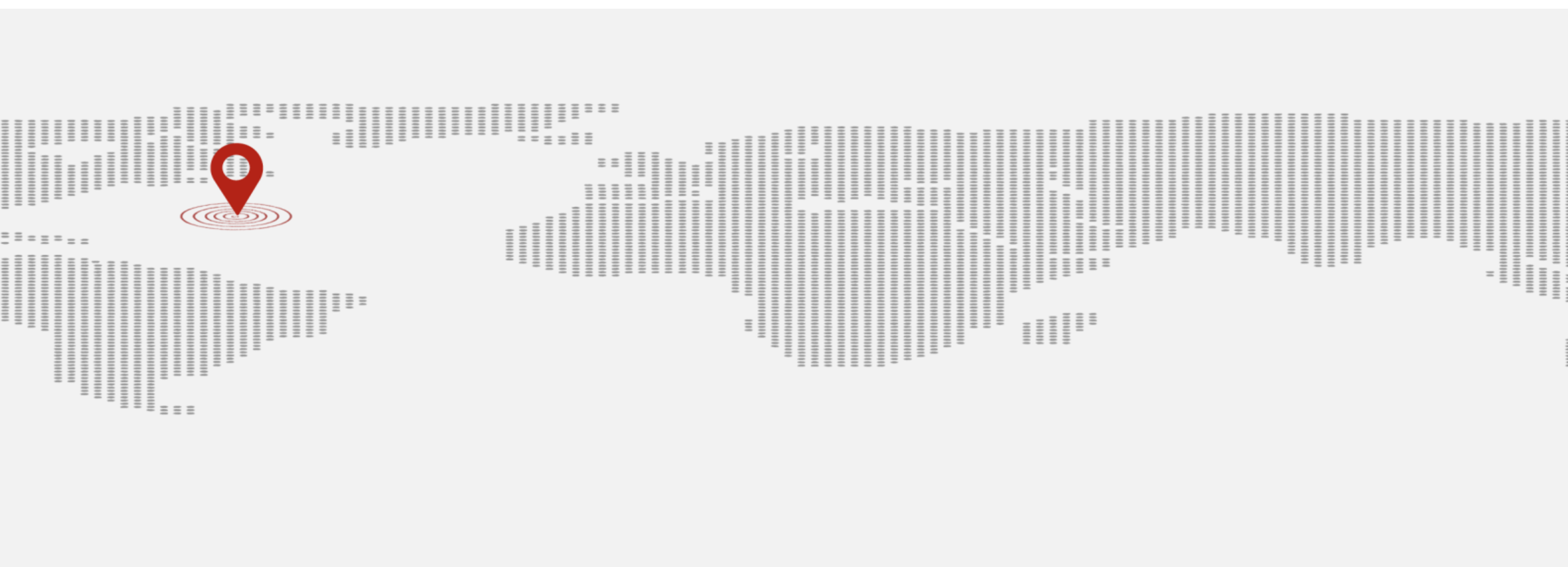
Monday, 20 July 2026

CONSULTATION PAPER

Guidance Note on the Use of Recognised Stablecoins within Bermuda Insurance, Insurance-linked Securities and Investment Fund Structures

Comments to be received by 30 September 2026



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HOW TO REVIEW THIS DOCUMENT

1. Readers may wish to begin with the Purpose of Consultation and Summary of the Proposed Guidance Note to understand the Authority's overall policy intent, scope and key areas for feedback.
2. Appendix A contains the proposed Guidance Note and should be reviewed in detail by entities considering, advising on or supporting the use of recognised stablecoins within Bermuda-regulated insurance, ILS or investment fund structures.
3. Annex 1 provides an indicative checklist of information that may be relevant where an eligible entity proposes to use recognised stablecoins or seeks a related change to its business plan, fund disclosure or supervisory arrangements.
4. When providing comments, respondents are encouraged to identify the specific section or paragraph being addressed and to explain whether the proposed expectation is clear, proportionate and operationally workable.

INTRODUCTION AND BACKGROUND

1. The global financial services landscape is undergoing a shift as stablecoins move from niche instruments used primarily in digital asset markets into the operational fabric of institutional finance - supporting payment, settlement, treasury management, collateral mobility and liquidity across insurance, reinsurance, investment funds and capital markets.
2. The passage of the United States' Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act in July 2025, the implementation of the European Union (EU)'s Markets in Crypto-Assets Regulation (MiCA) and the introduction of stablecoin licensing frameworks in jurisdictions like Hong Kong, Singapore and others signal that this shift is no longer speculative.
3. The Bermuda Monetary Authority (Authority or BMA) notes that global stablecoin issuance exceeded $300 billion as of mid-2026, with the market dominated by a small number of USD-pegged stablecoin issuers. Industry projections suggest continued growth driven by the tokenisation of real-world assets, the expansion of cross-border payment use cases and increasing institutional adoption. While current demand remains concentrated outside the United States and primarily in crypto-asset settlement, the passage of the U.S. GENIUS Act and associated regulatory developments in other major jurisdictions signal a material shift towards institutional and commercial stablecoin use. These developments have potential implications for Bermuda-regulated entities and structures and warrant monitoring and consideration.
4. The BMA's view is that Bermuda's insurance, Insurance-Linked Securities (ILS) and investment fund sectors, characterised by their speed, innovation capacity and international connectivity, are well-placed to benefit from these developments. ILS solutions include faster and lower-cost cross-border settlement, more efficient collateral deployment, enhanced treasury flexibility, and a greater ability to support emerging parametric and programmable insurance structures.

PURPOSE OF CONSULTATION

5. The purpose of this Consultation Paper (CP) is to seek feedback on the Authority's proposed Guidance Note on the use of recognised stablecoins (as outlined in Appendix A) within Bermuda Limited Purpose Insurers (LPI), ILS and investment fund sectors, insurance managers, agents, brokers, insurance marketplace providers and innovative intermediaries.
6. The proposed Guidance Note (GN) sets out the Authority's supervisory expectations and assessment considerations within existing statutory, licensing, business plan, fund disclosure and supervisory frameworks for the above regulated entities looking to use recognised stablecoins.
7. Commercial insurers are outside the scope of this GN. Any proposed use of recognised stablecoins by such entities will be considered separately by the Authority under the applicable regulatory frameworks.

SUMMARY OF THE PROPOSED GUIDANCE NOTE

8. The proposed GN outlines the Authority's supervisory expectations for the controlled use of recognised stablecoins by eligible Bermuda-regulated entities and structures, with an initial focus on Bermuda investment funds, limited purpose insurers, intermediaries, and ILS funds structures. It explains the characteristics the Authority would expect of a recognised stablecoin, the types of

operational, treasury, settlement, liquidity, collateral and risk-transfer use cases that may be considered, and the related governance, custody, AML/ATF, sanctions, valuation, disclosure, stress testing, technology risk and supervisory engagement considerations.

9. The proposed GN is intended to provide practical clarity for entities that may wish to use recognised stablecoins in a limited and well-governed manner. It does not propose automatically treating stablecoins as equivalent to fiat currency, cash, deposits or legal tender, nor does it suggest that all stablecoin arrangements will be suitable for use by regulated entities. Rather, it sets out the factors the Authority would generally expect to consider when assessing whether a proposed stablecoin arrangement is appropriate for the entity, its structure, relevant counterparties and the intended use case.
10. The proposed GN focuses on controlled wholesale, institutional, insurance, investment fund, treasury, collateral and settlement use cases within Bermuda's regulated financial services framework. The Authority's initial policy focus is on use cases relevant to Bermuda's ILS, LPIs, intermediaries and fund sector. Additional focus areas include cases where stablecoin use supports insurance, reinsurance, collateral, claims payment, policyholder obligations, cedant obligations or risk-transfer arrangements.

KEY AREAS FOR CONSULTATION

11. The Authority invites comments as to whether the proposed GN is clear, proportionate and operationally workable. In particular, the Authority is specifically seeking feedback on the:
    a. proposed eligibility criteria for recognised stablecoins
    b. scope of proposed use cases
    c. exposure limits
    d. ILS fund treatment
    e. AML/ATF and sanctions controls
    f. custody and safeguarding expectations, valuation and disclosure requirements, stress testing, concentration limits, cross-chain bridging restrictions
    g. proposed supervisory notification process.

