established. A detailed business plan must be submitted to the Ministry of Finance, Bermuda Monetary Authority and/or the Registrar of Companies.

Once approval has been given it is recommended that a local attorney and accounting firm be contacted for further assistance.

Franchising

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Although there are some franchises in Bermuda, they are generally in the hotel and retail sector. (i.e. Fairmont hotel chain, Marks and Spencer, The Body Shop) Franchises are generally not encouraged; therefore, investors must receive special permission from the government in order to establish a franchise on the island. This is because Bermuda is trying to maintain its own unique image and products. This prompted the Bermuda Chamber of Commerce to create the “Buy Bermuda” campaign which encourages residents to shop at home and not overseas.

Direct Marketing

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Many Bermudians have access to the internet and can order items on-line directly from a company/store for import into Bermuda. Most goods imported into Bermuda have some type of duty or landing tax attached to their importation as well as shipping fees. This duty must be paid at the time of clearance as per the Bermuda Customs Tariff 2005, according to the commodity imported. Many Bermudians prefer to shop in person in the U.S. to benefit from their personal exemptions from customs duties. There is little or no direct telephone marketing or door-to-door sales.

Joint Ventures/Licensing

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In order for a foreign company to establish or do business in Bermuda it must adhere to strict standards and regulations. To be classified as a local company, a company must meet the three requirements of the 60/40 rule whereby Bermudians are:

- 1) the beneficial owners of at least 60 percent of the shares in the company
- 2) exercise at least 60 percent of the total voting rights in the company
- 3) make up at least 60 percent of the directors of the company.

Only an exempt company is excluded from this rule. Local companies may do business with anyone in Bermuda but exempt companies cannot. Therefore, according to this rule, joint ventures for foreign companies wishing to do business in Bermuda are a must. The incorporation of companies is governed by the Companies Amendment Act 2006.

Licensing depends on the type of company being established and must be sought from either the Bermuda Monetary Authority, Registrar of Companies and/or the Ministry of Finance.

Selling to the Government

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The Government of Bermuda may purchase goods and services either directly from the vendor/company or advertise tenders for bid. Tenders for bid usually pertain to skilled or technical assistance which is not present in the local pool. The tenders are advertised in the Official Gazette, the Royal Gazette and/or in the Bermuda Sun which are local newspapers.

Distribution and Sales Channels

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Due to the restrictions placed on foreign companies/investors from opening most types of businesses, goods intended for sale to the general public are normally purchased by local wholesalers. The usual business practice is for wholesalers to make purchases directly from their counterparts either in the U.S., Canada, or elsewhere.

Although Bermuda law prohibits direct sales by non-Bermudians, sales representatives are permitted entry on a case-by-case basis upon application for a Salespersons Permit. This permit allows the user(s) to enter Bermuda multiple times within a certain time period for sales to multiple potential customers. For more information on the Salesperson's Permit please contact the Bermuda Chamber of Commerce. Please note, travel into Bermuda for the purpose of business is closely monitored by Bermuda Immigration and proper documentation (work permits) must be issued prior to entry into Bermuda.

Selling Factors/Techniques

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The Bermudian government follows U.S., U.K., and Canadian packaging requirements. Therefore, most sales material is expected to be marked in English.

Most local wholesalers directly employ their own teams of salesmen and customer service representatives. In some instances this is also supported by local on-line ordering sites. These activities are also supported by trade promotions and other related events (Please view Chapter 9: Contacts, Market Research & Trade Events).

Electronic Commerce

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The Electronic Transactions Act 1999 (the "Act") positioned Bermuda at the forefront of the world in terms of recognizing in legislative terms not only the importance of eBusiness, but also the need to establish a proper legal framework within which to conduct it. The purpose of this legislation is to permit and encourage eCommerce through the operation of free-market forces, to promote the greatest possible degree of self-regulation by the industry, and to ensure that electronic transactions are flexible and technologically neutral. This legislation, one of the first of its kind, established the legal principles for the conduct of eCommerce and the processing of global transactions. In doing so, it also puts Bermuda firmly on the map as a serious eCommerce hub.

For more information on the Electronic Transactions Act 1999 visit Bermuda Laws Online at www.bermudalaws.bm.

Trade Promotion and Advertising

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There are several methods of advertising goods and services in Bermuda. The first is through trade promotion through events such as the Butterfield and Vallis Food Show, the Coldwell Banker Home Show, and the Bermuda Culinary Festival. Please review *Chapter 9: Contacts, Market Research and Trade Events* for a complete listing.

Advertising usually occurs in the local newspapers (Royal Gazette, Bermuda Sun, Mid-Ocean News), on the local radio stations (i.e. ZBM/ZFB, VSB), local magazines (i.e. RG Magazine, Bermudian Business), and on-line.

Pricing

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When determining pricing, vendors must consider shipping costs, customs duties/wharfage, fixed costs (rent, staffing, warehousing, utilities), what the competitors are charging, and any charges that the handlers or middlemen (wholesalers) charge.

Sales Service/Customer Support

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One of the benefits of using an Agent/Distributor of your products is to be able to provide convenient sales service/customer support to local consumers.

For more information on sales, service and customer support please contact the Bermuda Chamber of Commerce or Consumer Affairs.

Protecting Your Intellectual Property

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Bermuda's legal system follows the U.K. model, including the right of appeal to London's Privy Council. As an overseas territory of the United Kingdom, Bermuda is subject to the same treaties to which the U.K. is a party, including those concerning intellectual property rights. The island cannot enter into treaties separate and apart unless expressly authorized to do so by the U.K.

Bermuda provides protection from copyright infringement and taxation on all kinds of intellectual property, including trade secrets, trademarks, designs, ideas, methods of calculation, computer software and artistic works. To facilitate licensing and franchise agreements, there are no regulatory restrictions, export licenses, taxation or customs duties. For more information on protecting your intellectual property in Bermuda please contact the Registry General's Office.

Due Diligence

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There is no local equivalent of a Dunn and Bradstreet in Bermuda to check the bona fides of banks, agents, or customers. However, there is a good representation of international and local accounting firms that can assist with this service. Information can also be obtained from the Registrar of Companies or the Bermuda Chamber of Commerce.

Local Professional Services

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For selling retail and wholesale products, local wholesalers would be willing and able to assist you. As in the U.S., most business transactions may be carried out without an attorney. However if you wish to retain local legal counsel please contact the Bermuda Bar Association for the most recent listing. Bermuda has over 100 professional associations, covering many aspects of business. To view these organizations please go to: www.netlinkbermuda.com.

Web Resources

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Bermuda Bar Association www.bermudabar.org

Bermuda International Business Association www.biba.org

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

Bermuda Government: www.gov.bm

Bermuda Monetary Authority www.bma.bm

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

Bermuda Small Business Development Corporation http://www.bsbdc.bm/m_smbus.html

Bermuda Yellow Pages www.bermudayp.com

Look 4 It Bermuda.com www.look4itbermuda.com

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.org

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

Bermuda's small size dictates that almost everything is imported, and the value of imports continues to rise, hitting BD\$1.094 billion in 2006. The United States is by far Bermuda's primary trading partner, providing approximately 71% of imports at an estimated value of \$776.7 million in 2006. Please find the following information on the leading sectors in Bermuda based on the GDP. Please note, that the currency used in this data is the Bermuda dollar (BDA).

Top Commercial Sectors based on the GDP

- International Business
- Real Estate and Rental
- Financial Intermediation
- Business Services
- Wholesale, Retail Trade, and Repair Services
- Construction, Mining, and Quarrying
- Education, Health and Social Services
- Transportation and communications
- Hotels and Restaurants
- Public Administration

Smaller sectors in brief

- Other Community, Social and Personal Services
- Manufacturing
- Electricity, Gas and Water Supply
- Agriculture, Forestry and Fishing

I. International Business

Overview

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	2003	2004	2005
Total Market Size ¹	3,982	4,074	4,213
Total Local Production ² (BD\$)	821,493,000	932,894,000	1,062,105,000
Total Exports	0	0	0
Total Imports (est, BD\$)	31,657,234	37,535,408	37,412,679
Imports from the U.S. (est, BD\$)	25,274,040	29,648,475	27,857,976

¹ Number of filled jobs

² Calculated at current market prices

The Department of Statistics, Bermuda's national statistical agency, does not recognize the international business sector as a resident industry. While they are domiciled on the island, they are treated as if they are overseas. This practice is in line with similar jurisdictions who are host to large international business sectors.

By law, international (exempt) businesses registered in Bermuda are not permitted to sell their products to residents. Regardless of this, they are the largest group of employers, and the largest contributors to GDP growth.

Best Products/Services

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Bermuda's International (exempt) business sector excels in insurance, reinsurance, investment holdings, mutual funds, and insurance captives. Contributions to this sector also emanate from the trading operations of security and commodity brokerage, shipping, and consultancy.

Opportunities

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The international business sector contributes an estimated \$1350 million to the economy annually. This factor makes international business one of the top service industries in Bermuda. The private sector and government have focused the country on using its capital, intellectual resources and creativity to create one of the world's leading financial service centers. This strong market is expected to thrive well into the future.

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Association of Bermuda Insurers & Reinsurers www.abir.bm

Bermuda International Business Association – <http://www.biba.org/>

Bermuda Monetary Authority – <http://www.bma.bm>

Ministry of Finance www.gov.bm

Registrar of Companies – <http://www.roc.gov.bm>

II. Real Estate and Rental

Overview

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	2003	2004	2005
Total Market Size ¹	507	514	535
Total Local Production ² (BDA\$)	641,837,000	662,145,000	730,578,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	9,932,332	11,776,586	11,738,080
Imports from the U.S. (est, BDA\$)	7,929,630	9,302,092	8,740,330

¹ Number of filled jobs

² Calculated at current market prices

Bermuda's real estate and rental sector has benefited greatly from the ongoing construction surge. The majority of output in this sector is generated by the real estate activities of both residential and commercial properties owned or leased by government and the private sector. With the average price of a family home being \$1.6 million, agents are busy selling properties and assisting those attempting to buy. However, the GOB has enacted a law which states that non-Bermudians can purchase homes only from other non-Bermudians. Additionally, only Bermudians can purchase homes from other Bermudians. The goal over time in separating the two pools of housing is that expatriate home ownership will decrease.

