

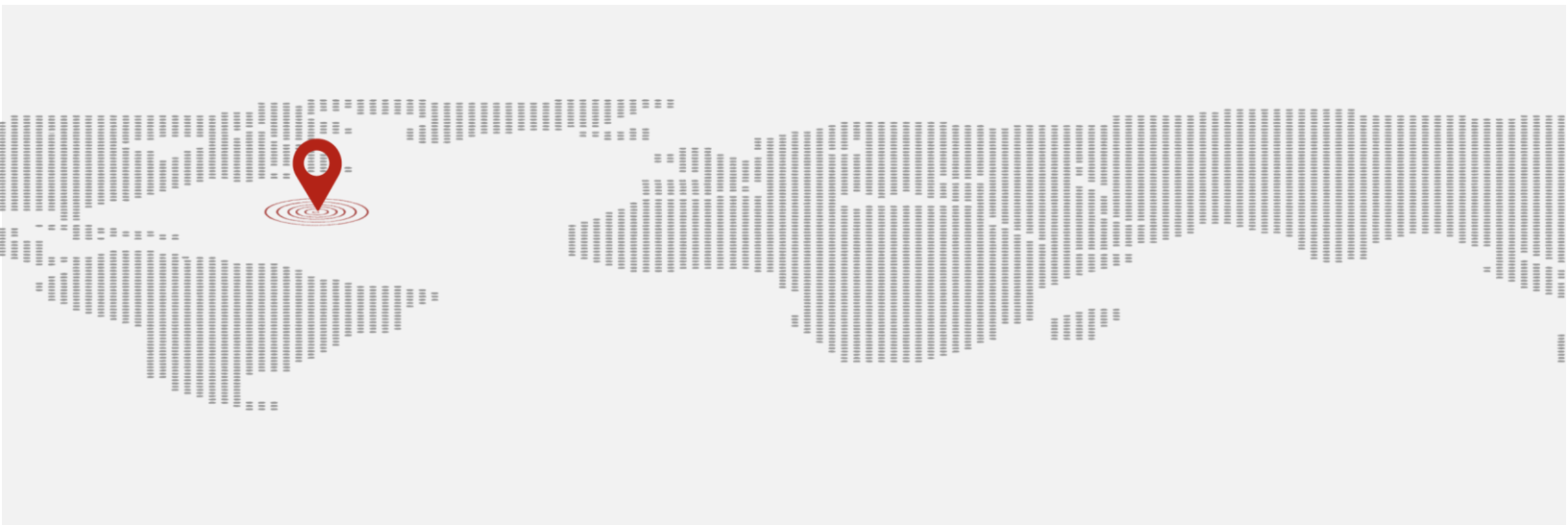


Tuesday, 2 June, 2026

DISCUSSION PAPER

Potential Banking Models for Bermuda

Comments to be received by 1 August 2026



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I. INTRODUCTION

1. The Bermuda Monetary Authority (Authority or BMA) is committed to fostering a robust, innovative, and resilient banking sector that aligns with global standards and supports Bermuda's position as a leading international financial centre. In light of the evolving financial landscape, the BMA is seeking feedback on a series of reform initiatives aimed at ensuring the efficiency, inclusiveness, and continued stability of the banking sector by supporting both domestic activities and international business.
2. This Discussion Paper (DP) represents the initial step towards a comprehensive proposal to enhance Bermuda's banking industry and seeks to engage stakeholders by highlighting potential new banking models that may further benefit Bermuda's status as a leading international financial centre with strong legal and regulatory frameworks. The approach to begin with stakeholder feedback on potential banking models is strategic, as the Authority will be better equipped to design an effective licensing and authorisation regime that supports these new models. The DP does not focus on licensing and authorisation, as such approaches will be considered subsequently once new banking models for Bermuda have been defined.
3. In due course, the BMA aims to issue a Consultation Paper (CP), which will encapsulate pertinent feedback received from this DP and present refined proposals for an updated banking and deposit-taking regime.
4. A modern, efficient, and inclusive banking system is essential for supporting economic growth and meeting the needs of both the domestic economy and international business. In this context, ensuring that Bermuda's banking sector remains fit for purpose in the current environment and going forward is a strategic initiative.
5. In support of this strategic initiative, the BMA is considering reforms to the existing legislative framework that will enable the banking sector to meet the evolving needs of the financial services sector and broader economy in a prudentially sound manner. As part of this process, it will be important to receive stakeholder feedback on opportunities for diversification of the banking sector, supporting financial inclusion, improving access to banking services, and fostering innovation while maintaining financial stability and alignment with both the Basel Committee on Banking Supervision (BCBS or Basel) latest standards and the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 (POCA). In this context, a key preliminary part of this initiative is the examination of banking models globally that may benefit Bermuda and further enhance its position as a leading international financial centre. The BMA seeks the views of industry and other stakeholders on the relevance and suitability of these models for Bermuda.
6. Industry and other stakeholders are invited to provide feedback on the topics outlined in this DP by emailing their comments to banking@bma.bm for 60 days, with a closing date of 1 August 2026.