Industry comments are invited to be sent to policy@bma.bm by 30 September 2026.

APPENDIX A: PROPOSED GUIDANCE NOTE:

Use of Recognised Stablecoins within Bermuda Insurance, ILS and Investment Fund Structures

I. INTRODUCTION

1. This GN sets out the Authority's supervisory expectations for Bermuda-regulated entities and structures seeking to use recognised stablecoins within eligible entities outlined under Section III below. It is intended to provide regulatory clarity, establish proportionate risk expectations and support responsible innovation while protecting policyholders, investors, cedants, counterparties and the reputation and integrity of Bermuda's financial services sector.
2. The Authority recognises that high-quality fiat-backed stablecoins may support payment, settlement, treasury management, liquidity management, collateral mobility and operational efficiency in appropriate use cases. At the same time, the Authority is cognisant that stablecoins present specific prudential, operational, legal, technology, AML/ATF, sanctions, custody, settlement finality, valuation, disclosure and reputational risks that must be appropriately governed and mitigated.
3. This Guidance outlines the Authority's supervisory approach for assessing proposed recognised stablecoin use by eligible entities. It is intended to support regulatory clarity and responsible innovation within existing statutory, licensing, business plan, disclosure and supervisory frameworks.
4. This Guidance should be read in conjunction with all applicable legislation, rules, codes, statements of principles, prudential standards, guidance notes, licensing conditions, supervisory directions and any other requirements applicable to the relevant regulated entity or structure. In the event of any inconsistency between this Guidance and binding requirements, binding requirements will prevail.
5. This Guidance has been developed with awareness of applicable international standards and regulatory developments, including but not limited to, the 2023 report from the Financial Stability Board (FSB)[1], ongoing monitoring by the International Association of Insurance Supervisors (IAIS)[2], and policy recommendations from the International Organization of Securities Commissions (IOSCO)[3]. Where international standards evolve, the Authority will review this Guidance accordingly and may update its expectations to maintain consistency with applicable global frameworks. Entities operating across multiple jurisdictions should also consider the regulatory requirements of other relevant jurisdictions, including where stablecoin issuers, custodians, counterparties or service providers are located or regulated.
6. The Authority will continue to monitor developments in this space and may update its supervisory expectations as market practices, international standards and regulatory frameworks evolve. The

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1 Financial Stability Board, *High-level Recommendations for the Regulation, Supervision and Oversight of Crypto-asset Activities and Markets: Final report*, 17 July 2023; and *High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements: Final report*, 17 July 2023.

2 International Association of Insurance Supervisors, *Digital innovation*, including the IAIS FinTech Forum's monitoring of digital innovation and crypto-asset developments in the insurance sector.

3 International Organization of Securities Commissions, *Policy Recommendations for Crypto and Digital Asset Markets: Final Report*, November 2023.

Authority's immediate focus is on recognised stablecoins that are already used in institutional digital asset markets and that may, where appropriately structured, support payment, settlement, treasury management and liquidity operations within traditional finance. This Guidance is therefore intended to provide a controlled supervisory basis for eligible Bermuda-regulated entities and structures to consider such use cases, while ensuring that related prudential, operational, legal, AML/ATF, sanctions, custody, valuation, disclosure and technology risks are appropriately identified, managed and mitigated.

7. Where concerns arise in relation to a proposed stablecoin arrangement, the Authority may address those concerns through the relevant, applicable regulatory tools and powers. This GN does not create a standalone approval process or expand the Authority's statutory powers.

II. PROPORTIONALITY PRINCIPLE

8. The Authority will apply this Guidance in a proportionate manner, and will consider, collectively, the nature, scale, complexity and risk profile of the stablecoin activity and of the regulated entity or structure proposing to use recognised stablecoins.
9. In applying proportionality, the Authority will have regard to the following factors:
    a. the purpose for which the recognised stablecoin is used
    b. the volume and frequency of transactions
    c. the amount of exposure relative to capital, surplus, NAV or collateral requirements
    d. the degree of reliance on third-party service providers
    e. the maturity of the governance and risk management framework
    f. the sophistication of investors or counterparties, and
    g. the potential impact on policyholders, cedants, beneficiaries, investors, creditors and Bermuda's regulatory reputation.
10. A relatively smaller entity may still be expected to maintain appropriately sophisticated controls where it proposes to undertake complex stablecoin arrangements, use complex wallet or custody arrangements, rely on smart contracts, operate on multiple blockchains, accept stablecoin subscriptions or redemptions at scale, or support parametric or programmable insurance settlement structures.

III. SCOPE AND APPLICATION

11. This Guidance is issued pursuant to the Authority's statutory functions and supervisory powers under the Insurance Act 1978 and the Investment Funds Act 2006. It is issued with reference to section 2B of the Insurance Act 1978 and section 4B of the Investment Funds Act 2006. This Guidance does not create new statutory obligations but sets out the Authority's supervisory expectations for the use of recognised stablecoins by entities within its insurance and investment funds regulatory perimeter.
12. This Guidance applies to proposed recognised stablecoin use by Bermuda-regulated investment funds, limited purpose insurers, insurance managers, agents, brokers, insurance marketplace providers and innovative intermediaries where applicable (collectively, **'eligible entities'** for the purposes of this Guidance). Eligibility is not automatic, and this Guidance is intended for use by entities that have been deemed eligible following the Authority's consideration.

13. The Authority's initial policy focus is on use cases connected to eligible entities. Commercial insurers are currently outside the scope of this Guidance. Any proposed use of stablecoins by such entities would be considered by the Authority separately under the applicable statutory, prudential and supervisory framework.
14. In the Funds sector, the Authority recognises that the Investment Funds Act framework is generally strategy- and asset-agnostic. Accordingly, this Guidance is not intended to restrict the use of recognised stablecoins solely to ILS funds. Rather, it establishes the Authority's supervisory expectations for eligible regulated investment funds and insurance-related structures seeking to use recognised stablecoins, with additional expectations applying where such use supports insurance, reinsurance, collateral, claims payment, policyholder obligations, cedant obligations or risk-transfer arrangements.
15. For the avoidance of doubt, this Guidance does not displace the existing Class IIGB and Class IILT frameworks. Class IIGB and Class IILT entities will be allowed to continue to use digital assets, including stablecoin-related arrangements, by design, in accordance with their approved business plans, licence conditions, prudential requirements and applicable supervisory expectations. This Guidance is intended to provide additional clarity for recognised stablecoin use cases that may interact with those innovative insurer and intermediary frameworks.
16. The Authority's current supervisory position is that traditional restricted and unrestricted Special Purpose Insurer (SPI) collateral structures should remain fiat-based, unless otherwise considered by the Authority through the applicable statutory or supervisory process. This Guidance does not amend the existing SPI frameworks.
17. For traditional restricted and unrestricted SPI structures, any fund-level use of recognised stablecoins should be converted into fiat first before deployment into the SPI collateral structure, unless otherwise addressed through the applicable supervisory process.
18. Further, this Guidance does not, by itself, authorise a regulated entity to issue, redeem, exchange, custody or provide digital asset services to the public. Where an entity's activities constitute digital asset business or another regulated activity, separate licensing or registration requirements under the Digital Asset Business Act 2018 (DABA) or the Digital Asset Issuance Act 2020 (DAIA) will apply.

IV. RECOGNISED STABLECOINS: SUPERVISORY ELIGIBILITY CRITERIA

19. For the limited purposes of this Guidance, a 'recognised stablecoin' means a digital asset falling within the definition of 'digital asset' under section 2 of the DABA that satisfies the following eligibility criteria:
    a. Issued with the intention of maintaining a stable value relative to a specified fiat currency, with minimal deviation from par value under normal and stressed market conditions;
    b. Redeemable at par in the pegged fiat currency from the issuer or an authorised agent within a commercially reasonable timeframe, which the Authority expects to mean no later than the close of the next business day under normal and stressed market conditions, and without material restriction, suspension or penalty;
    c. Fully backed on a one-to-one basis by cash or cash equivalents of equal or greater value, held in accounts segregated from the issuer's proprietary assets and free from encumbrance, rehypothecation or competing claims;

d. Supported by transparent reserve management, redemption and governance arrangements, including independent attestation or audit of reserve assets at least monthly, or more frequently as may be required by the Authority; and
e. Intended primarily for payment, settlement, liquidity management or treasury operations, rather than speculative investment activity.