Best Prospects/Services

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The best prospects currently are in fractional ownership properties (standard hotel structures and condominium complexes), hotel development/management, educational facilities both in the private and public sector, and brokerage of luxury and executive properties.

Opportunities

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As the prices of renting and purchasing real estate in Bermuda continue to rise due to limited supplies, the opportunities in this sector are numerous but are closely monitored by the government due to the lack of developable land.

Resources

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Bermuda Land Development Company
P.O. Box DD 221
St. David's, DD BX Bermuda
Tel: (441) 293-5712
Fax: (441) 293-5714
Web Site: <http://www.blcdc.com>

The Construction Association of Bermuda
P.O. Box HM 238
Hamilton, HM AX
Tel: (441) 292-0633
Fax: (441) 292-0564
Website: www.constructionbermuda.com

III. Financial Intermediation

Overview

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	2003	2004	2005
Total Market Size ¹	2,821	2,737	2,859
Total Local Production ² (BDA\$)	486,810,000	533,369,000	623,615,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	57,474,427	68,146,385	67,923,567
Imports from the U.S. (est, BDA\$)	45,885,592	53,827,478	50,576,787

¹ Number of filled jobs

² Calculated at current market prices

Bermuda's financial intermediaries are highly respected as evidenced by their ability to perform in the global markets as well as the local market.

Best Prospects/Services

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The best prospects in the financial intermediation/ management area are in investment, trusts, and pension fund administration, collective investment schemes, and banking.

Opportunities

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This sector reflects a strong demand from the international business sector. The local economy is expected to grow.

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Registrar of Companies – <http://www.roc.gov.bm>

Bermuda Monetary Authority – <http://www.bma.bm>

Bermuda International Business Association – <http://www.biba.org/>

Ministry of Finance www.gov.bm

IV. Business Services

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	2003	2004	2005
Total Market Size ¹	3,756	3,715	3,871
Total Local Production ² (BDA\$)	371,304,000	396,872,000	447,441,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	20,925,302	24,810,751	24,729,627
Imports from the U.S. (est, BDA\$)	16,706,036	19,597,520	18,414,008

¹ Number of filled jobs

² Calculated at current market prices

The business services sector supports international business in Bermuda.

Best Products/Services

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This sector includes services such as architectural, engineering, accounting, legal and computer services.

Opportunities

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Since business services are closely linked to international business in Bermuda, this sector is expected to continue to thrive well into the future.

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Bermuda Monetary Authority www.bma.bm
 Bermuda International Business Association www.biba.org
 Bermuda Bar Association www.bermudabar.org

Bermuda Association of Professional Engineers
 P.O. Box HM 34, Hamilton HM AX

Institute of Bermuda Architects www.iba.bm

Institute of Chartered Accountants of Bermuda www.icab.bm

Certified General Accountants Association of Bermuda
 P. O. Box HM 3385, Hamilton HM PX
 Tel: (441) 239-4010 Fax: (441) 239-4011

Listing of professional business associations in Bermuda
<http://www.netlinkbermuda.com/doingbus.htm>

V. Wholesale, Retail Trade & Repair Services

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	2003	2004	2005
Total Market Size ¹	5,015	4,910	4,692
Total Local Production ² (BDA\$)	359,300,000	369,933,000	385,718,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	56,582,696	67,089,076	66,869,715
Imports from the U.S. (est, BDA\$)	45,173,665	52,992,331	49,792,075

¹ Number of filled jobs

² Calculated at current market prices

The vast majority of products purchased by consumers in Bermuda are imported. This sector is heavily dependent on resident and visitor spending and is closely correlated to the performance of the tourism industry as a whole.

Best Prospects/Services

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Bermuda is known for providing retail stores and restaurants with high quality merchandise from both sides of the Atlantic.

Opportunities

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Bermuda must import the majority of goods for public consumption. Opportunities abound to import a wide variety of goods needed: food, clothing, grocery items, restaurant supplies, automobile and motorcycle parts, hardware goods, and pharmaceuticals, to name a few.

Resources

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Bermuda Chamber of Commerce – www.bermudacommerce.com

Registrar of Companies – www.roc.gov.bm

Bermuda Yellow Pages – www.bermudayp.com

VI. Construction, Mining & Quarrying

Overview

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	2003	2004	2005
Total Market Size ¹	2,959	3,230	3,494
Total Local Production ² (BDA\$)	247,405,000	272,807,000	330,899,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	64,552,410	76,538,622	76,288,363
Imports from the U.S. (est, BDA\$)	51,536,409	60,456,340	56,805,325

¹ Number of filled jobs

² Calculated at current market prices

Bermuda's construction industry is healthy and vibrant. Cranes top the City of Hamilton's skyline, and major projects are on the way in other parts of the island as well. Hotel developments, commercial properties, and large scale housing projects are underway across the island. Almost all materials used to support these endeavors must be imported. Bermuda's construction sector is very active, with full employment of the island's 2,000-plus construction workers and a rise to around 300 foreign construction workers employed to fill the labor gap. Private-sector construction projects totaled US \$246.9 million in 2006, with public-sector projects totaling US \$30.5 million. This represented a significant decline over the US \$298.0 million in new private- and public-sector projects reported in 2005 and the growth trend is continuing. Although there is some local limestone quarrying in Bermuda used primarily for roofing, it does not factor greatly into the GDP. Mining, either land based or offshore, is currently non-existent.

Best Prospects/Services

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The best prospects currently in the construction sector lie in the development of hotel, affordable housing, educational facilities (private and public sector), and mixed residential/commercial properties.

Opportunities

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Bermuda's government budgeted US \$152 million for social infrastructure projects in 2007-2008, including new transport infrastructure, new educational facilities (a new secondary school was recently completed) and new commercial office space. Additional construction projects now underway or planned include major office and condominium developments, waterfront projects, and hotels, indicating that the industry is thriving in all areas.

Resources

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Bermuda Land Development Company
 P.O. Box DD 221
 St. David's, DD BX Bermuda
 Tel: (441) 293-5712
 Fax: (441) 293-5714
 Web Site: <http://www.bldc.com>

Bermuda Construction Association
 P.O. Box M 328
 Hamilton, HM AX
 Tel: (441) 292-0633
 Fax: (441) 292-0564
 Website: www.constructionbermuda.com

VII. Education, Health & Social Services

Overview

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	2003	2004	2005
Total Market Size ¹	2,916	3,006	3,122
Total Local Production ² (BDA\$)	282,040	292,152	311,441
Total Exports	0	0	0
Total Imports (est, BDA\$)		48,233,241	48,667,340
Imports from the U.S. (est, BDA\$)		36,174,930	36,500,505

¹ Number of filled jobs

² Calculated at current market prices

The provision of education, health and social services increased 6.6% in 2005 for both the public and private sector. The sector covers activities in the public and private educational institution, private health and social agencies.

Education: is free in public schools and compulsory up to age 16 years. All education in Bermuda, whether at a Bermuda government funded/taxpayer-supported school, (a public school) or private school is administered and controlled by the Bermuda Government's Ministry of Education and Development.

Health: Bermuda's health care system comprises a public and a private sector. The Ministry of Health is responsible for health matters in the country. The Ministry is mandated to promote and protect the health and well-being of the island's residents and is charged with assuring the provision of health care services, setting standards, and providing coordination within the health care system. The health care system is financed through a variety of mechanisms. Health services are either paid through an insurer, by a government agency, or by consumers. There is no universal, publicly funded health insurance, although hospitalization insurance is mandatory for all employed or self-employed persons. Both employers and employees contribute an equal share of insurance premiums.

Social rehabilitation/services: Social services in Bermuda are comprised of Child and Family Services, (provides day care services, care and protection services for children, residential and counseling services for adolescents), Court Services (provides enhanced programs, services and resources through effective case management, referrals, supervision, monitoring, community partnering, and treatment regimes) and Financial Assistance (assisting recipients in moving from financial dependence to economic independence via training, employment and supportive services).

Best Products/Services

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Although the island does have a number of Bermudian professionals employed in the fields of education, health care and social services, expatriates are still being brought in from the U.S., Canada, U.K., and other countries to fill some vacancies.

Opportunities

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There are many employment opportunities in the health care field, such as doctors, nurses, dentists, dental assistants and hygienists, occupational therapists, psychologists, and counselors, to name a few. Teachers at all levels are employed at the local schools/college. Supplies and equipment in the health care field must be imported from overseas.

Resources

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Ministry of Social Rehabilitation
Suite 304, Melbourne House
11 Parliament Street,
Hamilton HM 12
P.O. Box HM788
Hamilton HM CX
Tel: (441) 296-1574
Fax: (441) 295-2066
Website: www.gov.bm

Ministry of Education, Sports & Recreation
Dundonald Place, 14 Dundonald Street
Hamilton, HM 04
P.O. Box HM 1185, HM EX
Tel: (441) 278-3300
Fax: (441) 278-3348
Website: www.gov.bm

Ministry of Health
Continental Building
25 Church Street
Hamilton, HM 12
P.O. Box HM 380
Hamilton, HM BX
Tel: (441) 278-4900
Fax: (441) 292-2622
Website: www.gov.bm

VIII. Transport & Communications

Overview

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	2003	2004	2005
Total Market Size ¹	2,861	2,903	2,782
Total Local Production ² (BDA\$)	264,683,000	283,099,000	301,760,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	54,682,939	64,836,569	64,624,573
Imports from the U.S. (est, BDA\$)	43,656,965	51,213,120	48,120,313

¹ Number of filled jobs

² Calculated at current market prices

Transportation: The Ministry of Transport (& Tourism) is responsible for the administration of the Departments of Civil Aviation, Airport Operations, Marine & Ports Services, Maritime Administration, Transport Control Department and the Public Transportation Board.