II. BACKGROUND

7. The Banks and Deposit Companies Act 1999 (BDCA) has served as the cornerstone of Bermuda's legislative framework for the banking sector for over 25 years. While it has provided a stable foundation for the licensing and regulation of banks and deposit companies, the financial landscape has undergone a significant transformation since its enactment. Globally, banking models have evolved to incorporate advancements in technology, changes in consumer behaviour, and the emergence of innovative financial products and services. These developments have reshaped the way banking services are delivered and regulated, resulting in the need for more flexible and forward-looking legislative frameworks.
8. Despite its longevity, the BDCA has not undergone substantial updates in response to these global shifts. It is therefore appropriate that steps be taken now to revise the legislative and regulatory framework so that it fully supports the modernisation and inclusiveness of Bermuda's banking sector. To ensure the sector remains robust, innovative, and aligned with international standards and the needs of international business, it is imperative to revisit and update the BDCA. Revision to the legislation will not only address any current priorities but also position Bermuda to better respond to future challenges and opportunities in the financial services industry.
9. The BDCA currently offers applicants three types of licences, as follows:

Section	License Type	Overview
14(5)(a)	Banking Licence	<ul style="list-style-type: none"> • Allowed to transact with the general public. • Required to provide, at a minimum, these products and services to customers: <ul style="list-style-type: none"> ○ Bermuda Dollar (BMD) savings and current accounts; ○ Payment and collection of cheques, drafts and orders; ○ BMD overdraft and other loan facilities; ○ BMD mortgage facilities; ○ Foreign exchange services; and ○ Credit card or debit card facilities.
14(5)(b)	Deposit Company Licence	<ul style="list-style-type: none"> • Allowed to transact with the general public. • Required to provide the following services to customers: <ul style="list-style-type: none"> ○ BMD savings account; and ○ BMD mortgages. • Prohibited from offering current or on-demand accounts.
14(5)(c)	Restricted Banking Licence	<ul style="list-style-type: none"> • Restricted to transact with specific customers as outlined in the Third Schedule, including: <ul style="list-style-type: none"> ○ Digital asset businesses and affiliates, including digital asset issuers; ○ Casinos, as licensed under the Gaming Act 2014; and ○ Entities not ordinarily resident, incorporated, registered, or formed in Bermuda. • Licensees can request to provide any of the following products and services to their customers: <ul style="list-style-type: none"> ○ BMD savings and current accounts;