20. This is a supervisory classification for the purposes of this Guidance and does not create or amend any statutory definition under the Insurance Act 1978, the DABA, the DAIA, Investment Funds Act 2006 or any other relevant Acts. Recognition under this Guidance does not alter the legal character, accounting treatment, prudential treatment or regulatory classification of the instrument under any applicable law, rule or accounting standard.
21. For the purposes of the above definition, the Authority may consider the maturity profile, liquidity, credit quality, counterparty risk, legal structure and transparency of the reserve assets when determining whether a stablecoin qualifies as a recognised stablecoin.
22. Algorithmic, synthetic, unsecured, crypto-asset-backed, commodity-backed or materially under-collateralised stablecoins would not generally be regarded by the Authority as recognised stablecoins for the purposes of this Guidance.
23. The Authority may take the view, for supervisory assessment purposes, that a stablecoin is not appropriate for use as a recognised stablecoin where the stablecoin, issuer, reserve arrangements, redemption mechanics, transaction ecosystem, governance framework, blockchain infrastructure, market conduct, associated service providers or jurisdictional exposure present heightened prudential, operational, AML/ATF, sanctions, reputational or systemic risk.
24. In assessing whether a stablecoin qualifies as a recognised stablecoin for the purposes of this Guidance, the Authority will also have regard to the regulatory status of the issuer in its home jurisdiction. Where the issuer is regulated under a stablecoin, electronic money, payment instrument or comparable regime in a jurisdiction that the Authority considers to have comparable supervisory standards, the BMA may take that regulatory status into account in its assessment. However, home-country regulation does not automatically confer recognised stablecoin status under this Guidance.
25. The Authority will also consider the jurisdiction's AML/ATF and sanctions regime, the supervisory effectiveness, and the prudential, operational and reputational risk profile of the stablecoin, issuer and associated arrangements. In such cases, the Authority will consider factors such as the stablecoin issuer's AML/ATF and sanctions compliance framework, regulatory and enforcement history, ability to implement sanctions-related freezing or blacklisting measures where legally required (e.g. at the smart contract level by inhibiting the transfer function), cooperation with competent authorities, and broader financial crime risks associated with the stablecoin ecosystem.
26. In assessing reserve quality, the Authority will have regard to international standards and comparable regulatory frameworks, including, but not limited to, requirements under the U.S. GENIUS Act for permissible reserve assets, which include demand deposits at supervised depository institutions, short-term U.S. Treasury bills with a remaining maturity of 93 days or less, short-term repurchase agreements collateralised by such securities, and government money market funds investing solely in such assets. Stablecoins whose reserve composition materially diverges from these or equivalent standards will be assessed more cautiously by the Authority.
27. The Authority does not, through this Guidance, automatically determine the accounting classification of stablecoins as cash, cash equivalents, financial assets or any other accounting

category. The definition in this Guidance is a set of prudential assessment criteria designed to ensure that approved stablecoin use is limited to fiat-backed settlement instruments with cash-equivalent risk characteristics, subject to further assessment by the Authority.

28. For the avoidance of doubt, recognition by the Authority does not mean that a stablecoin is, by default, treated as legal tender, central bank money, a bank deposit, a security, or automatically treated as cash or a cash equivalent for accounting, solvency, statutory reporting or regulatory capital purposes. Recognition means that the Authority considers the stablecoin capable of being considered for the specific proposed use cases of eligible entities in scope under this Guidance. This assessment is based on the eligible entity's governance, risk management, custody, liquidity, valuation, disclosure, AML/ATF, sanctions, reporting and operational resilience frameworks.
29. The Authority's recognised stablecoin assessment criteria are intended to identify digital assets that exhibit prudential characteristics closer to high-quality settlement or liquidity-management instruments than to speculative crypto-assets. These characteristics include full one-to-one backing, high-quality liquid reserves, par redemption, segregation of reserve assets, transparent reserve reporting, robust governance (including AML/ATF and Sanctions controls), demonstrable operational resilience and clear risk controls. The Authority may determine that a stablecoin does not qualify as a recognised stablecoin under this Guidance, where the Authority considers that the issuer, reserve structure, redemption arrangements, transaction ecosystem, custody model, blockchain network, governance arrangements or associated service providers present heightened prudential, operational, AML/ATF, sanctions, reputational or systemic risk.
30. Where a recognised stablecoin experiences a material depeg event, the following expectations apply. First, the eligible entity should immediately notify the Authority and implement its documented depeg contingency and fiat conversion plan. Second, the eligible entity should assess the impact on its capital and surplus, as applicable, its Net Asset Value (NAV), collateral sufficiency, and obligations to policyholders, cedants, investors, and counterparties, and report that assessment to the BMA within the timeframe specified by the Authority. Third, where the stablecoin is used to support insurance obligations, collateral structures or capital resources, the eligible entity should take prompt steps to restore compliance with applicable prudential requirements, including through fiat conversion, capital injection or other measures approved by the Authority. The Authority may consider whether additional measures are appropriate through the applicable supervisory process.
31. Eligible entities should not rely solely on marketing materials, rating agency designations, or third-party characterisations when assessing whether an instrument falls within this Guidance. Where there is uncertainty, the eligible entity should provide sufficient information to the Authority to enable it to assess the proposed stablecoin through the applicable supervisory process.
32. The Authority will determine whether that stablecoin is acceptable for the proposed use through the applicable supervisory process. Recognition for one arrangement does not necessarily mean that the stablecoin is approved for all entities, sectors or use cases.

IV. PROPOSED USE CASES FOR RECOGNISED STABLECOINS

33. Subject to this Guidance, applicable legislation and Authority approval, recognised stablecoins may be used for the following purposes:
   a) Subscriptions into, and redemptions from, Bermuda investment funds;

b) Fund treasury management, settlement and liquidity operations;
c) Premium collection and claims payment by eligible entities;
d) Approved capital or surplus support for eligible entities, subject to applicable legislative, prudential, statutory reporting and capital requirements, and the quantitative and qualitative limits in this Guidance;
e) Approved settlement arrangements for parametric, programmable or digitally enabled insurance structures; and
f) Controlled collateral or settlement experimentation within future parametric, programmable or digitally enabled insurance structures where expressly approved by the Authority.

34. Arrangements involving recognised stablecoins should be structured so that policyholders, cedants and other insurance counterparties are not exposed to unallocated depeg risk, conversion risk, blockchain outage risk, transaction fee risk or redemption suspension risk. Relevant risk allocation should be prudent, clearly disclosed, contractually agreed, and in compliance with relevant regulatory frameworks applicable to the eligible entity.
35. Where an eligible entity accepts premium or other consideration in a recognised stablecoin, the corresponding payment, claims or settlement mechanics should be expressly addressed in the relevant contractual documentation. Claims or settlement payments should not be automatically interchangeable between fiat currency, different stablecoins or different blockchain networks unless the arrangement is contractually agreed, disclosed, operationally supported and, where conversion or exchange is required, executed through an appropriately regulated service provider.
36. A regulated entity should not use recognised stablecoins for speculative investment activity, yield farming, staking, lending, unsecured DeFi activity, rehypothecation, leverage, maturity transformation, or any other activity inconsistent with the entity’s approved business plan, investment policy, risk appetite, licensing conditions or applicable regulatory requirements.
37. Where an eligible entity proposes to transfer recognised stablecoins across different blockchain networks, including through cross-chain bridging protocols, wrapped token mechanisms or other cross-chain interoperability arrangements, the arrangement should be clearly documented as part of the entity’s stablecoin workflow and addressed through the applicable supervisory engagement process. The eligible entity should demonstrate that the arrangement is supported by appropriate governance, AML/ATF and sanctions controls, custody and wallet controls, valuation treatment, reconciliation processes, operational resilience arrangements and incident response procedures. The eligible entity should also assess the specific operational, cyber, smart contract, custody, settlement finality, liquidity and legal risks associated with the bridging or interoperability mechanism, including the role of any third-party protocol, technology provider, custodian or liquidity venue. Where the bridging or interoperability mechanism is material to the arrangement, the Authority would expect appropriate technical due diligence, independent smart contract review or audit where relevant, clear risk allocation, transaction monitoring, contingency arrangements and reporting of material incidents in accordance with the relevant regulatory frameworks.
38. This Guidance also applies where recognised stablecoins are received as consideration in secondary market transactions, transferred between related entities, or used for intercompany settlement within a captive group or fund structure. In such cases, eligible entities should ensure that such transfers are subject to the same governance, AML/ATF, sanctions, custody, valuation and reporting controls as the underlying recognised stablecoin activity. Where intercompany or intra-group stablecoin arrangements are proposed, the eligible entity should document the transaction flow, legal basis, risk allocation and any intra-group exposures, including whether the

