



STATEMENT

By:

**THE HON. WAYNE M. CAINES JP MP
MINISTER OF NATIONAL SECURITY**

BLOCKCHAIN / CRYPTOCURRENCY RESPONSE 23rd FEBRUARY 2018

The Minister of National Security, the Hon. Wayne M. Caines, JP, MP, provided the following response to the Opposition's Budget reply, which highlighted blockchain and cryptocurrency.

Minister Caines said today, "The Opposition's Budget reply regarding blockchain and cryptocurrency lacked vision.

"Let me be crystal clear, we will be pushing forward into this space, leaving no stone unturned as it relates to the legal and regulatory requirements of blockchain and digital currencies. The public can be assured that this Government is working collaboratively with key stakeholders in the financial services sector, both locally and abroad. We have a disciplined, systematic and comprehensive approach to our entry into the market."

Addressing the Governor of the Bank of England's assessment of digital currencies, Minister Caines said he's aware of Mr. Carney's remarks, but noted, "Their view is that as bitcoin sits today, it has not been as successful as a currency from the traditional aspects of money. However, I should stress that its store of value properties and its use as a medium of exchange are being created as we speak. What we are seeing is the on-boarding and education of the global community as they start to experiment and begin to interact with the next internet."

The Minister continued, "Many countries around the world have approached this space in many different ways. For example, Japan has given bitcoin currency status and their government and industry have collaborated to be the first epicenter for these financial systems.

"Switzerland's creation of an Initial Coin Offering (ICO) regulation was more than two years in the making. And Canada has labelled them as properties (or commodities) and they are subject to the same laws that largely exist in traditional financial settings. The Commodities Future Trading Commission (CFTC) in the United States recently along with the Securities and Exchange Commission (SEC) head called for self-regulation of bitcoin exchanges, stating that shying away from governments or the over regulation of these systems so early will disable the potential benefits that they hold for consumers."

Lastly regarding CT Financial Action Task Force, Minister Caines said, "The Ministry of National Security has devoted significant resources to ensure Bermuda is ready for its assessment later this year. It is just plain wrong to suggest that we would do anything to jeopardize that assessment. So, recognizing how traditional business views anything new, we have assembled a team that includes an advisor to the OECD, and an individual who has designed exchanges that have more secure Know Your Customer (KYC) compliance measures than even the banks. We know we're going to be assessed; we are working to pass that assessment and everything we are doing in the blockchain 'space' is with an eye on using Bermuda's existing, sterling reputation to guide our steps."

Minister Caines concluded, “We have to look at growth in new ways, and we are being innovative in our vision. In fact, it is the non-financial uses of blockchain where it has been said the next big leap in technology since the internet has arrived. The potentials are virtually limitless, but would include matters such as the following:

- Bermuda is looking to move its land registry on to its own secure blockchain network, where property records can be kept safely, securely and accurately stored and maintained.
- Healthcare/medical records. This would be a blockchain where things such as patient medical and hospital records, and insurance claims and data information could be safely kept and securely shared with both healthcare providers — for example, your GP — but also with hospitals in and outside Bermuda, as well as health insurers. The storage and sharing of this data would save a huge amount of effort and hassle when having, for instance, to file claims or to move from one GP to another.
- Transport and shipping. The ability to easily track goods — in particular, say, food — over a blockchain is something that companies such as Maersk are already using. Essentially, by having the goods’ data being tracked on the secure network, they cannot be tampered with.
- Data storage. Using blockchain technology will mean that cloud storage — i.e., data storage that is kept online over the internet, rather than using physical devices such as hard drives — will be increasingly used.
- And there are the potential benefits blockchain brings to governance in general. There are two aspects to this. The first is transparency in the voting process and the second is anonymity, i.e., a voting system where voters can anonymously select candidates. Importantly, their votes are accurately recorded and cross-checked. Voting may eventually be done online or using smartphones as well.

“This is a new age of technology, and we cannot turn back or look away from it. We must embrace it. The possibilities of technological revolutions can create new opportunities for job creation in areas and fields we have never seen before. This has the potential of transforming our economy by creating entirely new industries. Our goal is to see Bermuda take a leading role in advancing blockchain technology, and this Government is moving swiftly, but very carefully in this space.”

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