		<ul style="list-style-type: none"> ○ Payment and collection of cheques, drafts and orders; ○ BMD overdraft and other loan facilities; ○ BMD mortgage facilities; ○ Foreign exchange services; and ○ Credit card or debit card facilities. ● The Authority may impose conditions or restrictions on services and modify or revoke such conditions or restrictions.
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10. At present, the banking sector in Bermuda consists of four operational banks licensed under section 14(5)(a) of the BDCA, which provide a range of services such as deposit-taking, lending, payments, and foreign exchange to domestic and international, retail, and corporate (wholesale) customers.
11. When considering the suitability of potential banking models for Bermuda, it is important to reflect on the unique characteristics of the jurisdiction. The banking sector in Bermuda is characterised by a small number of institutions serving a relatively small population. Consequently, it is important that any new banking models licensed and authorised in Bermuda support the jurisdiction's long-term growth, stability, and diversification goals, while also contributing to its position as a leading international financial centre.
12. Additionally, the banking models identified must be compatible with Bermuda's well-established brand as a premier international financial centre, known for its robust regulatory framework, commitment to transparency, and high standards of compliance. The objective is to identify banking models that can attract reputable global entities, thereby enhancing cross-border connectivity and expanding Bermuda's reach in international markets, while ensuring minimal disruption to the existing banking sector.

Question 1: What factors would best support an institution's ability to offer new products and services?

Question 2: What factors would best support an institution's ability to adopt new innovative products and emerging technologies?

Question 3: Given the requirements in the current legislation, do you believe there is sufficient demand to support new entrants to Bermuda's banking sector?

Question 4: Which segments of Bermuda's economy are experiencing growth and may require banking services that are not currently available within the existing framework?

III. POTENTIAL BANKING MODELS FOR BERMUDA

13. Customers increasingly expect financial institutions to offer more secure, efficient, accessible, and user-friendly banking services. At the same time, market conditions are subject to rapid change, shaped by emerging trends such as climate-related financial risks and macroeconomic developments. Proposed banking reform initiatives will include a comprehensive review of the BDCA to identify opportunities for enhancing the framework and supporting the licensing of new banks, as well as the development of innovative banking activities in Bermuda. This review will endeavour to ensure that the BDCA remains responsive to evolving customer and institution needs, market shifts, and technology advancements.
14. In due course, consideration will also be given to establishing a legislative framework for different types of licences, allowing defined banking activities to be conducted through new requirements. The intention is to encourage greater diversification of defined banking activities while expanding the range of banking services available to specific market segments. This will be subject to the consultation process.
15. A broad description of each model is outlined in the following section. However, the Authority welcomes feedback on additional factors and models that the BMA may wish to consider.

TYPES OF BANKING MODELS

16. The Authority has conducted a comparative review of global banking models, with the objective of identifying frameworks that might be suitable for Bermuda. Among the various banking models reviewed, the models listed in this DP are considered likely to strengthen Bermuda's position as a leading financial services centre while enhancing existing domestic services. It should be noted that the banking models and their descriptions herein are summaries to facilitate feedback from stakeholders. The models that the BMA reviewed include:

DOMESTIC AND INTERNATIONAL WHOLESALE BANKING MODELS

Depository and Custodian Banks

17. Depository banks are specialist financial institutions that collect and manage several types of assets for corporations, institutional investors, trusts, family offices, and other banks. Depository banks offer a range of services related to investment in securities markets, stock transfer and agency services.
18. Custodian banks offer a subset of services provided by depository banks, including securities services such as post-trade services and solutions for asset owners, asset managers, banks, and broker-dealers. These services encompass the safekeeping of assets and securities as well as settlement processing.
19. The Authority believes that establishing wholesale depository and custodial services can support Bermuda's goal of diversification. Bermuda has an established financial services industry, particularly in insurance, reinsurance, and asset management. The quantum of assets held and managed by Bermuda's financial sector generates a substantial volume of transactions, making custodian services essential. Depository and custodian banks would likely strengthen this infrastructure by providing critical services such as safekeeping, settlement, and administration, which would support the continued growth and diversification of the island's growing portfolio of global assets. Moreover, the services offered by these banks would not only cater to local clients but also to international institutional investors and organisations, without interfering with existing banking services, as depository and custodian banks are wholesale-focused and do not offer their services to the general public.

Question 5: Do respondents agree with the Authority's view that the Depository and Custodian model will bring benefits to Bermuda, and why?

Question 6: Do respondents believe that the Depository and Custodian model will attract new businesses to Bermuda, and why?