(Tele) communications: The Ministry of Telecommunications recently oversaw the introduction of competition to Bermuda's telecommunications industry, making this one of the world's first small countries to break the stranglehold of monopolies on long distance and local telecommunications. As a result of the government's action, the cost of long-distance calls has been reduced. The internal telephone system is 100% digital, with fibre optic trunk lines. The overseas links are fibre optic cables, and there is considerable redundancy built into the system to negate the effect of faults.

Best Products/Services

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Although Bermuda is relatively small in size, transportation and communication services are quite crucial due to the physical isolation from the mainland. Products and services required are, aircraft, buses, ferries, motor vehicles, postal and courier services, and telecommunication contributions.

Opportunities

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Projects open to investors in the transportation sector are mostly in the procurement department. Postal services fall under the jurisdiction of the GOB while most well known courier services are already represented here (DHL, Federal Express, UPS, IBC, ZipX). The communications sector is very competitive and open for bidding.

Resources

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Department of Telecommunications
 F.B. Perry Building
 2nd Floor, 40 Church Street
 Hamilton HM12
 Tel : (441) 292-4595/Fax (441) 295-1462

Department of Tourism and Transport
 Global House
 43 Church Street
 Hamilton, HM 12
 Tel: (441) 295-3130/ Fax: (441) 295-1013

IX. Hotels and Restaurants

Overview

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	2003	2004	2005
Total Market Size ¹	4,760	4,888	5,069
Total Local Production ² (BDA\$)	229,765,000	234,633,000	264,195,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	241,844,264	286,750,356	285,812,769
Imports from the U.S. (est, BDA\$)	193,080,087	226,498,421	212,819,972

¹ Number of filled jobs

² Calculated at current market prices

Hotels: Bermuda ended 2006 with an estimated 5,698 licensed beds and an annual hotel occupancy for Bermuda Hotel Association properties of 63.8% compared to 56.9% in 2005. American air passengers made up nearly three-quarters of all tourists visiting Bermuda, with 20 percent more of them coming to the Island in the fourth quarter of 2006 than during the same period in 2005. The extra air visitors boosted hotel occupancy, with resorts reaping the most rewards. They had 30,485 guests in the final quarter of 2006, compared to 26,638 in 2005. Housekeeping accommodation saw a rise in visitors of almost 27 percent, guest houses five percent, and private homes 18 percent. It is anticipated that by year end 2007 there will be 58 licensed properties, 3,001 rooms and an estimated bed count of 6,052.

Restaurants: Visitors spent over \$75 million on food and beverage products in 2003. In addition, Bermuda's population, one of the wealthiest in the world, enjoys eating out year round. The United States is the island's leading trading partner, accounting for 76% of all food imports.

Best Prospects/Services

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Best prospects currently lie in the development/construction of hotels, resorts and restaurants; provision of construction and hotel equipment and materials; and the importation of food and restaurant equipment to establishments.

Opportunities

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Currently there are several large hotel/resort projects at various stages of development: Southlands, Wyndham, Belmont, the Newstead, and Club Med to name a few.

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Bermuda Department of Tourism – www.bermudatourism.com/index.aspx
 Bermuda Chamber of Commerce – www.bermudacommerce.com
 Bermuda Hotel Association – www.experiencebermuda.com
 Bermuda Alliance for Tourism – www.bat.bm

X. Public Administration

Overview

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	2003	2004	2005
Total Market Size ¹	3,982	4,104	4,056
Total Local Production ² (BDA\$)	200,987,000	218,082,000	234,093,000
Total Exports	0	0	0
Total Imports (est, BDA\$)	117,868,934	139,755,056	139,298,099
Imports from the U.S. (est, BDA\$)	94,102,476	110,389,748	103,723,209

¹ Number of filled jobs

² Calculated at current market prices

The Bermuda Government is Bermuda's largest single employer, spender and revenue earner. 47 paid legislators represent an estimated 38,500 registered voters, a ratio of legislators to voters more than twelve times higher than the average equivalent in virtually any other country. In excess of 13 percent of the entire workforce is working directly or indirectly for the GOB. In 2006, the Bermuda Government workforce - excluding the Government-owned quangos - exceeded 5,000 - in less than 21 square miles. The Bermuda Government is exceedingly expensive for Bermuda's individual taxpayers, companies both local and international, business visitors and tourists. It is Bermuda's single largest beneficiary of tourism revenue. Output in the Public Administration sector advanced 7.3% in 2005, consistent with the pace of growth in the last five years, which averaged 7.4%.

Best Products/Services

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Government consultants and advisors, and tenders for bid.

Opportunities

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Although work permit issues restrict who may work directly for the Government of Bermuda, the GOB does hire consultants and advisors for various projects in a multitude of sectors. There are also opportunities for investors to apply for tenders to bid. These are posted in the Bermuda Sun (the Official Gazette) and sometimes the Royal Gazette.

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Government of Bermuda www.gov.bm
 Bermuda Sun www.bermudasun.org
 Royal Gazette www.theroyalgazette.com

XI. Other Community, Social, & Personal Services

Overview

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Other community, social and personal services include:

- Sewage and refuse disposal; sanitation and similar activities
- Activities of membership organizations
- Recreational, cultural and sporting activities
- Private households with employed persons
- Other service activities

Many of these activities fall under the jurisdiction of the Bermuda Government. Outside contributions would require a work permit or other documentation.

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Government of Bermuda www.gov.bm

Listing of organizations <http://www.bermuda-online.org/businessorgs.htm>

XII. Manufacturing

Overview

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Manufacturing in Bermuda makes up a small portion of the GDP. Goods are locally produced, but often use overseas raw materials.

Products produced include:

- food and beverage products (i.e. Barritts beverages)
- textiles and upholstery (i.e. residential, commercial, auto, marine)
- carpentry and wood products
- publishing & printing
- paints (i.e. Bermuda Paint Co. only)
- perfumes (i.e. Bermuda Perfumery only)
- metal work (ornamental and decorative)
- dairy farming – (Dunkley's Dairy only)
- jewelry design

The carpentry, wood, jewelry, and clothing products produced in Bermuda would be considered a 'cottage industry' (home based vs. factory based) by industry standards.

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Chamber of Commerce www.bermudacommerce.com

Bermuda Yellow Pages www.bermudayp.com

XIII. Electricity, Gas & Water Supply

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Electricity: With no rivers or hydro-electric plants or wind farms, all electricity is from imported oil and is very expensive compared to U.S.A., Canada, United Kingdom and Europe. Electricity for heating, lighting, cooking and cooling is provided exclusively in Bermuda by the Bermuda Electric Light Company Limited (BELCO). BELCO has a Bermuda Government legislated monopoly on the supply of local electricity and is a local commercial joint stock company of which a majority is owned by Bermudian shareholders. This means that unlike in the U.S.A., it cannot operate with maximum economies of scale. Belco has started a public consultation about plant location and alternative energy sources in order to better plan for the future.

Gas: The only two retailers allowed to offer gasoline and oil in Bermuda are U.S.A.-owned ExxonMobil (trading in Bermuda as Esso) and the British-Dutch Shell Oil Company. Because of the price the Bermuda Government expects per liter from gasoline service stations, there is no competition between Esso and Shell.

There are two local companies who provide Bermuda with household gas (propane only); Bermuda Gas, who purchases their propane from Shell and Sunshine Gas. Bermuda Gas (Belco Holdings) is publicly owned and investors can purchase stock through the Bermuda Stock Exchange (BSX) however, some stipulations still apply in terms of the 60/40 ownership rule. Bermuda Bulk Gases and Pure Air Gases supply medical and industrial gas which is purchased directly from the United States.

Water: Bermuda has a very unique water supply system, where much of our water is collected on roofs and stored in tanks. To supplement rain water, consumers can purchase water from truckers. Water truckers buy it from one of the Bermuda Government reservoirs or Bermuda Government-owned sea water distillation or reverse osmosis plants. Imported bottled water is very much in demand. It comes from - alphabetically - the Azores, Belgium, Canada, France, Iceland, Italy, United Kingdom and U.S.A. In 2003, US \$2.6 million worth was imported by stores and sold.

Resources

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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 Works & Engineering www.gov.bm

XIV. Agriculture, Forestry and Fishing

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A small quantity of agriculture, forestry, and fishing activities occurs in Bermuda. Landscaping is the largest component within the agriculture, forestry and fishing

industry, with nearly 600 people (almost one percent of the population) employed as gardeners.

Agriculture: Agriculture does not play a significant role in Bermuda's economy. Only a small area of land is under cultivation. Food supplies are mostly imported from the U.S. and Canada, and dairy products and goods from a variety of other countries including the U.S., Canada, United Kingdom, Republic of Ireland and New Zealand. However, Bermudian farmers do provide eggs, bananas, grapefruit, and oranges, plus other fruits and vegetables, and milk. When certain locally grown fruits and vegetables are in season (and premium priced) temporary embargoes are placed on the importation of competing produce from abroad, to allow the farmers to make a decent livelihood. There is also some cultivation of flowers for the local market. Many indoor and outdoor plants are imported into Bermuda for resale by the local nurseries; however, tight restrictions are in place to control/prevent the importation of harmful pests and diseases.

Forestry: There is little forestry in Bermuda. Any cultivation of trees is closely regulated by the Ministry of the Environment under the 1986 Bermuda National Parks Act and the 1988 Bermuda National Parks Regulations. Therefore, most wood and lumber products are imported from the U.S. and Canada (i.e. Christmas trees).