arrangement gives rise to an intercompany loan, receivable, payable, capital contribution, collateral arrangement or other exposure. For the avoidance of doubt, the use of a recognised stablecoin as the settlement asset does not, of itself, determine the admissibility, capital treatment or regulatory treatment of the underlying intercompany exposure. Where such arrangements are material to its capital, liquidity or obligations to policyholders, cedants or investors, or where the entity intends to treat the resulting exposure as an admissible asset or eligible capital resource, the entity should obtain any required approval, non-objection or supervisory confirmation from the Authority under the relevant regulatory framework before implementation.

39. The Authority expects arrangements involving recognised stablecoins to be limited to use cases that are demonstrably operational, settlement, treasury, liquidity management, collateral mobility or risk-transfer related. Any broader investment strategy involving digital assets will be assessed separately under the relevant regulatory frameworks.
40. The Authority notes that stablecoin issuers' inability to access central bank liquidity facilities in most jurisdictions – including nonbank issuers operating under the U.S. GENIUS Act framework and the like – means that reserve liquidation under stress conditions may be constrained. Eligible entities relying on recognised stablecoins for insurance obligations, collateral support, or claims payment should reflect this structural limitation in their stress testing, fiat fallback planning and liquidity management frameworks and manage these risks accordingly.

V. GOVERNANCE AND RISK MANAGEMENT

41. The board of directors, general partner, trustee, operator, principal representative, insurance manager, investment manager or other governing body, as applicable, is expected to oversee whether recognised stablecoin arrangements are sound, prudent and consistent with the Codes of Conduct, Codes of Practice, Regulations or other relevant frameworks applicable to the eligible entity.
42. Before using recognised stablecoins, an entity's board and senior management should approve and document a stablecoin risk management framework that addresses the following factors, as applicable under the relevant regulatory frameworks:
   a) The business rationale and approved use cases;
   b) Risk appetite, limits, escalation thresholds and breach management;
   c) Eligible stablecoins, approved blockchains and approved service providers;
   d) Custody, wallet, private key and access control arrangements;
   e) AML/ATF, sanctions, wallet screening and transaction monitoring arrangements;
   f) Valuation, NAV, accounting, reconciliation and audit processes;
   g) Liquidity, redemption, conversion and fiat fallback arrangements;
   h) Operational resilience, cyber risk, incident response and business continuity arrangements;
   i) Oracle and external data dependency arrangements, including the governance, validation, fallback methodology and conflict management procedures applicable to any external data source, price feed, blockchain analytics tool, compliance technology provider or trigger mechanism on which the entity's recognised stablecoin arrangements depend, whether or not those arrangements involve parametric or programmable insurance structures.
   j) Disclosure, contractual settlement finality and counterparty risk allocation; and
   k) Management information, reporting to the governing body and reporting to the Authority.

43. The stablecoin risk management framework should be reviewed at least annually, and promptly after any material changes to the stablecoin, issuer, service provider, blockchain, custody arrangement, transaction volume, business strategy, regulatory environment or risk profile.
44. The board and senior management should expressly approve the eligible entity's recognised stablecoin strategy and ensure that it is aligned with the eligible entity's approved business plan, risk appetite, liquidity needs, operational capabilities and legal obligations to policyholders, cedants, investors and other counterparties. The board should be able to demonstrate that it has considered whether the recognised stablecoin is being used as a settlement rail, treasury asset, collateral asset, claims-payment mechanism, investor subscription/redemption mechanism or capital resource, and that the controls applied are commensurate with the risk profile of that use case.
45. The eligible entity's risk management framework should also include, as applicable to the nature, scale and risk profile of the proposed use, documented policies and controls addressing the following: depeg risk, redemption risk, issuer risk, reserve transparency, blockchain network dependency, smart contract risk, custody and private key risk, sanctions exposure, issuer- or network-level freezing, blacklisting or transfer-restriction risk, transaction monitoring, cyber risk, operational resilience, valuation, accounting treatment, concentration risk, liquidity management, business continuity and contingency conversion into fiat.
46. The board should receive sufficient reporting to oversee material stablecoin risks covering:
    a. stablecoin exposures
    b. transaction volumes
    c. limit utilisation, service provider performance
    d. AML/ATF and sanctions alerts
    e. reconciliation breaks
    f. valuation issues
    g. operational incidents
    h. depeg events
    i. blockchain outages
    j. custody or wallet events
    k. complaints, audit findings and any breaches of policies or regulatory requirements.

VII. SERVICE PROVIDERS, DUE DILIGENCE AND THIRD-PARTY ARRANGEMENTS

47. Eligible entities should generally rely on appropriately licensed, registered, authorised or otherwise regulated DABs, Virtual Asset Service Providers (VASP), under the Financial Action Task Force framework), custodians, exchanges, payment processors, wallet infrastructure providers, transfer agents, administrators and other service providers where third parties are appointed to, relied upon for, or otherwise support stablecoin-related activities. Where the service provider is a Bermuda DAB, the Authority expects the provider to be licensed under the DABA in good standing. Where the service provider is located outside Bermuda, the entity should demonstrate to the Authority's satisfaction that the provider is subject to effective regulation and supervision in a jurisdiction acceptable to the Authority.
48. For the avoidance of doubt, the appointment of, or reliance on, a regulated DAB, VASP, custodian, exchange, payment processor or wallet infrastructure provider does not, by itself, make the eligible entity a DAB, VASP, custodian or exchange, provided the eligible entity remains within the scope

of its approved business model and does not issue, redeem, exchange, custody or provide digital asset services to the public in a manner that would constitute licensable activity under DABA.

49. Due diligence on recognised stablecoin issuers and service providers should be conducted before appointment and periodically thereafter. Such due diligence should include, where relevant, the regulatory status, jurisdiction, financial condition, operational resilience, cyber controls, AML/ATF and sanctions controls, custody model, legal structure, insurance coverage, audit history, reserve attestations, redemption history, complaints, enforcement history, conflicts of interest and concentration risk.
50. Third-party arrangements should clearly allocate responsibilities among the eligible entity, issuer, custodian, exchange, administrator, investment manager, insurance manager, transfer agent, wallet provider, oracle provider and any other material service provider. The eligible entity, however, should retain adequate oversight and cannot outsource ultimate accountability for the outcomes under the applicable regulatory frameworks.
51. Service agreements should include appropriate rights to information, audit, assurance reports, incident notification, cooperation with the Authority, termination rights, business continuity obligations, sanctions freeze procedures, data protection obligations and orderly exit arrangements.

