

necessary to implement and operate its AML/ATF programme.

22 Whether employees fully comply with all AML/ATF procedures in respect of customer identification, account monitoring, record keeping and reporting.

23 That employees are expected to remain vigilant to the possibility of ML.

24 Whether employees who violate POCA Regulations or laws and AML/ATF policies and procedures are be subject to disciplinary action.

25 That all employees are required to (at least annually) undertake training to ensure that their knowledge of AML/ATF laws, policies and procedure is current.

26 Whether employees are updated on money laundering schemes and typologies on a regular basis.

27 That employees are required to declare personal dealings relevant in the jurisdictions that it operates in on a regular basis (at least annually).

Employee Compliance

28 Whether it ensures that the Senior Compliance Officer has the requisite authority, resources and tools to oversee all activities relating to the prevention and detection of ML/TF.

29 That the Senior Compliance Officer is trained in all applicable Proceeds of Crime laws in Bermuda and ML/TF risks arising from it's business.

30 That the Board monitors compliance with corporate governance regulations and guidelines.

31 Whether the Board supports the senior management's scope of AML/ATF internal control assessment and receives regular (at least annually) reports from senior management.

INSTRUCTIONS TO THE SCHEDULE

For the purposes of this Schedule "POCA Regulations" means the Proceeds of Crime (Anti- Money Laundering and Anti-Terrorist Financing) Regulations 2008.

INSTRUCTIONS TO TABLE 1

For the purposes of Table I—

- (a) in table 1, "active SAC" means a segregated account cell that is undertaking transactions of business and "non-active SAC" means a segregated account cell that is not undertaking any transactions of business;
- (b) "Reporting Officer" has the meaning given under paragraph 2(1) of POCA Regulations;
- (c) "negative press" means any public information about the proposed employee that raises concerns about, amongst other things, the probity, fitness for the position or source of wealth of such person;
- (d) "PEP" has the meaning given in section 11 (5) of POCA Regulations;
- (e) "senior management" means chief and senior executives;
- (f) "beneficiary" means a beneficiary as defined under paragraph 6(7) of POCA Regulations;
- (g) "risk assessment" means the assessment of AML/ATF risks determined by the licensed undertaking in accordance with POCA Regulations and any relevant Guidance Notes issued by the Authority;
- (h) "non-risk rated client" means a client who has not been "risk rated" in line with measures imposed under POCA Regulations and any relevant Guidance Notes issued by the Authority.

SCHEDULE 3

(section 7)

SANCTIONS

A licensed undertaking shall confirm or disclose:

- 1 Whether it screens clients to determine if they are subject to measures imposed under Bermuda sanctions regime.
- 2 Whether it screens employees to determine if they are subject to measures imposed under Bermuda sanctions regime.
- 3 Whether it has frozen any assets in the last 12 months under Bermuda sanctions regime.
 - 3.1 If yes, how many?
 - 3.2 The licensed undertaking shall provide the following details for those asset freezes – group ID, name of the designated person as given on the consolidated list, name of the person/ entity if owned/controlled by a designated person and value of assets.
- 4 The licensed undertaking shall include any additional information/comments which might be relevant to the Authority in achieving its regulatory objectives in relation to the licensed undertaking.

For the purposes of this Schedule-

(a) Consolidated List refers to UK HM Treasury "Consolidated List of Financial Sanctions Targets". This Consolidated List provides the names of all of the sanctions targets under the UN, EU and UK sanctions.

(b) Designated persons are defined under each relevant Order (as amended). The Orders are listed in Schedule 1 of the International Sanctions Regulations 2013, and the Annexes to the relevant UN and/or EU measures referred to in the definition of "designated persons" or "listed persons" in the Order).

Made this 7th day of September 2018

Chairman
The Bermuda Monetary Authority

BERMUDA

DIGITAL ASSET BUSINESS (CYBERSECURITY) RULES 2018

BR 99 / 2018

The Bermuda Monetary Authority, in exercise of the power conferred by section 7 of the Digital Asset Business Act 2018, makes the following Rules:

- Citation**
1 These Rules may be cited as the Digital Asset Business (Cybersecurity) Rules 2018.

Interpretation
2 In these Rules—

"Authority" means the Bermuda Monetary Authority established under the Bermuda Monetary Authority Act 1969;

"Chief Information Security Officer" means the senior executive, by whatever title called, appointed by the licensed undertaking to oversee and implement its cyber security program and enforce its cyber security policies.

Annual cyber security report

3 Every licensed undertaking shall annually file with the Authority a written report prepared by its Chief Information Security Officer assessing—

- (a) the availability, functionality and integrity of its electronic systems;
- (b) any identified cyber risk arising from any digital asset business carried on or to be carried on, by the licensed undertaking;
- (c) the cyber security program implemented and proposals for steps for the redress of any inadequacies identified.