Fisheries: Bermuda's fisheries' contribution to the GDP is made up of what local fishermen sell to the public, local restaurants, grocery stores; and international fishing tournaments. Fish and seafood are also imported for consumer consumption through local wholesalers. For more information on restrictions and how to obtain fishing licenses please contact the Department of Environmental Protection.

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Ministry of the Environment, Telecommunications and E-Commerce – www.gov.bm
Department of Environmental Protection www.gov.bm

Chapter 5: Trade Regulations and Standards

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- [U.S. Export Controls](#)
- [Temporary Entry](#)
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Import Tariffs

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H.M. Customs – Bermuda is responsible for the collection and protection of approximately 27% of the Bermuda Government’s revenue. Customs officers work throughout Bermuda at the official ports of Hamilton, St. George, Oil Docks, Bermuda International Airport, and Ireland Island, carrying out various tasks related to the enforcement of Bermuda’s laws.

The Department's main office is located in Hamilton where officers are involved in processing Bermuda Customs Declarations for arriving air and ocean freight. The Department also has a number of specialist teams who work jointly with the Bermuda Police Service in combating the cross-border movement of illicit drugs, contraband, proceeds of crime; and control the movement of passengers and cargo.

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%. Customs duty relief is available for materials used in local manufacturing. Certain ‘luxury’ items such as boats and cars, incur duty at much higher rates. The most common rate for accompanied personal goods of persons arriving in Bermuda by air or sea is currently 25% of the transaction value. Each resident receives a \$100 ‘duty free’ baggage allowance on each trip abroad. Visitors are entitled to a \$30.00 gift allowance every 30 days. There are also allowances available on alcohol and tobacco- passengers may claim 1 litre of wine, 1 litre of spirits, 200 cigarettes, 50 cigars, ½ kg of tobacco duty free per arrival.

Trade Barriers

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There are currently no specific trade barriers between the United States and Bermuda.

Import Requirements and Documentation

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All articles being imported or exported are subject to inspection by customs and/or the relevant statutory authority (e.g. the Police or other government departments).

Goods that are imported by post are subject to compliance with postal requirements and with the regulations regarding customs declarations. Simplified Customs Tariff (SCT) applies to goods imported by post and courier which helps to simplify the declarations process. All articles imported via post are subject to inspection by the customs department.

Every traveler arriving in Bermuda must complete a **Customs Traveller Declaration** form. Travelers must declare all goods, including gifts that will be left in Bermuda. Duty is payable on any imported goods not covered by a duty free allowance.

The value of imported goods must be declared in Bermuda dollars. Exchange rate information is available from HM Customs. For visitors, the U.S. dollar may be used to purchase goods and services and is at par with the Bermuda dollar.

The Customs Traveler Declaration is not intended for use to declare goods for resale, commercial samples, or goods bought on commission or as an accommodation for any other person. Travelers importing such goods should ask a customs officer for a **Commercial Declaration Form (BCD)**

All animals arriving in Bermuda must be accompanied by an Import Permit issued in advance by the Bermuda Department of Environmental Protection.

U.S. Export Controls

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The U.S. Departments of State, Commerce, Homeland Security, Treasury, Defense, and Energy each 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 links to important information for exporters.

Temporary Entry

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Some goods may be imported on a temporary basis without the payment of customs duty. Goods imported for short periods of time (e.g. tools of trade) must have a monetary security (customs deposit) placed with customs prior to being released by customs. This security/deposit amount can be recovered in full less wharfage fee, currently 1.01% for airport arrivals and 1.11% for Hamilton dock arrivals, by proper adjustment of the deposit with customs. The adjustment and refund timeframe is 30 working days. Some restrictions apply and proper export procedures MUST be followed to obtain a refund of the deposit. Any goods which remain in Bermuda are subject to import duty at the appropriate rate. Where goods are sold or otherwise disposed of without authorization from the Collector of Customs, they become liable to forfeiture and the importer is liable to a monetary penalty of up to \$12,000 BDA.

Labeling and Marking Requirements

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Bermuda follows the same labeling and marking requirements as the U.S., U.K., and Canada. The foreign food labels must be applied prior to export. The Public Health Act makes provisions for the regulation and enforcement of food labeling legislation.

Bermuda has no food labeling legislation. The Department of Health and the Department of Consumer Affairs are in the process of documenting legislation for locally produced products. To date local producers have been operating under a voluntary agreement of understanding by putting the minimum information on the labels such as:

- Name of product
- Name of manufacturer or distributor
- Address and contact number of manufacturer or distributor
- List of all ingredients in descending order of quantity
- Additives- natural or artificial
- Net quantity of the food (by weight if solid, by volume if liquid)

No person shall import into Bermuda any food:

- a) which has been manufactured or prepared under unsanitary conditions; or
- b) which has been adulterated; or
- c) which is not permitted to be sold, or whose sale is restricted in the country from which it is exported.

Prohibited and Restricted Imports

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The following items are listed as prohibited and restricted imports:

- 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
- Gaming 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

Customs Regulations and Contact Information

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For information on customs regulations please review the sections on Import Tariffs and Import Requirements and Documentation.

For more information please contact:

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

Standards

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Overview

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Although there are no trade standards organizations in Bermuda at this time, standards are enforced by the Department of Consumer Affairs. The Department of Consumer Affairs is currently working on a Product Safety Regulations Act slated for release soon. Existing standards can be referenced under the Consumer Protection Act 1999, the Supply of Services (Implied Terms) Act 2003, and the Sales of Goods Act 1978 found under the Bermuda Laws website on-line.

Standards Organizations

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For any questions regarding standards in Bermuda please contact the Consumer Affairs office.

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

National Institute of Standards and Technology (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/>

Trade Agreements

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Since Bermuda is not an independent country, it can not be a part of the World Trade Organization (WTO). Bermuda is an associate member of Caricom (Caribbean Community). Although Bermuda is not a signatory, Bermuda has adopted the international Harmonised System 2007 as the basis for the Customs Tariff. Likewise Bermuda has adopted 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.

Web Resources

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Bermuda Laws Online www.bermudalaws.bm

Consumer Affairs www.ca.gov.bm

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Chapter 6: Investment Climate

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- [Dispute Settlement](#)
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Openness to Foreign Investment

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The Government of Bermuda (GOB) welcomes foreign investment, as evidenced by the number of international companies registered on the island. In 2006, there were 14,247 international businesses- on the register, an increase of 2.9% or 406 over 2005. Based on the 2005 employment survey, there were 4,428 local businesses operating in Bermuda. Of the international companies, 82 new insurance companies were incorporated in 2006 compared to 75 in 2005.

The incorporation of companies is governed by the Companies Amendment Act 2006. To be classified as a “local company”, a company must meet the three requirements of the 60/40 rule whereby Bermudians are 1) the beneficial owners of at least 60 percent of the shares in the company, 2) exercise at least 60 percent of the total voting rights in the company, and 3) make up at least 60 percent of the directors of the company. Local companies may do business with anyone in Bermuda, exempt companies cannot.

On the other hand, without a waiver, exempted companies can only do business outside of Bermuda (no Bermudian clients). In principal, they are also precluded from doing business with other exempt companies, and may not own real property in Bermuda (with a few exceptions created by individual acts of the legislature). Exempt companies, as the name implies, are exempt from the 60/40 rule and in fact may be 100% owned by non-Bermudians. It should be noted that the term “exempt” has nothing to do with the concept of taxation, only ownership. Nor does the terminology imply that the companies are subject to any less supervision, regulatory oversight, or fiscal rules than are local companies.

Overseas and resident investors may form partnerships under the laws of Bermuda. An overseas partnership is one that is governed by non-Bermudian law. Exempt

partnerships and overseas partnerships must maintain an office and place of business in Bermuda and must appoint and maintain resident representatives on the island. These companies may also have places of business in Bermuda, as well as any other jurisdictions they desire. Over the years, the procedures governing partnerships have come into question. The Consulate General has become aware of several occasions when local companies have hired foreigners to join them in a business and later dismissed them. Sometimes the foreigner has lost months of salary owed, his/her financial and/or intellectual property investment, and has on occasion had his/her work permit/permission to remain revoked. There has been a recent highly publicized case involving an expatriate where Bermudian courts have decided in favor of the expatriate.

The ownership distinction between local and exempt companies may be starting to narrow. Local companies wishing to be permitted to carry on business in Bermuda while owned more than 40 percent by non-Bermudians may apply on a case-by-case basis to the Minister of Finance for a license pursuant to exemption provisions under 114B of the Companies Act. Many hotels and telecommunications companies fall into this category. In recent years, the minister of finance removed the 60/40 ownership restrictions as they apply to three of the island's four banks with conditions designed to prevent any foreign takeover of the bank. A factor contributing to the decision to grant those waivers may have been pressure from the Organization for Economic Cooperation and Development (OECD) to eliminate separate regulatory regimes for local and international companies. There is some indication that the insurance industry and financial services sector may also enjoy some liberalization in this regard in the future.

The attitude towards exempt companies, while officially welcoming, is anything but casual. Bermuda is very serious as to who it will permit to engage in business in its country, making the vetting process undertaken in incorporating a business both painstaking and deliberate. Because the island seeks to distance itself from offshore jurisdictions that are considered tax or money laundering havens, the Bermuda Monetary Authority (BMA) requires that a Personal Declaration Form (PD) be submitted for each proposed company owner with more than 5 percent of the company's issued and authorized share. A company must also provide a detailed business plan and maintain a register of shareholders at their registered office. In this way, the BMA acts as the control valve for company incorporation. Contrary to what many believe, the tax system for both local and exempt companies is the same.