Question 7: What disruption to existing banking services do respondents believe may occur through offering a Depository and Custodian licence, and why?

Merchant and Investment Banks

20. Merchant and investment banks share similar business models, typically offering services such as securities trading and underwriting, corporate finance, and advisory services, including for mergers and acquisitions, to corporate customers. Traditionally, unlike commercial banks, investment and merchant banks do not offer deposit-taking services; their revenue models are based on charging fees, including advisory, underwriting, structuring and execution fees.
21. Merchant and investment banks could complement and expand the financial ecosystem in Bermuda by providing services such as capital raising, advisory, mergers and acquisitions (M&A) support, and underwriting. Merchant and investment banks typically arrange and manage more complex financial transactions, which could potentially attract local and international clients looking to access Bermuda's market, given the island's existing legal and accounting expertise. Bermuda could leverage these banks to attract more private equity, venture capital, and other forms of financing, enabling companies on the island to expand and innovate.
22. Given that the BMA already licenses entities that provide these services in other jurisdictions, as well as from other jurisdictions, the Authority believes there may be merit in offering a licence specifically to provide wholesale merchant and investment banking services in Bermuda. However, consideration must be given to whether any disruption to the provision of existing banking services to retail and smaller businesses in Bermuda may occur. Such disruption may include allowing such licensees to accept deposits. Given historical high-profile failures, there may also be risks to Bermuda from allowing merchant and investment banks to trade as principals.

Question 8: Do respondents believe that the Merchant and Investment Banking model will bring benefits to Bermuda, and why?

Question 9: Do respondents believe that the Merchant and Investment Banking model will attract new businesses to Bermuda, and why?

Question 10: What risks to Bermuda do respondents believe may arise from the Merchant and Investment Banking model, and why?

Brokerages and Broker-Dealers

23. While the term 'brokerage,' 'broker' or 'dealer' may denote specific activities in certain jurisdictions, typically a brokerage or broker acts as an agent or intermediary to buy or sell a security for a retail or corporate customer, whereas a dealer will act as a principal in the transaction.
24. Typically, in addition to executing trades on financial markets on behalf of clients, brokerages provide support and information on economic and financial market standards, trends, and activities and lend on margin against client assets held as security.
25. While some Broker or Broker-Dealer services could be provided under the Investment Business Act 2003, the Authority believes that services such as Cash Management Accounts may be more easily offered through a specific licence.

26. Additionally, while Merchant and Investment Banks typically provide Broker and Broker-Dealer services, the Authority believes there may be merit in offering a licence specific to broker and broker-dealer services, as this is unlikely to disrupt the provision of existing services to retail and smaller businesses in Bermuda.

Question 11: Do respondents believe that the Broker and Broker-Dealer model will bring benefits to Bermuda, and why?

Question 12: Do respondents believe that the Broker and Broker-Dealer model will attract new businesses to Bermuda, and why?

Digital Asset Banks

27. Digital Asset Banks (DABs) primarily specialise in providing banking services to individuals and businesses involved with digital assets such as cryptocurrencies and other blockchain-based assets. These banks offer services related to the custody, management, and transaction of digital assets.
28. Bermuda is one of the first jurisdictions to establish a regulatory framework for DABs through the ability to hold a combination of a banking licence and Digital Asset Business Act 2018 (DABA) licence. Additionally, amendments to the Third Schedule of the BDCA have expanded the scope of clients that restricted banks can service, facilitating the banking of digital asset businesses both within and outside Bermuda, as well as for any client that is not a Bermuda resident.
29. The management of digital assets and cryptocurrencies is complex and subject to evolving regulations globally. Such banks may face significant risks related to regulatory uncertainty, market volatility, and rapid changes in capital and liquidity requirements. Establishing and maintaining robust compliance and security frameworks can be costly and resource-intensive, which may challenge the sustainability of such institutions.
30. In line with the Authority's approach to the prudential regulation of banks, it is expected that banks in Bermuda involved with digital assets such as cryptocurrencies and other blockchain-based assets will be subject to the latest Basel standards for crypto asset exposures.