VIII. CUSTODY, SAFEGUARDING AND WALLET CONTROLS

52. Eligible entities should establish a custody and control framework appropriate to the nature of the recognised stablecoin use case and consistent with any applicable regulatory frameworks. This should include clear documentation of where the stablecoin is held, by whom, under what legal arrangement, how private keys are generated and controlled, how transaction approvals are governed, how wallets are segregated, how reconciliations are performed, and how access is revoked or transferred in contingency scenarios.
53. Recognised stablecoin custody and safeguarding arrangements should be appropriate to the nature, scale, complexity and risk profile of the arrangement and should provide effective segregation and protection of assets. Any custodian used to hold recognised stablecoins should comply with the DABA Custody Code of Practice, where the custodian is a Bermuda-licensed DAB. Where the custodian is regulated outside Bermuda, the eligible entity should ensure that the custodian is subject to equivalent standards relating to custody, safeguarding, segregation, reconciliation, governance, cyber, operational resilience and client asset protection standards. Eligible entities should document the basis for their satisfaction that the custodian meets those standards and make that assessment available to the Authority upon request.
54. Where recognised stablecoins support insurance, reinsurance, collateral, claims payment or capital obligations, the BMA will expect a higher standard of legal certainty and operational control than where stablecoins are used solely for temporary settlement. The entity should be able to demonstrate that assets are appropriately safeguarded, that expected funding levels can be maintained on an ongoing basis, and that the arrangement would remain operationally and legally effective under stressed conditions.
55. For approved parametric structures, the custody and safeguarding arrangement should provide a level of legal and operational protection comparable to the safeguarded collateral arrangements used in traditional SPI structures. The applicant should demonstrate how the stablecoin collateral will be held, controlled, restricted and made available for the benefit of the relevant cedant, policyholder, beneficiary or other protected counterparty. This may include a trust, security

agreement, custody agreement, control agreement, segregated wallet arrangement, escrow arrangement or other legally robust safeguarding structure acceptable to the Authority and in compliance with the relevant regulatory frameworks.

56. Where stablecoins are used in a collateral arrangement, the governing documentation should clearly specify the beneficial or proprietary interest in the stablecoin collateral, the permitted use of the collateral, release conditions, substitution or conversion rights, access rights, enforcement mechanics, insolvency treatment, and the role and obligations of any trustee, custodian, wallet infrastructure provider or other control party. Where stablecoin collateral is held in a wallet, the wallet should be segregated at the transaction, cell, account, programme or collateral level as appropriate It should also be subject to governance arrangements that prevent unauthorised transfer, rehypothecation, commingling or use of the collateral for any purpose other than that specified in the transaction documents and in compliance with applicable regulatory frameworks.
57. An eligible entity should maintain documented wallet governance arrangements covering wallet creation, wallet approval, authorised signatories, private key generation, storage and rotation, multi-signature or multi-party computation arrangements, access rights, transaction approvals, segregation of duties, emergency access, key compromise, disaster recovery, offboarding, recordkeeping and audit trails. The framework should support effective segregation, legal certainty, operational control, auditability, reconciliation capability, AML/ATF and sanctions control, incident reporting, and access to information required by the eligible entity and the Authority.

IX. AML/ATF, SANCTIONS AND FINANCIAL CRIME CONTROLS

58. The use or acceptance of recognised stablecoins by an eligible entity does not, by itself, mean that the entity is carrying on digital asset business under DABA, provided the entity is not issuing, redeeming, exchanging, custodying or providing digital asset services to the public. The use of recognised stablecoins may nevertheless give rise to distinct financial crime risks, which should be identified, assessed and appropriately managed. Eligible entities should consider applicable sanctions obligations, wallet-screening, source-of-funds, source-of-wealth, transaction monitoring and service-provider reliance risks arising from the proposed arrangement. Where the eligible entity is subject to AML/ATF obligations under applicable Bermuda law, its business risk assessment, customer risk assessment, policies, procedures and controls should be updated accordingly to reflect the recognised stablecoin arrangement.
59. Eligible entities should maintain sanctions controls and, where applicable, AML/ATF controls that are commensurate with the nature, scale and risk profile of the stablecoin activity. Such controls should include, as applicable under relevant legislation:
    a. Customer due diligence and enhanced due diligence where required;
    b. Source of funds and source of wealth controls;
    c. Wallet address screening before acceptance of stablecoin transfers;
    d. Sanctions screening of parties, wallet addresses and counterparties;
    e. Transaction monitoring, including typology-based and behavioural monitoring;
    f. Blockchain analytics where appropriate to the risk profile;
    g. Controls for mixers, tumblers, privacy-enhancing tools, sanctioned wallets, darknet exposure, fraud, ransomware, terrorist financing, proliferation financing and other illicit finance indicators;

h. Procedures for rejecting, freezing, returning or escalating suspicious or prohibited transactions; and
i. Clear allocation of responsibilities among the eligible entity and its DAB, VASP, custodian, administrator, investment manager, insurance manager and other service providers.

60. Eligible entities should not accept stablecoin transfers from unknown, unscreened or high-risk wallets unless the risks are assessed, mitigated and approved in accordance with documented policies and applicable legal requirements.
61. Material suspicious activity, suspected sanctions breaches, control failures or other financial crime matters relating to stablecoin activity should be escalated internally and reported to the Authority and any other competent authority under the relevant regulatory frameworks for the eligible entity.
62. Where the eligible entity relies on a digital asset business, VASP, custodian, exchange, broker, payment processor, wallet provider or blockchain analytics provider, the entity should clearly document the allocation of AML/ATF and sanctions responsibilities. The eligible entity should not assume that reliance on a regulated service provider removes any obligations that apply to it under Bermuda law, nor should it assume that it may conduct exchange, custody, issuance, redemption or other digital asset business activity without the relevant licence or registration where required.
63. Eligible entities should specifically assess whether the recognised stablecoin, issuer, custodian, wallet provider, blockchain network or smart contract framework includes mechanisms that may freeze, blacklist, block, reverse, restrict or otherwise impair access to stablecoin holdings, transfers or redemption channels, including where such action is taken in response to sanctions, law enforcement requests, court orders, issuer risk controls, smart contract administration rights or other compliance measures. The eligible entity should understand the legal and operational basis for such mechanisms, the parties authorised to initiate them, the circumstances in which they may be used, the notice and escalation processes that apply, and their potential impact on policyholders, cedants, investors, counterparties, NAV, capital, collateral sufficiency, claims payment and fiat conversion. These risks, where material, should be reflected in the entity’s due diligence, contractual arrangements, disclosures, stress testing, incident response, contingency conversion plan and reporting to the Authority.

X. VALUATION, NAV, ACCOUNTING AND REPORTING CURRENCY

64. For the Funds sector, this Guidance should be read together with the Investment Funds Act 2006, Investment Funds Rules 2019, Investment Fund Offering Document Rules 2019 and applicable offering document requirements.
65. Funds are expected to maintain documented valuation and NAV policies for recognised stablecoins. Such policies should address price source, fiat conversion methodology, timing, cut-off procedures, transaction fees, gas fees, spreads, slippage, depeg thresholds, stale pricing, suspended redemptions and valuation governance in compliance with applicable frameworks and governance documents.
66. Offering memoranda, constitutional documents, subscription and redemption documents, side letters and administration procedures should clearly disclose or document, as applicable under the relevant Funds framework, how recognised stablecoin subscriptions and redemptions are valued, when they are deemed received or paid, how conversion occurs, who bears conversion costs and risks, and how NAV is calculated during stressed conditions.