Historically, a large part of the management workforce has come from overseas. This fact has become a sensitive issue to those Bermudians seeking employment, as well as an exacerbating factor in labor disputes and has become a political football. With standards of qualification not necessarily objective (Bermudians generally go overseas for both higher education – there is only one community college on the island, and it offers only a two-year diploma – and work experience, factors that contribute to making local residents less technically qualified, compared to the citizens of some other countries), there are instances where a company has been forced to hire a Bermudian apprentice in lieu of a qualified foreign national. The legal capacity for non-Bermudians to work here can be somewhat difficult to arrange although exceptions are made for many major companies. In 2001, Bermuda Immigration implemented a six year work permit rule which states that foreign workers may work in Bermuda for up to six years unless their employers could demonstrate that they are "key employees" whereupon they would be permitted to work in Bermuda for up to nine years. The Government of Bermuda's (GOB) objective is to encourage the training and eventual hiring of locals to

fill senior management positions across the board. Thus, while limited work permits are issued to foreigners, there is a constant need on the part of corporations to prove that qualified Bermudians are unavailable to perform the job. (See section addressing Labor for additional information).

Conversion and Transfer Policies

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The U.S. dollar is used and accepted in Bermuda side-by-side with the Bermuda dollar. Both currencies are freely interchangeable and transferable without restriction. Bermuda does have an Exchange Control Act but it is outdated and has limited relevance to most individuals. In practice, consent is not required for Bermudians to hold foreign currency and assets. The regulations that exist are in place to ensure the maintenance of local ownership and to make sure that people coming in from other countries have been vetted and been found credible and not at variance with world standards governing financial flows.

To that end, the BMA performs inspections prior to granting specific exchange control permission for the issue and transfer of registered securities in Bermuda companies to persons deemed non-resident for exchange control purposes. Additionally, the BMA must approve the issuance and transfer of securities of local and exempt companies unless listed on a stock exchange.

Expropriation and Compensation

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There is no history or allowance for expropriation without just compensation.

Dispute Settlement

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With respect to international disputes, Bermuda enacted the Bermuda International Conciliation and Arbitration Act 1993, effective June 29, 1993. In doing so, it adopted an internationally recognized arbitration code, the UN Commission on International Trade Law (UNCITRAL) model law of arbitration. Bermuda became a party to the 1958 UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1980 ("The New York Convention"), with the result that arbitration awards from other countries including the United States are readily enforceable in Bermuda, and vice versa. It is the current unwritten policy of the Ministry of Immigration, Labour and Home Affairs that arbitrators and foreign counsel attending for the purposes of arbitration do not need work permits. The Department of Immigration does require advance notice of the presence of such individuals in the jurisdiction for the purpose of the arbitration.

A dispute in the 1990s involving the U.S.-based McDonald Group and the Bermuda Telephone Company serves as an example of how Bermuda achieved resolution in one high-profile, lengthy case. The dispute focused on U.S. investors owning 28 percent of the company's stock while controlling the board of directors, a violation of the island's 60/40 rule. In 1997, the dispute went to the Privy Council in the U.K. The matter was settled two years later to the satisfaction of all parties through a consent order that restructured the shareholdings.

A licensing dispute between the GOB and CableVision also landed in the courts. CableVision, seeking a 15-year renewal of its license, rejected the GOB's issuance of a

one -year license (crafted to force improved service) and ceased to broadcast. The government obtained an injunction to prevent a shutdown of service, but CableVision took the matter to the Supreme Court, which overturned the injunction, stating that “It would be quite wrong for the courts to interfere. The parties must be free to negotiate their bargain free from interference by the courts. If this were not so, confidence in the courts would be eroded.” The dispute was finally settled out of court with CableVision being granted an 11 year license.

Performance Requirements and Incentives

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The questions relating to performance requirements and incentives are largely inapplicable to Bermuda, except as they relate to tourism. Resuscitation of the ailing tourism industry was the aim behind two recent legislative acts. The Hotel Concession Act, which was passed in 1991, provides relief from customs duty for materials used in hotel renovations. In 2007, the GOB followed with the expanded version of the (Temporary Customs Duty Relief) Bill 2002, which extends similar relief for restaurant renovation.

Because of the island’s small size, the GOB does not normally solicit investment in infrastructure. One area where investment would be welcome, however, is in port development. Bermuda’s new cruise ship policy states that an exception to the three to five year limit on cruise contracts would be considered if a company were willing to “contribute substantially” to the redevelopment of the island’s port facilities and infrastructure.

Although not related to the GOB’s tourism goals, the government used performance incentives of another kind to address other economic and social aims. The GOB a few years ago accepted the second-lowest bid from a construction firm to build a new secondary school, a move that was criticized even by party insiders. The government’s controversial plan promised \$250,000 BDA to the contractor in exchange for an agreement to hire and train Bermudian workers. This project has since run well over budget and remains a sore point for the GOB.

Right to Private Ownership and Establishment

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Ownership of residential property is a function of wealth; commercial property ownership is a function of classification under the Companies Act. Pursuant to Section 114(b) of the act, as amended, local companies are authorized to own property. Exempt companies, for the most part, may not own property, although they may lease commercial land for up to 50 years and residential property for their employees for up to 21 years.

The residential market is characterized by a dearth of housing. Conscious of that shortage, the GOB has enacted a law which states that non-Bermudians can purchase homes only from other non-Bermudians. Additionally, only Bermudians can purchase homes from other Bermudians. The goal over time in separating the two pools of housing is that expatriate home ownership will decrease. Homes that can be sold to expatriates must have a minimum annual rental value (ARV) of \$153,000 BDA, thus further restricting expatriate purchases. The same policy applies to the purchase of condominiums which must have a minimum ARV of \$32,400 BDA. The ARV is not only the basis for taxation but also the basis for setting the threshold of value at which

foreigners may purchase. As a practical matter, this limit protects approximately 95% of the island's homes from foreign purchase.

Although government intervention has long resulted in two distinct markets, the gap between the two has been narrowing. Scarcity in the local market is driven by strong demand from the international business community, not only for home purchases but also for rentals. The outcome is that rental premiums have raised the value of local homes and introduced the price competition that the country had hoped to avoid by limiting the ownership to locals.

The GOB has relatively few monopolies, among which are trash collection and ferry services. The government's postal service is in competition with private mail services; public education rivals private education; the public bus service competes with taxis, local mini-bus services, and multiple-passenger airport buses; and the police service competes to a degree with private security services. While competition among telecommunications companies is keen, a single utility has a monopoly over the generation of electricity.

Protection of Property Rights

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Bermuda's legal system follows the UK model, including the right of appeal to London's Privy Council. As an overseas territory of the United Kingdom, Bermuda is subject to the same treaties to which the UK is a party, including those concerning intellectual property rights. The island cannot enter into treaties separate and apart unless expressly authorized to do so by the UK.

Transparency of Regulatory System

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According to its critics the current government, now of nine years durations, lacks transparency. This is a possible point of contention in the upcoming (must occur before the end of Summer 2008) general election. The government continues to have fractious relations with the media, which has ranged in the past from government officials refusing to return phone calls to the more recent gag order issued by the GOB regarding the Bermuda Housing Scandal. That case has been characterized by legal authorities as unethical rather than a criminal lapse. This dispute will be resolved by going before the U.K's Privy Council.

Bermuda, which can be described as well regulated, has historically delegated regulatory authority to ministerial discretion. This situation continues to evolve, particularly on the financial regulatory side as the island seeks the approval of the international regulatory community. More and more rules are being issued and their administration delegated to the Bermuda Monetary Authority. Bermuda aspires to become known as the premier jurisdiction for regulatory leadership in financial flows resulting in a high-quality international reputation.

Efficient Capital Markets and Portfolio Investment

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Bermuda's currency, the Bermuda Dollar, is fixed or pegged to the U.S. Dollar. Overseeing this, Bermuda has a monetary authority (BMA) instead of a central bank. As there is no monetary policy, no lender of last resort, no deposit insurance and no implied

guaranty, liquidity is an important concern for the island's four banks. They hold significantly high quantities of liquid U.S. Dollar assets on their balance sheets. In addition, institutional credit lines are normally arranged through U.S. or U.K. institutions.

Bermuda's banks continue to be very liquid, with some 2/3 of their aggregate balance sheet consisting of inter-bank placements or holdings of high quality marketable securities. Loans and advances account for less than 30% of total assets. The banks are required to meet a minimum capital ratio of 10% at the consolidated level but, in practice, the aggregate ratio exceeded 18% at year end 2006. In other matters, the banks follow the Bank of England model. They are required to maintain separately capitalized subsidiaries in order to conduct their trust business.

Being a small island and having its economy so intertwined with the U.S. has obviated the need for local capital restrictions. Bermuda does not have developed capital markets, as it is virtually part of the U.S. and other overseas markets. Thus, credit availability is not totally dependent on local markets. Many companies and particularly the large ones maintain external banking relationships. Since Bermuda does not have a central bank and does not conduct a controlling monetary policy, it has no need to intervene in the markets.

The Bermuda Stock Exchange (BSX) was recognized by the U.S. Securities and Exchange Commission as a "Designated Offshore Securities Market" in October 1996. Three years later it became a full member of the International Federation of Stock Exchanges. In 2005, the BSX was granted Designated Investment Exchange (DIE) status by the UK Financial Services Authority. The BMA provides oversight of the BSX and its trading activity. The BSX introduced an electronic clearing, settlement and registration system designated as the Bermuda Securities Depository (BSD), which is also under the supervision of the BMA. The BSD was designed to facilitate more efficient trade settlement for BSX-listed securities by allowing book entry settlement rather than paper based settlement.