Question 13: Do respondents believe that the Digital Asset Bank model will be beneficial to Bermuda, and why?

Question 14: What additional factors might the Authority consider by offering Digital Asset Banks in Bermuda, and why?

International Agent and Representative Banks

31. Agent or representative banks allow foreign banks to extend their services through authorised third-party agents in new jurisdictions, which are often local entities rather than setting up a standalone banking operation. This will allow a bank to introduce its services to new jurisdictions or to small and niche clients seeking assistance with bespoke transactions. These agents or representatives function as intermediaries between the bank and its customers, offering particular services through a managed structure that utilises the local banking system network rather than having to set up their own banking establishment.
32. The Agency banking model may help banks enter new regions at a lower operational cost, given the unknown capacity to generate returns from the particular service that they are looking to introduce. Agent or representative banks will not have complete control over operations and staff resources. They will be reliant on arrangements with local entities to provide the necessary oversight of the risks associated with the services. The Authority views this model as suitable for narrow or restricted banking activities that may not require the full operational capacity of an operating model with a comprehensive presence.

Question 15: Do respondents believe the Authority should consider offering the Agent or Representative Bank model in Bermuda, and why?

DOMESTIC RETAIL AND COMMERCIAL BANKING MODELS

Mutual Societies

33. Mutual societies, such as building societies and credit unions, are common across many jurisdictions, although the legislation and regulations governing them may vary considerably.
34. Mutual societies are owned by their members, who are also their customers. Mutual societies do not have non-member shareholders who expect to receive dividends; instead, they use their profits to benefit their members by offering better rates on mortgages, interest-bearing savings accounts, and other financial products. This is a key difference between mutual societies and banks.
35. Credit unions are a form of mutual society. Bermuda currently licenses and supervises credit unions under the Credit Unions Act 2010, which provides the legal and regulatory framework for the establishment, governance, and operation of credit unions on the island.
36. The Authority believes that, fundamentally, the role of mutual societies can be provided through the licensing of credit unions under the Credit Unions Act 2010. Consequently, the BMA questions the value of creating a new licence specifically for mutual societies.

Question 16: Given the BMA's ability to supervise credit unions under the Credit Unions Act 2010, do respondents believe that expanding the existing framework to allow for more variety of mutual societies or simply allowing for an increase in product offerings under the existing Credit Union framework would be beneficial?

Mortgage Corporations and Finance Companies

37. Mortgage Corporations are financial institutions designed specifically for mortgage lending to individuals to purchase or maintain real estate properties. Typically, they do not offer other financial services and use their own capital and funds raised by issuing debt or borrowing from the financial markets to advance the loans.
38. The Authority recognises that, fundamentally, the use of one's own funds to offer credit services is unregulated. However, given the risks associated with default and the limitations in accepting Bermuda real estate as collateral, the BMA believes there may be a role for a licensing regime for mortgage corporations or similar entities that can provide Bermuda with alternative options for credit products such as mortgages.
39. Finance companies are non-deposit institutions that do not accept deposits from individuals or corporations, and do not provide traditional banking services. They do, however, offer a variety of financing products to individuals and businesses, using funds acquired by leveraging assets and through borrowing from commercial banks.
40. Due to the higher risk profile of certain projects, many finance companies lend to clients who cannot obtain loans from other sources, but typically lend at higher rates of interest, reflecting the higher risk profile. These clients may be required to secure their loans with collateral, for example, a car or boat being financed. Additionally, some finance companies specialise in offering financial leases, including equipment leases. By contrast, banks may be less likely to offer lease finance as they may not want to own the asset, which would need to be accounted for on their financial and regulatory balance sheets.
41. The Authority recognises that there are institutions in Bermuda that operate as finance companies, and to ensure appropriate oversight, it would look to include finance companies under a regulatory framework that would allow for supervisory oversight. This would ensure that these companies adhere to the standards of transparency and accountability as other regulated financial institutions.

