



Premier of Bermuda

Ministerial Statement

BY:

The Hon Michael H. Dunkley JP, MP

Premier of Bermuda

EU Referendum – UK Withdrawal from the European Union

Friday, 24th June 2016

Mr Speaker,

Yesterday the people of Great Britain voted in the Brexit Referendum and made the decision to leave the European Union. The Bermuda Government respects the decision of the British people and will work alongside the UK Government to ensure the interests of Bermuda and our fellow British Overseas Territories are upheld throughout the negotiation process as we prepare for Britain to formally leave the EU.

Article 50 of the *Treaty of the Functioning of the European Union* provides that ‘Any Member State may decide to withdraw from the Union in accordance with its own constitutional procedure.’ Following notification, there will then be a “two-part” negotiation of “disengagement” and “re-engagement”, under new terms. Article 50 provides a period of two years for this process, at the end of which UK withdrawal becomes effective and EU law ceases to apply to and in the UK. This period can be prolonged by unanimous agreement of the European Council and (of course) the UK itself.

Mr Speaker,

At the Joint Ministerial Council in December political leaders and representatives of the UK and Overseas Territories met and agreed in view of Britain leaving the EU. The UK Government acknowledges its role in representing the Territories in international forums as required. We have agreed to continue to consult in order for the views of the Overseas Territory Governments on EU reform to be taken into account. Both the UK Government and Governments of the Overseas Territories acknowledge the importance of cooperation between the EU and the Overseas Territories.

Mr Speaker,

Bermuda is the latest signatory of EU Territories to adopt the Council Decision 2013/755/EU on the Association of the Overseas Countries and Territories with the EU (Overseas Association Decision), adopted 25th November 2013. The purpose of this agreement is to modernize the relationship between the OCTs and the EU ‘moving beyond development cooperation and focusing on a reciprocal relationship based on mutual interests.’

There are several financial instruments linked to the new Decision. A total of 76.8 million Euros EU funding is available for the UKOTs via the 11th European Development Fund (EDF) 2014 – 2020. All EU Territories apart from Bermuda, BVI and Cayman receive indicative financial allocation under the

11th EDF from the European Investment Bank for budgetary aid to developing countries. Given our level of GDP, the requirement for allocation of 11th EDF, Bermuda does not derive financial benefit under the Overseas Association Decision (OAD).

Mr Speaker,

The Government of Bermuda made the decision once adopting the Overseas Association Decision that we would not rely solely on the Overseas Countries and Territories multilateral level of discussions with officials in Brussels or wait for the UK to represent our position. To protect Bermuda's interest it was essential that we engaged bilaterally to ensure that senior officials within the Commission understood Bermuda's economic valued proposition to the EU, through our reinsurance industry.

Cooperation in the area of financial services is an important component of the OCT-EU trade relationship for Territories such as Bermuda. Bermuda benefits from the EU's recognition that the standard of the island's insurance regulation is equivalent to its own through Solvency II, proving the confidence to our business sector. Solvency was achieved through Bermuda's years of direct bilateral engagement with the European Commission by the BMA, the Minister of Finance and private sector. The UK itself has not achieved such recognition in the insurance industry and the UK withdrawal from the EU will not impact Bermuda's Solvency equivalency.

Bermuda's bilateral and multilateral tax treaties are not with the EU, rather the agreements are bilateral with individual EU Member States and multilateral with the Global Community.

Mr Speaker,

The greatest concern for many Bermudians is the free movement within the EU for British Overseas Territory Citizens who possess British Citizenship as defined within the *Treaty on the Functioning of the EU*. For those who have obtained British Citizenship the Treaty provisions state that 'Every person holding the nationality of a Member State shall be a citizen of the Union'. It further outlines that 'Citizens of the Union shall enjoy the rights and be subject to the duties provided for in the Treaties.' This includes 'Every citizen of the Union shall have the right to move and reside freely within the territory of the Member States'. Clearly, there is a likely impact on the free movement of Bermudians through the European Union. As indicated earlier, there is still much to be negotiated in this regard.

Those who only possess a BOT Citizenship passport are not ordinarily granted the right of abode in the UK or EU. Additionally BOT Citizens do not benefit from the right of free movement in the EU as defined under the *Treaty on the Functioning of the EU*. However in June 2014 under an agreement negotiated together with the UK Government, certain Governments of the Overseas Territories and the EU, all British Overseas Territory Citizens are now permitted to travel visa free throughout the EU Schengen Area for a maximum of 90 days. This agreement relating to BOT Citizens depends upon UK membership to the EU. Therefore, those persons with only a BOT Passport are likely to be impacted by this decision.

Mr Speaker,

We have been advised that there is no reason why any equivalency or unilateral decisions of the EU on insurance, audit or fund management should cease to exist on or before UK withdrawal. Bermuda is already treated as a "third country" by the EU. The decisions affecting Bermuda such as those referred to above are unilateral EU decisions and are not dependent on UK approval or ratification. As far as **tax** arrangements are concerned, the situation is similar that Bermuda's bilateral Tax Information Exchange Agreements (TIEAs) and multilateral commitments are legally based on entrustments granted to Bermuda by the UK.

These tax arrangements should not be affected by UK withdrawal from the EU.

Next month Leaders of the Overseas Territories will be meeting ahead of our annual Joint Ministerial Council in London in October. A priority on our agenda is to discuss the impact on Territories of a British exit from the EU.

Mr. Speaker,

Honourable Colleagues and the people of Bermuda can be assured that this will be a focal point of our discussions in October with the UK Government to ensure an agreed way forward for all.

Thank you, Mr. Speaker.