Consistent with wider international trends, the improvement in market conditions continued in 2006 promoting an increase in trading volumes on the Bermuda Stock Exchange (BSX). Domestic trading volumes increased by 34% in 2006 compared to the prior year. During the year, domestic equity securities with an aggregate value of over \$121 million BDA changed hands, and increased around 63% over 2005. International crossings recorded lower levels of business during the year, with a total of 53 million shares being transacted representing an aggregate value of \$1.5 billion BDA, a result of development in other markets which diminished the interest for international transactions to be crossed on the BSX.

Budget: Finance Minister and Deputy Premier Paula Cox summarized the 2007 budget as follows: "Social dividends increase, capital expenditures decrease, we are in a good place economically, and the outlook for 2007 is positive". There will be increased costs to international business, including enhanced corporate registry fees, a taxation on high income earners, and doubling of the tax on currency conversion from Bermuda dollars to 50 basis points.

Government's Capital Expenditure Plan has decreased from \$220 million BDA in 2006 to \$141 million BDA in 2007, with new projects limited to \$41 million BDA. While the Budget

outlines expenditures for venture capital programs, satellite initiatives and a Fishing Apprenticeship Scheme, there is limited proposed intervention to address Bermuda's serious housing shortage. With the proposed reduced customs duties from 2007 to 2008 and the benefits of public-private partnership schemes, the government has concluded that it is not necessary nor prudent to set aside the earlier planned level of funding for housing.

The revised estimate of total revenue for 2006/07 is \$856 million BDA, which compared to the original estimate of \$835 million BDA represents an increase of approximately 2.5%.

The projected total revenue for 2007/08 is \$917 million BDA, which compared to the revised estimate for 2006/07 of \$856 million BDA represents an increase of approximately 7%.

However the projected total revenue for 2007/08 is almost 10% higher than the original estimated figure of \$835 million BDA for 2006/07. The government's current spending is projected to increase by 7.6% to \$885 million BDA in fiscal 2007/08.

The international business sector is expected to continue to expand, further solidifying its position as the largest contributor to the island's GDP (accounting for 21.9% of GDP in 2005, up significantly from 14.5% in 2001).

Political Violence

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The U.S. State Department 2007 Background Notes state that there have been no recent incidents of political violence in Bermuda.

Corruption

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Although there have been a number of incidents of public corruption, the most notable case to date has been the Bermuda Housing Scandal wherein several prominent politicians and businessmen were investigated. The current government tried to place a "gag order" on the local media regarding the incident and escalated the issue to a contretemps with the U.K. Governor. It is also commonly accepted that the narcotics importation business in Bermuda could not exist without the active participation of some public employees from police, customs, and the post office. There is also reputed to be some amount of lower-level public corruption on the island. The inter-relationships in this tiny country lead to inevitable conflicts of interest that are endemic to any small jurisdiction.

While there is always a risk of money laundering, there is no evidence that there is a significant problem in Bermuda- partly because in the 1940's the GOB instituted a strict anti-money laundering law called "Know your Customer". However, it is not inconceivable that businesses handling large amounts of money could find the opportunity to launder money, as in any large money centre. In October of 2007, a draft report from the IMF on Bermuda did not conclude that Bermuda is a jurisdiction at risk. However, Finance Minister Paula Cox hinted that a problem for the island may lie outside the Government of Bermuda and with both regulated and private financial institutes on the island not fully meeting their responsibilities when it comes to stamping out illegal financial practices.

Bermuda enacted the Proceeds of Crime Act and the Proceeds of Crime (Money Laundering) Regulations in 1998. The regulations apply money laundering controls to financial institutions such as banks, deposit companies, trust companies and credit unions. The list of regulated offences goes beyond laundering of drug-related moneys to include tax evasion, corruption, fraud, counterfeiting, stealing and forgery. One drawback of current law is that it does not provide measures to detect/monitor cross-border transportation of cash. However, if there are reasonable grounds for suspicion, cash being transported across borders may be seized. The GOB has recently passed important legislation which when enacted and implemented in 2008 will address a number of weaknesses in the AML (anti money laundering) legal framework. This legislation along with proposed amendments to the regulations in 2007 will extend the scope of AML regulation to gatekeepers such as accountants, lawyers and others.

Keen to rise above any perceived impropriety associated with offshore centers, Bermuda continues to update its regulatory framework to meet international standards, including those of the International Monetary Fund (IMF) and those espoused by the Financial Action Task Force (FATF) and the Organization for Economic Cooperation and Development (OECD). Additionally, Bermuda made a commitment in 2000 to the OECD to operate in a transparent and cooperative manner, to keep the island from being named on the OECD "hit list."

The Bermuda Criminal Code makes provision for punishing corrupt practices in the area of investments, particularly for the offences of misleading statements and practices, market manipulation and insider dealing. In addition, Bermuda Stock Exchange (the "BSX") members are prohibited from engaging in insider dealing under BSX Regulations. Trading members are obliged to be fit and proper and comply with all by-laws, regulations, codes, decisions, orders, directions and other actions made or done on behalf of the BSX. This includes, but is not limited to, complying with regulations not to conduct acts of misconduct such as insider dealing, making material misstatements and providing false and/or misleading information. It should also be noted that regulated entities holding licenses under the Investment Business Act 2003 (the "Act") are required to conduct business in a prudent manner in accordance with a Code of Conduct published under the Act which, amongst other things, prohibits market manipulation.

Bilateral Investment Agreements

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Bermuda contributes to the International Monetary Fund (IMF) and international banking statistics. The island also has a bilateral taxation treaty with the U.S. signed on 11 July 1986 entitled "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." The treaty, commonly referred to as U.S.-Bermuda Tax Convention Act of 1986, was ratified by the U.S. Senate in 1988 and limits U.S. taxation of Bermuda-based insurance companies. Bermuda has been added to the category A list of signatories to the IOSCO MMOU (International Organization of Securities Commissions Multi-lateral Memorandum Of Understanding), which provides for mutual co-operation and the exchange of information among securities regulators).

In the act, the United States agreed to waive for eligible Bermudian insurance companies any income and excise taxes on insurance premium income derived from the

United States. An “eligible” company was defined as one a) 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 b) that does not operate as a permanent establishment in the U.S.

The U.S. and Bermuda agreed to provide mutual assistance in tax matters, including the exchange of confidential information. The provision was drafted principally to assist the United States enforce its tax laws. The degree of assistance depends on whether the offense was civil or criminal and when it occurred. As a quid pro quo, the treaty also authorized U.S. tax deductions for persons who incur expenses while attending business conventions in Bermuda. The act further listed Bermuda as an authorized site for foreign sales corporations (FSC) which were authorized pursuant to the 1986 Tax Reduction Act. An FSC is a subsidiary of a U.S. company that manufactures or provides U.S. goods or services, either selling directly or via an agent. Earnings could ultimately accrue to its parent in the form of a tax exempt dividend, thereby enabling the U.S. parent to supply goods and/or services at competitive prices. The FSC can arrange for the sale or supply of goods or services to foreign customers. It may sell either directly or arrange sales. Earnings may ultimately be returned to its parent in the form of a tax exempt dividend. It is via this exemption that benefits derive to the U.S. parent, which is enabled to supply goods and/or services at a more competitive cost over its foreign trading rivals.

OPIC and Other Investment Insurance Programs

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Bermuda investors do not enjoy the same kinds of protections as provided by other jurisdictions such as the U.S., and should exercise their own “due diligence.” There is no deposit protection for owners of mutual funds or trusts, nor is there any central fund to reimburse investors. The BMA does, however, maintain 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. In 2006, the GOB passed the Investment Funds Act which clearly outlines how public funds are regulated and defines the framework for non-public, institutionalized funds.

Labor

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Labor troubles are a part of Bermuda’s history, sometimes ebbing and sometimes surging. Worker unrest played a role in the decline of tourism, which in its heyday in the 1960’s was the foundation for Bermuda’s economy. With the election of the Progressive Labor Party (PLP) for the first time in 1998, many thought that labor problems would be a thing of the past. The PLP’s honeymoon period was longer than that enjoyed by many new governments because its election was broadly supported by grassroots Bermudians. Although dissension was evident at times, there was a lessening of labor tensions, due in part to the passage of fair labor laws favored by most Bermudians. Labor laws enacted in 2001 include the landmark Employment Act 2000 which restricts expatriate work permits to a six year limit -or nine year maximum if their company can prove that they are “key employees”. Bermudians are keen to enter the international business sector, where they hope to reap financial rewards that did not accrue to those in the hospitality sector. An aim of the new work permit legislation is training to facilitate the entry of Bermudians into higher echelons.

Bermuda continues to endure labor disputes; however, the number of disputes has decreased over recent years. In 2006, Bermuda taxi drivers organized to protest the installation of GPS systems in every cab, and the Bermuda Industrial Union Transport Division instigated “work stoppages” during contract negotiations. In 2007, the Bermuda Union of Teachers sought a payment settlement for a back-dated cost of living increase, not all of which was received. The possibility of a strike has not been ruled out at this time. In addition, dock workers are currently participating in a “work to rule” dispute. These actions however do not affect all Bermudians in their daily routine.

Workers and managers alike are finding fault with the Employment Act of 2000 and white collar employees are joining the Bermuda Public Services Association in greater numbers to seek collective relief from overtime rules ensuing from the Act. However, hotel workers and management renegotiated a three-year contract with little fanfare, a result of mutual recognition of tourism’s woes.

Foreign-Trade Zones/Free Ports

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Bermuda has no free port, although retailers hoping to increase sales sometimes broach the idea.

Foreign Direct Investment Statistics

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The strengthening trend in international markets in 2006 helped the investment sector achieve growth, with aggregate total assets of licensed investment providers (excluding banks and overseas entities) amounting to about \$3.2 billion BDA at year-end 2006, up 7% over the prior year. The aggregate capital of the licensed sector grew to approximately \$900 million BDA at the end of 2006 compared with \$830 million BDA at the end of 2005. Data for 2006 showed that at the end of the year Bermuda's bank had aggregate cross-border claims of US \$12.0 billion (US \$13.5 billion in 2005) and total cross-border liabilities of US \$12.3 billions(US \$12.2 billion in 2005).