67. Statutory reporting currency should remain the currency required under the applicable regulatory frameworks.
68. Where recognised stablecoins are used as capital, surplus, collateral or liquidity support, the Authority may consider whether valuation haircuts, concentration limits, fiat liquidity buffers or other prudential adjustments are appropriate through the applicable supervisory process or any enforceable instrument available under the relevant frameworks.
69. Recognition of a stablecoin for the purposes of this Guidance does not determine its accounting, statutory reporting, solvency or regulatory capital treatment. Eligible entities should determine the appropriate accounting treatment in consultation with their auditor, having regard to the applicable accounting standards and the facts and circumstances of the arrangement. Where the recognised stablecoin is material to the entity's financial position, NAV, capital resources, collateral sufficiency, liquidity position or obligations to policyholders, cedants, investors or counterparties, the Authority may request supporting analysis from management, auditors, legal advisers or other relevant experts. Any prudential or regulatory capital treatment will be considered separately through the applicable supervisory or statutory process.
70. Solvency, statutory reporting and regulatory capital treatment remain subject to the Authority's applicable prudential framework, and any determination should therefore be made through the relevant supervisory or statutory process.
71. Fund operators should ensure that the offering document, valuation policy and NAV methodology clearly explain how recognised stablecoins are valued, how depeg events are treated, how intraday volatility or liquidity disruptions are reflected, and how subscription or redemption proceeds are calculated where conversion into fiat is required. This should be considered together with the Investment Fund Rules 2019 and Investment Fund Offering Document Rules 2019, where applicable.
72. Eligible entities should maintain documented policies for the treatment of on-chain transaction fees, gas fees, network congestion costs and conversion spreads. Such policies should address how these costs are estimated, monitored and allocated among the entity, investors, policyholders, cedants and counterparties; how fee volatility is reflected in NAV calculations, settlement amounts and claims payment mechanics; and how the entity will manage arrangements where gas fee spikes or network congestion may delay or increase the cost of settlement. Where such fees, costs or spreads may be material to a fund's NAV, subscription or redemption price, settlement amount or investor economics, the fund operator should consider whether disclosure is required or appropriate under the fund's offering document, governing documents, investor agreements and applicable funds legislation or rules.
73. For insurance-related arrangements, the eligible entity should consider whether the allocation methodology should be documented in the applicable policy, reinsurance, collateral, claims payment, counterparty or other governing contractual documentation.
74. Where an entity proposes to convert between recognised stablecoins – including conversions between stablecoins pegged to different fiat currencies – such conversions should be included in the application package as outlined in the Annex to Appendix A and be subject to the same governance, AML/ATF, sanctions, valuation and operational resilience controls as stablecoin-to-fiat conversions. The eligible entity should document the business rationale, approved conversion pairs, execution venue, timing assumptions, spread and fee treatment, accounting methodology and risk allocation. Cross-currency stablecoin conversions should also be reflected in the eligible entity's risk management framework where relevant.

XI. DISCLOSURES, DOCUMENTATION AND SETTLEMENT FINALITY

75. Eligible entities should ensure that governing documents, contracts and investor or counterparty disclosures clearly describe the role of recognised stablecoins in the structure and the material risks associated with that use, in accordance with relevant regulatory frameworks.
76. Disclosures should cover, as applicable, depeg risk, redemption risk, issuer risk, reserve risk, custody risk, wallet and key management risk, cyber risk, blockchain dependency risk, network congestion, transaction fee volatility, sanctions freeze risk, issuer blacklisting, transfer restriction or redemption impairment risk, operational resilience risk, smart contract risk, oracle risk, valuation risk, liquidity risk, conversion risk and legal uncertainty.
77. Contractual documentation should clearly address settlement mechanics, conversion methodology, fiat equivalence, operational dependencies and settlement finality. In particular, documentation should include, where relevant:
    a. An express acknowledgement of whether payment in recognised stablecoins constitutes valid and final discharge of the relevant obligation;
    b. The timing at which payment is deemed received, final, irreversible or otherwise effective;
    c. The conversion mechanics, timing assumptions, spreads, transaction fees and responsible party;
    d. Allocation of depeg, conversion, settlement, network, custody and operational risk;
    e. Fallback arrangements for depeg events, redemption suspension, blockchain outages, sanctions freezes, custody failure, smart contract failure or settlement disruption;
    f. Dispute resolution and error correction procedures; and
    g. Confirmation that policyholder, cedant, investor and counterparty rights remain clear and enforceable.
78. Eligible entities should not rely solely on technological settlement finality. Where material, legal settlement finality, discharge of obligations, ownership transfer, beneficial interest, security interest, trust arrangements and insolvency treatment should be analysed and documented. Where obligations are governed by laws other than Bermuda law, the eligible entity should consider whether legal analysis, and in material or novel cases, a legal opinion, is appropriate and make them available to the Authority, upon request.
79. Where the arrangement involves policyholders, cedants, beneficiaries or claims payments, the entity should ensure that recognised stablecoin use does not create ambiguity regarding the amount, timing or enforceability of obligations owed to those parties.

XII. STRESS TESTING, LIQUIDITY AND CONTINGENCY PLANNING

80. Where warranted by the materiality, nature, scale, complexity and risk profile of the recognised stablecoin activity, eligible entities should incorporate stablecoin-specific stress testing in accordance with relevant regulatory reporting frameworks. This is more likely to be relevant where stablecoins support insurance, reinsurance, collateral, claims payments, capital and surplus, liquidity management, high-volume fund subscriptions or redemptions, or material treasury operations. For lower-risk operational fund use cases, these expectations should be applied proportionately, taking into account the materiality, nature, scale, and complexity of the proposed use case.
81. Stress scenarios may include, as applicable, depeg, issuer failure, reserve impairment, redemption suspension, market-wide redemption pressure, fiat conversion delay, blockchain congestion, material gas fee spike, chain fork, smart contract failure, oracle failure, custodian failure, private

key compromise, cyber event, sanctions freeze, issuer blacklisting, wallet blocking, transfer restriction, redemption channel impairment, administrator failure, bank failure, liquidity shortfall, valuation uncertainty and combined stress scenarios. The stress scenarios should also include failure or delay in liquidating the reserve asset during market-wide stress.

82. For eligible entities whose recognised stablecoin arrangements support insurance, reinsurance, collateral, claims payment or ILS fund obligations, stress scenarios should additionally include (with regard to the applicable stress testing frameworks) a combined catastrophe and market stress scenario in which a major insured loss event – whether a natural catastrophe, cyber event or other large-scale loss – triggers simultaneous redemption pressure on recognised stablecoins, liquidity demands on the entity or fund, and potential disruption to the entity's primary banking or conversion channels. This scenario should reflect the potential correlation between large-scale loss events and broader financial market volatility. It should also assess the entity's ability to meet its obligations to policyholders, cedants, investors, and counterparties under such conditions without material delay, capital shortfall, or collateral deficiency.
83. Stress testing should also identify potential uncovered losses, liquidity shortfalls, collateral deficits, settlement delays, policyholder or investor impacts, operational bottlenecks and management actions. Results should be reported to the governing body and used to update risk appetite, limits, contingency plans, disclosures and operational processes.
84. If warranted, eligible entities should consider and document fiat fallback arrangements. Where recognised stablecoins are used to support insurance obligations or collateral structures, the eligible entity should demonstrate the ability to convert into fiat under normal and stressed conditions within timeframes consistent with the relevant contractual and regulatory obligations.
85. Where warranted, the Authority may consider whether a fiat liquidity buffer, concentration threshold, redemption reserve, collateral haircut or other prudential measure is appropriate, which will be addressed through the applicable approval, business plan, licence condition, supervisory direction, fund disclosure or future rule-making process.
86. Stress test and scenario results should be made available to the board or governing body and used to inform limits, contingency funding plans, fiat liquidity buffers, contractual fallback arrangements and supervisory reporting.

XIII. TECHNOLOGY, BLOCKCHAIN, SMART CONTRACT AND ORACLE RISK

87. Where an eligible entity uses recognised stablecoins only as a payment, settlement or treasury instrument through a regulated service provider, the technology assessment should be proportionate to that limited use. Where, however, the entity leverages blockchain-native functionality and workflows on its own – including smart contracts, programmable settlement, parametric triggers, oracle feeds, automated claims payment, bridging or multi-chain execution – the eligible entity should assess the additional operational, legal, auditability, reliability, cyber and resilience risks introduced by those features.
88. In such cases, eligible entities should conduct a proportionate assessment of the blockchain network, infrastructure and value chain through which recognised stablecoins are transferred, settled or held. The assessment should provide the entity with a sufficient understanding of the risks associated with network selection, custody arrangements, transaction monitoring, operational resilience, disclosure and contingency planning. Relevant factors may include the consensus mechanism, transaction finality, network security, interoperability, congestion risk, gas fees,

validator concentration, operational history, governance arrangements, sanctions compliance tooling, smart contract architecture, incident history and cyber resilience.