Cyber security program

4 (1) The cyber security program of a licensed undertaking shall include but is not limited to, the audit functions set forth below—

- (a) penetration testing of its electronic systems and vulnerability assessment of those systems conducted at least on a quarterly basis;

- (b) audit trail systems that—
 - (i) track and maintain data that allows for the complete and accurate reconstruction of all financial transactions and accounting;
 - (ii) protect the integrity of data stored and maintained as a part of the audit trail from alteration or tampering;
 - (iii) protect the integrity of hardware from alteration or tampering, including by limiting electronic and physical access permissions to hardware and maintaining logs of physical access to hardware that allows for event reconstruction;
 - (iv) log system events including but not limited to access and alterations made to the audit trail systems, and Cyber Security Events;
 - (v) maintain records produced as part of the audit trail.

(2) Every licensed undertaking shall engage a qualified independent party to audit its systems and provide a written opinion to the Authority that the licensed undertaking's cyber security program and controls are suitably designed and operating effectively to meet the requirements of these Rules and applicable codes of practice.

Made this 7th day of September 2018

Chairman
The Bermuda Monetary Authority

BERMUDA

DIGITAL ASSET BUSINESS (CLIENT DISCLOSURE) RULES 2018

BR 100 / 2018

The Bermuda Monetary Authority, in exercise of the power conferred by section 7 of the Digital Asset Business Act 2018, makes the following Rules—

- Citation**
1 These Rules may be cited as the Digital Asset Business (Client Disclosure) Rules 2018.

Interpretation
2 In these Rules—

"Act" means the Digital Asset Business Act 2018;

"Authority" means the Bermuda Monetary Authority established under the Bermuda Monetary Authority Act 1969.

Disclosures and other protections for clients

3 (1) Every licensed undertaking prior to entering into an initial transaction for, on behalf of, or with a client shall disclose to such client—

- (a) all material risks associated with its products, services and activities; and
- (b) any additional disclosure the Authority determines reasonably necessary for the protection of clients.

(2) A disclosure required by paragraph (1) must be made separately from any other information provided by the licensed undertaking to the client and shall be provided in a manner which allows for the client to record the disclosure.

(3) At the time of entering into an agreement to provide products and services to a client, each licensed undertaking shall disclose to such client to the extent such matters are applicable to the product or service to be provided the following matters—

- (a) the class of licence that it holds;
- (b) a schedule of fees and charges for any service or product to be provided by the licensed undertaking;
- (c) the manner in which fees and charges will be calculated by the licensed undertaking if such are not set in advance and disclosed at the time the agreement is entered into and the manner in which payment is to be made by the client to the licensed undertaking in respect of any fee or charge payable;
- (d) whether the licensed undertaking has obtained insurance such as cyber or any other theft coverage to address losses which may arise as a result of the provision of any service or product the licensed undertaking may offer, and provision of related information including the beneficiary of this insurance coverage;
- (e) whether a transfer or exchange of a digital asset is irrevocable and any exceptions to irrevocability;
- (f) governance or voting rights regarding client assets where the licensed undertaking will maintain custody of those client assets;
- (g) a description of—
 - (i) the licensed undertaking's liability and other remedies available to the client for an unauthorized, mistaken, or accidental transfer or exchange of a client's digital asset;
 - (ii) the basis for any recovery by the client from the licensed undertaking for losses to client assets;
 - (iii) the manner in which a client must update contact information required to be provided to the licensed undertaking;
 - (iv) a client's ability to stop a pre-authorized transfer of digital assets and where clients do have the ability to stop a transfer, the procedure to initiate a stop-payment order to transfer or exchange digital assets or to revoke authorization for a subsequent transfer of digital assets;
 - (v) the client's ability to receive a receipt or other evidence of a transfer or exchange and the process for receiving such receipt;
 - (vi) the requirement for the client to receive not less than thirty days prior notice of material change to the terms and conditions of any services provided by the licensed undertaking, which includes amendment to policies applicable to the client's account;
- (h) at the conclusion of a transaction with a client, the licensed undertaking shall provide to the client by confirmation in writing the following information—
 - (i) the name and contact information of the licensed undertaking;
 - (ii) contact information allowing for a client to request information about—
 - (A) its account;
 - (B) the licensed undertaking's business activities in general; or
 - (C) the making of a complaint to the licensed undertaking;
 - (iii) the type, value, date, precise time, and amount of all transactions applicable to the client's account;
 - (iv) the fee charged for transactions, including any charge for conversion of a digital asset to another digital asset or to fiat currency.

(4) Every licensed undertaking shall disclose to affected clients a cyber reporting event, as defined under section 2(1) of the Act, where a breach leads to unauthorized access to or misuse of client information.

Made this 7th day of September 2018

Chairman
The Bermuda Monetary Authority