Web Resources

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

Bermuda Hotel Association: <http://www.experiencebermuda.com/>

Bermuda International Business Association www.biba.org

Bermuda Monetary Authority www.bma.bm

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

Bermuda Small Business Development Corporation: www.bsbdc.bm/m_smbus.html

Bermuda Stock Exchange: www.bsx.com

Department of Statistics: <http://www.statistics.gov.bm>

Government of Bermuda: www.gov.bm

The Royal Gazette: www.theroyalgazette.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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Generally, Bermuda companies will pay by check, bank draft, standing order, local interbank transfers or international money transfers (wire payments or cables) for payment of goods and services. There is no central clearing yet, but common Automated Clearing House (ACH) standards are in use.

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. Standing Orders are used if you tend to request checks, drafts, money transfers or account transfers for the same amount on a regular basis. International Money Transfers (IMT) are often referred to as wire payments or cables using the SWIFT network. They provide the means for receipt and transfer of funds internationally. Drafts are drawn on funds held at correspondent accounts so they clear through the country in which that particular currency is domiciled. Manager's Checks are used to make payments locally rather than being drawn on overseas correspondents.

Settlement of payments is achieved through a network of correspondent banks and can, therefore, be made in any major currency and to nearly any bank in the world. Typically, employees of local firms are paid in BMD, whereas some exempt firms pay in USD.

How Does the Banking System Operate

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Bermuda has a strong, well developed banking system due to the huge international business sector. There are four banks licensed to operate in Bermuda. There is one global bank (Bank of Bermuda/member of HSBC group), one regional bank (Butterfield Bank), and 2 local banks (Capital G and Bermuda Commercial Bank) available for financial services, products and advice.

They offer a wide range of commercial banking facilities including comprehensive investment, trust, financial management services and direct access to a variety of currency alternatives. The English common law rule of confidentiality prevails on all accounts. Accounts can be maintained in most foreign currencies. Bermuda's banking sector is closely monitored by the International Monetary Fund (IMF), international risk rating agencies and the Bermuda Monetary Authority (BMA) whose key monitoring is anti-money laundering, which is deemed crucial to the ongoing financial reputation of the island.

Many banking transactions are done electronically and a majority of the population use Internet banking. Internet banking has become a common channel through which Bermudians perform cash transfers and pay for services.

Foreign-Exchange Controls

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Exempted businesses and non-resident individuals may trade and maintain bank accounts in any currency, remitting or repatriating their funds without exchange control. Bermuda dollar accounts are subject to a 0.50% tax on the purchase of all foreign currency. The exchange controls, which formerly existed for Bermuda residents, have now been removed and Bermuda residents now free to make investments of any amount in foreign currency.

U.S. Banks and Local Correspondent Banks

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There are no U.S. banks located in Bermuda. Although the Bank of New York is on the island, this branch is an investment bank only. Although there are no correspondent banks in Bermuda, all Bermudian banks have correspondent relationships with major U.S. banks.

Project Financing

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The Bermudian government expects potential investors to have project financing in place as part of the business plan for proposed projects in Bermuda. There are no national financial entities in Bermuda to assist with foreign project financing.

Web Resources

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Bank of Bermuda www.bankofbermuda.com

Butterfield Bank www.butterfieldbank.com

Capital G Limited www.capital-g.com

Bermuda Commercial Bank www.bermuda-bcb.com

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

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

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

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Business Customs

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Given the proximity of Bermuda to the United States, there is an extensive knowledge of and parallels to American business culture. However, there are some cultural differences. Bermudians still value good manners and personal courtesy very highly. Bermudians usually shake hands upon meeting and sometimes exchange business cards. A greeting of “Good morning”, “Good afternoon” or “Good evening” will get you off on the right foot. Unlike Americans, Bermudians appreciate being addressed by their family name (i.e. Mr. Smith or Mrs. Brown). Conversations generally move to a first name basis a bit more slowly than in the United States. Although island life can be slower and more relaxed than the mainland, business visitors should be on time for meetings and dressed appropriately since the international business sector tends to be very formal and efficient. Business dress can be a bit more formal than in large U.S. cities; many companies subscribe to “smart casual” dress, but this is dependant on the company policy.

Bermuda is the one of the few places in the world where there is an unwritten national dress for men. Bermudians and professional businessmen wear Bermuda shorts for business attire and cocktail parties predominantly during the summer months. The shorts are worn three inches above the knee, accompanied by Bermuda (knee-length) socks, a white or colored button down short/long sleeved shirt, a tie, and a single or double breasted navy blue blazer, sport coat, or linen jacket. The most appropriate shoes are loafers with tassels in black or brown, depending on the color of the shorts.

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, Public Announcements, and Travel Warnings. **Consular Information Sheets** exist for all countries and include information on entry and exit requirements, currency regulations, health conditions, safety and security, crime, political disturbances, and the addresses of the U.S. embassies and consulates abroad. **Public Announcements** 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 can register on-line with the local U.S. Embassy or Consulate in the country which they are visiting or residing in to make their presence and whereabouts known in case of an emergency, a disaster overseas, or require assistance in an evacuation if that were to become necessary.

Please refer to the <http://travel.state.gov> website for all current travel advisories for Bermuda and other countries and to register online for overseas travel.

Visa Requirements

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For visitors: Currently a visa is not required for U.S. citizens to enter Bermuda as visitors; however, a valid U.S. passport is required. Visitors must also present round trip tickets to Bermuda Immigration on arrival. The maximum amount of unrestricted time that visitors are allowed to stay in Bermuda is 21 days. However, visitors can extend their stays for 3 months or for shorter periods as considered appropriate by the Bermuda Immigration.

For potential residents (employment)

If you are coming to work in Bermuda, you will require a work permit, which must be secured before arrival on the island. Failure to comply with this requirement could result in being denied entry into the country. The responsibility for securing work permits rests with the prospective employer.

Immigration policy requires that qualified and interested Bermudians be given the first opportunity to fill job vacancies via advertised career ad. If no qualified and interested Bermudians or spouses of Bermudians are available, then the employer may apply for a permit to employ a non-Bermudian unless the position is in a closed category. In policy guidelines effective April 1, 2001, the Minister of Labour, Home Affairs and Public Safety directed that work permits issued after April 1, 2001, would in most cases not be renewable after a period of 6 years had elapsed. In certain cases the period may be extended by a further period of 3 years for those designated as “key” employees.

Initial work permit application must be made in writing by the employer and addressed to the Chief of Immigration Officer at the Department of Immigration. An immigration questionnaire form, a copy of the job advertisement and the required fee, must accompany the application.

If a U.S. business person is coming 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 have been sent back to their country of origin.

If you are planning a trip or are moving to Bermuda and need more information on Bermuda Immigration or Customs requirements, you may contact these offices:
Bermuda Immigration (441) 295-5151 or <http://www.immigration.gov.bm>

Every official U.S. Government visitor to Bermuda must obtain a country clearance through the American Consulate at least 72 hours in advance. For more information please contact the American 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 opinions and rulings/findings are handled via an interagency process. Visa applicants should go to the following links:

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

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Telecommunications

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E-Commerce: Bermuda has established itself as a leading eCommerce jurisdiction in that it is one of the first countries in the world to pass legislation that establishes legal principles for the conduct of eCommerce and the processing of electronic transactions.

Telecommunications: The Ministry of Telecommunications recently oversaw the introduction of competition to Bermuda's telecommunications industry, making this one of the world's first small countries to break the stranglehold of monopolies on long distance and local telecommunications. As a result of the Government's action, the cost of long-distance calls has been substantially reduced. The internal telephone system is 100% digital, with fiber optic trunk lines. The overseas links are fiber optic cables, and there is growing redundancy built into the system to negate the effect of faults.

Telephone and fax service extends throughout the island. Long distance service is rapid and efficient, with direct dialing to the U.S. and most of the world. Calls from the U.S. are not international and only require 1 + 441 (area code) to place an incoming long distance call. Rental rates and local service costs are comparable to those in the U.S. With the advent of competition, direct dial calls to the U.S. average \$.17 BDA per minute. Many international brands of telephone and fax sets are available for purchase on the island for home and business use, and a wide range of cellular phone equipment and services are available. There are six Internet services companies providing dial-up and DSL service on the island (four consumer, two business). Prices are considerably higher than in the United States and the Caribbean. For example, DSL service runs about \$99 BDA per month.

Although communications in Bermuda are state of the art, with multiple satellite, ocean cable, and fiber-optic cable facilities in place, severe winds and storms can bring local communications down for periods ranging from hours to weeks.

The Emergency Broadcast Service - 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 Police Media Relations (PMR), as directed by the EMO, will disseminate emergency information to the public via the EBS on a continuous basis, only when existing broadcast television, cable and radio stations become inoperable. The station is located at COMOPS (Combined Operations), Police Operations Centre, Prospect Devonshire. The Department of

Telecommunications, which is responsible for the maintenance of the station, carries out prerecorded weekly testing every Thursday from 2.00 p.m. to 4.00 p.m.

Transportation

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Airlines

There are several commercial airlines that fly between Bermuda and the U.S., Canada, and the U.K. daily. The Bermuda International airport changed its name to the L.F. Wade International airport in 2007 and is located at the Civil Air Terminal in St. David's approximately 10 miles from the capital, Hamilton. Please go to www.bermudaairport.com to view flight information and schedules.

Automobiles

Driving on the island is on the left, British-style, and the maximum speed limit is 15 mph in Hamilton and 21 mph on the rest of the island. Under Bermudian law, non-residents are not allowed to own, rent, or drive four-wheeled vehicles. Non-residents must rely on taxis, buses or rental scooters.