89. Where smart contracts are material to the stablecoin arrangement, the eligible entity should consider whether independent review, audit, change management, access controls, monitoring and incident response arrangements are appropriate to the nature and risk of the use case. The Authority will consider relevant audit reports, findings and remediation evidence in conducting its supervisory review to assess the eligible entity's governance and risk management framework.
90. Eligible entities should also incorporate stablecoin-related technology dependencies into their operational resilience, cyber risk management, business continuity, disaster recovery and incident response frameworks.

XIV. SECTOR-SPECIFIC EXPECTATIONS

A. Limited-Purpose Insurers (LPIs)

91. LPIs may apply to use recognised stablecoins for premium collection, claims payment, treasury management and/or as part of their capital base, as an update to the LPI's approved business plan, subject to the Authority's review.
92. An LPI proposing to hold recognised stablecoins as part of its capital base or capital and surplus should demonstrate that the exposure is consistent with its risk profile, liquidity needs, claims-payment obligations, governance framework and operational capabilities. The Authority may consider whether limits, conditions, reporting or safeguards should be addressed through the applicable supervisory or licensing process.
93. As a supervisory policy position, the Authority would generally expect LPI-recognised stablecoin exposure to remain within 25% of total statutory capital and surplus or net assets, unless a higher exposure is considered and approved through the applicable supervisory process. This threshold does not amend any applicable legislative, prudential, statutory reporting or capital requirement.
94. Any proposed exposure above the 25% threshold should be discussed with the Authority in advance and addressed through the applicable supervisory process. In assessing such requests, the BMA may consider the quality of the recognised stablecoin, the issuer and reserve framework, custody arrangements, liquidity and redemption analysis, claims profile, stress testing, audit treatment, governance controls, operational resilience, AML/ATF and sanctions controls, and the limited purpose insurer's overall capital and surplus position.
95. Eligible LPIs may propose to use recognised stablecoins for premium collection, claims payment and capital or surplus support without necessarily requiring Class IIGB or Class IILT licensing, provided the use remains within the scope of the LPI's approved business model and is addressed through the applicable supervisory process.
96. For segregated accounts companies or similar structures, the Authority may consider exposure or control expectations at the company, cell, account or exposure level, having regard to the legal segregation, risk containment, ownership, funding arrangements and the purpose of the proposed stablecoin arrangement.
97. Eligible LPIs proposing to use recognised stablecoins should consider whether updates are required to their business plan, risk assessment, policies and procedures, investment policy, liquidity plan, custody arrangements, AML/ATF and sanctions framework, own risk assessment, audit scope and reporting processes.

B. Bermuda investment funds

98. The Authority recognises that Bermuda investment funds may pursue a wide range of investment strategies. Accordingly, the regulatory focus is on whether the proposed strategy can be implemented in a sound, well-governed and transparent manner. A fund proposing to use recognised stablecoins should demonstrate that its operator, governing body and service providers have the competence, systems and controls necessary to support the proposed strategy.
99. Bermuda investment funds may use recognised stablecoins where the strategy can be executed in a sound, well-governed and transparent manner, consistent with the applicable fund framework, offering documents, constitutional documents, service provider arrangements, AML/ATF obligations, valuation methodology and investor disclosures. This Guidance is intended to operate within the existing investment funds legislative and supervisory framework, including the Investment Funds Act 2006, Investment Funds Rules 2019, the Offering Document Rules 2019, the Investment Fund Guidelines and existing supervisory expectations relating to material changes, offering document disclosures, valuation, custody, administrator functions and investor protection. It does not create a separate investment fund regime for stablecoin activity. Any mandatory change to fund disclosure, valuation or service provider requirements should be addressed through the relevant rules or legislative framework rather than through this Guidance.
100. For investment funds, the Authority's initial supervisory focus is expected to be on operational uses of recognised stablecoins, including subscriptions, redemptions, treasury management and settlement, where the governing documents permit such use and the operator, manager, administrator and relevant service providers are capable of executing the arrangement prudently.
101. Fund operators should consider whether offering documents disclose the role of recognised stablecoins, eligible stablecoins, custody and conversion arrangements, valuation methodology, NAV timing, fees, transaction costs, depeg risk, redemption risk, sanctions risk, wallet risk, blockchain risk and circumstances in which subscriptions or redemptions may be delayed, rejected or converted into fiat.
102. The Authority may have particular regard to the safeguarding and legal control of assets where a fund structure is relied upon by an insurer, cedant, reinsurer or SPI to support insurance or reinsurance exposure.
103. The BMA will distinguish between the use of recognised stablecoins as an operational mechanism and their use as part of a fund's investment strategy, liquidity management approach, collateral arrangement or asset exposure. Operational use may include subscriptions, redemptions, treasury management and settlement. Investment, liquidity, or collateral-related use may raise additional considerations regarding investment mandate, concentration, valuation, liquidity, custody, disclosure, and investor suitability. Where recognised stablecoins are proposed to be used for collateral, liquidity management or investment exposure, the Authority may consider the arrangement on a case-by-case basis, having regard to the fund's offering document, investment strategy, investor disclosures, valuation approach, custody arrangements and any applicable material change requirements.
104. The offering document and relevant investor disclosures should clearly explain the purpose for which recognised stablecoins may be used, including whether they may be used for subscriptions, redemptions, treasury management, settlement, collateral, liquidity management or investment exposure. The fund should also disclose the relevant stablecoin eligibility criteria,

custody arrangements, valuation methodology, AML/ATF and sanctions controls, conversion process, risk allocation, fees, settlement timing and contingency arrangements.

105. Where a Bermuda investment fund accepts stablecoin subscriptions from, or makes stablecoin redemptions to, investors domiciled or regulated in the EU or the European Economic Area (EEA), the fund operator and investment manager should assess whether the proposed recognised stablecoin is a MiCA-authorised e-money token or asset-referenced token. It should also consider whether the distribution, offering or use of that stablecoin in connection with EEA investors may trigger obligations under that legislation, at the level of the EEA-domiciled investor, distributor, custodian or service provider. The Authority does not determine MiCA compliance obligations, which are a matter for competent authorities within the EEA. However, eligible entities should ensure that their stablecoin use does not expose their EEA-domiciled investors, service providers, or counterparties to regulatory non-compliance risks of which those parties are unaware. Where relevant, eligible entities should address these risks in their investor disclosures and service provider agreements.

106. Where the fund is intended to support, finance or interact with an insurance or reinsurance structure, the Authority will consider the soundness and suitability of the fund arrangement in light of the underlying insurance-related exposure. In particular, the Authority expects clear safeguards demonstrating that assets are appropriately controlled, that expected funding levels can be maintained, and that the arrangement does not create undue risk for policyholders, cedants, beneficiaries or regulated insurance entities.

C. ILS funds

107. ILS funds may use recognised stablecoins for subscriptions, redemptions, treasury management and settlement rails/arrangements, subject to the common requirements in this Guidance and any applicable fund-specific requirements.

108. Where an ILS fund invests in funds or supports a traditional restricted or unrestricted SPI, recognised stablecoins should be converted into fiat before deployment into the SPI collateral structure unless otherwise addressed through the applicable statutory or supervisory process. The fund should ensure that depeg risk, conversion risk, transaction fees and operational settlement risk are allocated in a manner that does not adversely affect policyholders, cedants or the SPI's collateral sufficiency.

109. ILS funds should maintain operational workflow documentation sufficient to allow the fund operator, administrator, auditor and the Authority to understand and monitor stablecoin flows, conversion points, wallet controls, service provider responsibilities, NAV impact, collateral impact and counterparty risk allocation.

D. Future parametric or digitally enabled insurance structures

110. The Authority recognises that future parametric or digitally enabled insurance structures may create use cases in which recognised stablecoins could support premium settlement, claims settlement, parametric trigger payments, digital collateral flows, treasury management, and other operational arrangements. These use cases may involve more complex technology dependencies than the payment, settlement or treasury arrangements addressed elsewhere in this Guidance, including smart contracts, oracle feeds, automated execution and digital collateral movements. Accordingly, the Authority expects such structures to be considered separately as the relevant framework is developed and finalised.