Question 17: Do respondents believe that Mortgage Corporation and/or Finance Company models would provide benefits to Bermuda when compared to existing product offering through deposit-taking institutions, and why?

National/Post Office Savings Banks and Development Banks

42. National Saving Banks, also called Government Saving Banks or Post Office Savings Banks, are owned and operated by the government or a public entity like a post office (hence the name).

Typically, government-owned and operated savings banks do not fall under the supervision of the financial, prudential and conduct authority of the jurisdiction.

43. National Savings Banks are traditionally effective in promoting accessibility and financial inclusion, especially to underserved populations, fostering financial stability and community development, including reducing the number of unbanked persons. Typically, they offer competitive interest rates to attract savers.
44. This model requires full government support to be effective, which entails creating the necessary legal and regulatory framework, providing initial funding and resources, and ensuring public accessibility. However, it can offer low-interest loans for government projects.
45. Bermuda's compact geography and relatively high levels of banked citizens may reduce the immediate necessity for such institutions locally; however, it would provide basic banking services to Bermudians, meeting a key objective of Bermuda's public policy.
46. Development banks are state or public investment banks that are either wholly or majority state-owned, seeking to achieve specific socio-economic goals in a particular region or economic sector. For example, they provide risk capital for projects that contribute to the economic development of a country or region. Similar to national savings or post office savings banks, government-owned and operated development banks do not fall under the traditional supervisory authorities of the jurisdiction.
47. With their mission to drive socio-economic development through targeted, low-cost, long-term financing, Development Banks could play a constructive role in supporting Bermuda's economic diversification, such as fostering the growth of new industries, infrastructure projects, or sustainable ventures. This could include supporting innovation and start-up companies, particularly in sectors and for companies that private institutions may consider too high-risk.
48. Many development banks work closely with multilateral development banks such as the World Bank, the Inter-American Development Bank, the European Investment Bank, the European Bank for Reconstruction and Development, the Asian Development Bank and the African Development Bank.
49. However, the scale of Bermuda's economy may limit the viability of a standalone development bank. Like national/post office savings banks, development banks are government financial institutions that aim to meet certain economic objectives. This model also requires full government support.

Question 18: Do respondents believe Bermuda will benefit from a publicly owned savings bank, and why?

Question 19: Do respondents believe Bermuda will benefit from a publicly owned development bank, and why?

Question 20: If yes, do respondents believe Bermuda will benefit from a combined development and savings bank that is publicly owned, and why?

SUMMARY

50. In considering the options for potential banking models for Bermuda, any path forward must balance innovation, operational feasibility, and better internationalise Bermuda's banking sector. While the introduction of new banking models may bring advantages, Bermuda's scale, proximity of services, and regulatory environment must be considered if a new framework is to bring benefits. The Authority's cautious approach reflects both the need to safeguard financial stability, protect Bermuda's well-established brand as a premier international financial centre, and the imperative to support economic diversification.
51. As the BMA continues to assess its options, it will be essential to prioritise models that not only enhance accessibility and efficiency, but also uphold rigorous standards of oversight, customer protection, and systemic resilience. Thoughtful consideration of new and existing models, as well as openness to emerging banking activities, will help ensure that any evolution of Bermuda's financial sector remains robust, responsive, and fit for purpose. Ultimately, the selection of appropriate banking models will guide future decisions around licensing, authorisation, and regulatory requirements, ensuring that Bermuda's financial sector continues to serve the best interests of its economy and its people.

Question 23: Are there any types of banking models or activities not described above which may be considered by the Authority as potential options to consider for the diversification of financial services in Bermuda, while preserving financial stability?

Question 24: What are some factors the Authority should prioritise when determining which banking models are most appropriate for Bermuda?

IV. NEXT STEPS

52. The Authority welcomes feedback on the questions presented in this DP and any related topics for 60 days, with a closing date on 1 August 2026. As mentioned previously, the BMA aims to follow up with a CP, which will consider feedback received from this DP and present refined proposals for an updated banking and deposit-taking regime.

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