Buses/Ferries

There is a regular, island-wide public bus and ferry service, and daily and weekly and monthly passes are available at the Central Bus Terminal, or Visitors' Service Bureau or Ferry Terminal in Hamilton. The buses and ferries are generally inexpensive, accommodating, clean and efficient. Schedules can be found in the phone book or at www.bermudabuses.com and at www.seaexpress.bm

Scooters

Rental motor scooter are readily available, and the required helmet is provided. However, visitors should carefully consider whether or not it is worth the risk to ride a scooter. Motor scooters provide the greatest road peril in Bermuda. Those unfamiliar with driving on the left are likely to find the roundabouts and regulations for yielding at junctions confusing and dangerous. In addition, vehicles often stop on the side of the road, blocking one lane of traffic. Main roads, while generally in good condition, are extremely narrow and tend to be bordered by heavy vegetation or low stone walls. Travelers who rent scooters should be aware that scooter accidents involving visitors are common, and they can sometimes be fatal or involve serious injuries.

Taxis

Taxis are readily available for use across the island, although local rates are somewhat pricey by US standards. The best access is via hotel taxi stands.

Language

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The official language of Bermuda is English, but Portuguese is widely spoken among the sizeable Portuguese community.

Health

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Local doctors and dentists meet international standards. Many are trained in the U.S., Canada or England and are licensed and accredited. All physicians in the yellow pages

of the Bermuda telephone directory are licensed by the Bermuda Government and speak English. No special vaccinations are required for travel to Bermuda.

Please note: 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 if it will cover emergency expenses such as a medical evacuation. Some U.S. medical insurance plans do not cover health costs incurred outside the United States unless supplemental coverage is purchased. Further, U.S. Medicare and Medicaid programs do not provide payment for medical services outside the United States. However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas, including emergency services such as medical evacuations. If applicable, you will generally have pay to at the time of service with either cash or credit card and then submit the receipt to your insurance company for reimbursement.

There are two hospitals in Bermuda. The King Edward VII Memorial Hospital, just east of Hamilton, is a relatively well-equipped and modern general medical and surgical hospital with about 300 beds. All customary services are available at the King Edward, including an emergency and outpatient department. There is also a psychiatric hospital called the Mid Atlantic Wellness Institute. Both of these hospitals are accredited under a Canadian system.

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

Prescription Drugs

U.S. prescriptions are not honored in Bermuda. It will be necessary to visit a Bermuda doctor and have a new prescription written if you need to have it filled here. Most common medications are available locally, upon presentation of a prescription from a Bermuda doctor. If you are taking 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.

Emergency Numbers: Police, Fire and Ambulance 911

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

More information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Center for Disease Control and Prevention's (CDC) hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or through their website at: <http://www.cdc.gov/>

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

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

Local Time, Business Hours, and Holidays

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Time Difference

Bermuda is on Atlantic Standard Time (AST). The time difference between New York City and Bermuda is one (1) hour. When it is 12:00 noon in New York City, it is 1:00 pm in Bermuda. London is four (4) hours ahead of Hamilton; therefore, when it is 12:00 noon in Bermuda, it is 4:00 pm in London.

Business hours

The regular business work week in Bermuda is from Monday to Friday from 9- 5 p.m. however many retail and grocery stores are open on Saturdays as well. Banks are 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. Some grocery stores are open on Sundays from 1 – 5 p.m. During tourist season, some retails stores in Hamilton will stay open on Wednesdays till 9 p.m.

U.S. and Bermuda Official Holidays 2007

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

Holiday/Event	Date	Country
2007 New Year's Day (O)	Monday, January 1	B/A
Martin Luther King Day (O)	Monday, January 15	A
President's Day	Monday, February 19	A
Good Friday	Friday, April 6	B
Bermuda Day	Thursday, May 24	B
Memorial Day	Monday, May 28	A
Queen's Birthday	Monday, June 11	B
Independence Day	Wednesday, July 4	A
Emancipation Day	Thursday, August 2	B
Somer's Day	Friday, August 3	B
Labor Day	Monday, September 3	B/A
Columbus Day (O)	Monday, October 8	A
Remembrance/Veterans Day	Monday, November 12	B/A
Thanksgiving Day	Thursday, November 22	A
Christmas Day (O)	Tuesday, December 25	B/A
Boxing Day (O)	Wednesday, December 26	B
2008 New Year's Day (O)	Tuesday, January 1	B/A

Temporary Entry of Materials and Personal Belongings

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Some goods may be imported on a temporary basis without the payment of customs duty. Goods imported for short periods of time (e.g. tools of trade) must have a monetary security (customs deposit) placed with customs prior to being released by customs. This security/deposit amount can be recovered in full less wharfage fee, currently 1.01% for airport arrivals and 1.11% for Hamilton dock arrivals, by proper adjustment of the deposit with customs. The adjustment and refund timeframe is 30 working days. Some restrictions apply and proper export procedures MUST be followed to obtain a refund of the deposit. Any goods which remain in Bermuda are subject to import duty at the appropriate rate. Where goods are sold or otherwise disposed of without authorization from the Collector of Customs, they become liable to forfeiture and the importer is liable to a monetary penalty of up to \$12,000 BDA.

Persons moving to Bermuda with their personal possessions MUST pay duty and landing tax on the declared or customs assessed value of their goods. To avoid lengthy inspections by customs, the importer may make a written declaration of the contents and estimated fair values of their goods for duty purposes. If the declared value is accepted by customs, no inspection will be necessary. If customs decide to carry out an inspection, they may do so at their will. If they deem inspection necessary, the shipment must have a customs deposit (bond) filed prior to release from the airport or pier. Shipments due to be inspected CANNOT be opened without the presence or permission of a customs official.

For more information on Bermuda Customs and Online Tariffs visit their web site at www.bdacustoms.gov.bm or call (441) 295-4816.

Web Resources

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

Bermuda Weather website: <http://www.weather.bm/>

Bermuda Customs website: <http://www.bdacustoms.gov.bm>

Centre for Disease Control website: <http://www.cdc.gov/>

Bermuda Ferry Schedule: www.seaexpress.bm

Bermuda Immigration website: <http://www.immigration.gov.bm>

Bermuda Public Transit information: www.bermudabuses.com

Bermuda Public Transit information: www.bermudabuses.com

Government of Bermuda website: www.gov.bm

National Hurricane Centre website: <http://www.nhc.noaa.gov/> .

World Health Organization website: <http://www.who.int/en>

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

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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Business travelers to Bermuda may contact any of the following organizations or government departments for more information about how to do business in Bermuda:

- **Association of Bermuda Insurers & Reinsurers** Website: www.abir.bm
Bradley L. Kading
President and Executive Director
1301 Pennsylvania Avenue, N.W.
Suite 900
Washington, DC 20004-1701
Tel: 202-783-2434
Fax: 202-638-0936
Leila Maderios
Assistant Director & Corporate Secretary
XL House, 1 Bermudiana Road
Hamilton, HM 11
Bermuda
Tel: (441) 294-7221
Fax: (441) 296-4207
- **Association of Bermuda International Companies**
P.O. Box HM 655
Hamilton HM CX
Bermuda
Tel: 441 295-8932
Fax: 441 292-5779
Website: www.abic.bm
- **Bermuda Bar Association**
White Hall
#1 Park Road, Hamilton HM 09
P.O. Box HM 125
Hamilton HM AX
Bermuda
Tel: (441) 295-4540
Website: www.bermudabar.org E-mail: bdabar@ibl.bm
- **Bermuda Chamber of Commerce**
1 Point Pleasant Road
Hamilton, HM 11
Bermuda
Tel: (441) 295-4201
Fax: (441) 292-5779
Website: www.bermudacommerce.com

- **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 International Business Association**
Cedar House, Ground Floor
20 Victoria Street
Hamilton, HM 20
Tel: (441) 292-0632
Fax: (441) 292-1797
Website: www.biba.org
- **Bermuda Monetary Authority (BMA)**
BMA House, 43 Victoria Street
Hamilton, HM 12
Bermuda
Tel: (441) 295-5278
Fax: (441) 292-7471
Website: www.bma.bm
- **Institute of Chartered Accountants of Bermuda**
Boyle Building, 2nd Floor
31 Queen Street
Hamilton, Bermuda HM 11
Phone: +1 (441) 292-7479
Fax: +1 (441) 295-3121
Web site: www.icab.bm Email: info@icab.bm
- **Ministry of Finance**
Government Administration Building
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) 297-7574

Fax: (441) 292-6640
Website: www.roc.gov.bm

- **U.S. Consulate General – Bermuda**
“Crown Hill”
16 Middle Road
Devonshire DV 03
Tel: (441) 295-1342
Fax: (441) 295-1592
Website: <http://hamilton.usconsulate.gov>

Market Research

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There are several research firms in Bermuda that can assist you with market research, including: www.research.bm, Total Marketing (www.totalgroup.bm), and several ad agencies (AAC Saatchi & Saatchi - www.aac.bm; Aardvark Communications www.aardvark.bm; Advantage Ltd. www.advantage.bm; Emedia Bermuda Ltd. www.emedia.bm; RBK Advertising & Design www.rbk.bm).

To view other market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please find the following listing of some of the annual trade events in Bermuda:

- Coldwell Banker Home Show - February
- U.S. Meat Export Federation Show, hosted by the U.S. Department of Agriculture – March
- Butterfield and Vallis Food Show – April (every other year)
- Bermuda Captive Conference organized by the Bermuda Insurance Institute - September
- Culinary Arts Festival hosted by the Department of Tourism – October
- International Reinsurance Congress - October
- International College and University Fair hosted by the Bermuda College
- Global Hedgefund Summit hosted by Marhedge Institutional Investor – October
- Annual Conference for Bermuda Reinsurers - November

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on www.buyusa.gov/home

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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