111. This Guidance does not establish expectations for any class, structure or approval pathway that has not yet been implemented. Where such structures are introduced in the future, the Authority may issue separate guidance or impose additional supervisory expectations that reflect the nature, scale and risk profile of the proposed use case.

112. For the avoidance of doubt, this Guidance does not create, define, or authorise any parametric, index-based, or digitally enabled insurance product or licence class, and nothing in this Section constitutes the Authority's assessment of insurable interest, indemnity principles, or product suitability for any such structure. Parametric and index-based insurance are risk-transfer arrangements that remain subject to the existing insurable interest, indemnity, and licensing requirements under the Insurance Act 1978, and are not, and should not be, characterised as speculative wagering or gaming arrangements.

113. This paragraph addresses only the use of recognised stablecoins as a settlement or payment mechanism within a parametric or digitally enabled insurance structure that has otherwise been licensed, approved or authorised under the applicable insurance regulatory framework. It does not, by itself, authorise, approve or license the underlying parametric or digitally enabled insurance product or structure.

114. Where an applicant proposes to use recognised stablecoins within a parametric or digitally enabled insurance structure, the Authority would expect enhanced documentation covering the recognised stablecoin workflow, trigger design, oracle arrangements, smart contract controls, custody model, settlement finality, fiat fallback, depeg management, redemption continuity, cyber risk, operational resilience, disclosure, legal enforceability and risk allocation among investors, cedants, policyholders, beneficiaries and service providers.

115. Where stablecoins are used in a parametric claims or payout mechanism, the applicant should demonstrate that trigger data, oracle feeds, smart contract execution and payment mechanics are independently validated, auditable and subject to appropriate fallback and dispute-resolution processes.

E. Class IIGB and Class IILT structures

116. This Guidance is intended to operate on top of, and without prejudice to, what is already permitted under the Authority’s Class IIGB and Class IILT frameworks and any applicable prudential rules, licensing conditions, business plan approvals or supervisory expectations.

117. Class IIGB and Class IILT entities should continue to comply with the relevant innovative insurance framework. Where this Guidance describes expectations that are more specific to recognised stablecoins, the eligible entity should consider them relevant to its governance, risk management, custody, AML/ATF, disclosure, reporting, and stress testing arrangements.

118. LPIs wishing to use digital assets that do not fall within the recognised stablecoin scope of this Guidance should engage with the Authority to determine whether the proposed activity is consistent with the entity’s existing licence and approved business plan, or whether a Class IIGB, Class IILT or other regulatory route is required.

F. Insurance intermediaries, insurance managers and insurance marketplace providers

119. Insurance agents, brokers, insurance managers, insurance marketplace providers and other insurance intermediaries may play an important role in supporting limited purpose, ILS, Class IIGB, Class IILT and other approved structures that use recognised stablecoins. This Guidance is not intended to treat such intermediaries as bearing the underlying insurance, investment, collateral

or stablecoin exposure merely because they advise on, arrange, administer, distribute or support structures in which recognised stablecoins are used. However, where an intermediary is involved in the design, placement, administration, distribution, claims handling, premium collection, investor or policyholder communications, marketplace operation or operational workflow of a recognised stablecoin arrangement, the intermediary should ensure that its role is consistent with its applicable code of conduct, approved business model, governance framework, systems and controls, disclosure obligations and AML/ATF (where in scope) and sanctions responsibilities.

120. In particular, intermediaries should understand the stablecoin- and blockchain-related risks relevant to the services they perform, including depeg risk, settlement finality, wallet or custody dependencies, blockchain network disruption, smart contract or oracle risk, cyber risk, sanctions exposure, transaction screening, operational resilience and the allocation of responsibilities among insurers, funds, custodians, administrators, DABs, VASPs and other service providers. Intermediaries should not make misleading representations regarding the safety, liquidity, redemption certainty, accounting treatment, regulatory status or risk profile of recognised stablecoins.

121. Where intermediaries rely on third-party technology, digital asset service providers, marketplace infrastructure or outsourced operational processes, they should conduct proportionate due diligence, maintain clear contractual arrangements, keep adequate records, escalate material incidents and ensure that clients, policyholders, cedants, investors and counterparties receive clear and balanced information relevant to the intermediary’s role in the value chain.

XV. SUPERVISORY NOTIFICATION, APPROVAL AND ONGOING REPORTING

122. An eligible entity proposing to use recognised stablecoins should engage with its assigned BMA supervisor at an early stage. The applicable supervisory process will depend on the entity type, the relevant Act, rules, regulations, statement of principles, licence conditions and approved business plan applicable to the entity, and the nature and materiality of the proposed stablecoin use. The Authority may expect or request, where available under the applicable framework, the proposal to be submitted through the applicable statutory or supervisory gateway, including a change in business plan, material change notification, fund offering document or disclosure update, licence condition, no-objection process, approval application or other process available under the relevant sectoral framework.

123. The Authority will confirm the applicable submission route, having regard to the eligible entity’s regulatory classification, the proposed use case, and existing statutory obligations.

124. Applications or notifications should include sufficient information for the Authority to assess the proposed stablecoin arrangement. Depending on the nature and materiality of the proposed use, the Authority would generally expect sufficient information to assess matters such as: (i) the stablecoin's name, issuer, peg currency and jurisdictional domicile; (ii) the proposed use case and the stablecoin issuer's regulatory status in its home jurisdiction, including any payment stablecoin, e-money or digital asset licence held; (iii) the reserve asset composition, attestation frequency and most recent attestation or audit report; (iv) the redemption mechanics, redemption timeline and any circumstances in which redemption may be restricted, suspended or delayed; (v) the blockchain network or networks on which the stablecoin operates and their operational history; (vi) the issuer's AML/ATF and sanctions compliance framework, including the issuer's ability and

willingness to freeze, block or burn tokens at the smart contract level where legally required; (vii) the issuer's enforcement and regulatory history; and (viii) any other information the Authority may require having regard to the nature, scale and risk profile of the proposed use.

125. The Authority will review stablecoin eligibility assessments as part of its supervisory notification or approval process and will communicate its determination to the entity. The Authority may raise concerns, request further information, or address the arrangement through the applicable statutory, licensing, business plan, fund disclosure, licence condition or supervisory process.

126. Where ongoing reporting is required under an applicable supervisory process, licence condition, business plan approval, fund disclosure arrangement or other enforceable mechanism, the reporting should be proportionate to the nature and scale of the stablecoin activity. Relevant information may include:

a. stablecoin balances and transaction volumes;
b. stablecoin type and issuer;
c. wallet addresses and custody arrangements;
d. NAV or capital impacts;
e. fiat conversions and reconciliation results;
f. limit utilisation;
g. AML/ATF and sanctions alerts;
h. operational incidents;
i. depeg events; and
j. material service provider changes.

127. Material incidents should be escalated and reported in accordance with applicable legal, regulatory, licence condition, business plan, incident reporting or supervisory requirements. Material incidents may include depeg events, redemption suspensions, custody failures, private key compromise, unauthorised transfers, blockchain outages, smart contract failures, oracle failures, sanctions freezes, material AML/ATF alerts, valuation uncertainty, NAV suspension, collateral shortfall or any other event that may affect policyholders, investors, counterparties, capital, surplus, collateral sufficiency or the reputation of Bermuda’s financial services sector.

XVI. BANKING SECTOR AND FINANCIAL STABILITY CONSIDERATIONS

128. The Authority recognises that broader use of stablecoins may raise financial stability, banking sector, monetary transmission, liquidity migration and deposit substitution considerations in some jurisdictions. Those wider considerations will continue to be monitored by the Authority in coordination with relevant public authorities and in the context of Bermuda’s evolving digital asset and payments framework. This Guidance is focused on controlled wholesale, institutional, insurance, investment fund, treasury, collateral and settlement use cases within Bermuda’s regulated financial services framework.

129. The Authority expects entities to consider whether their proposed recognised stablecoin arrangements create material dependencies on banking partners, digital asset service providers, stablecoin issuers, custodians, blockchain networks or liquidity venues. Where material dependencies exist, eligible entities should demonstrate that these dependencies are subject to

appropriate due diligence, contractual protections, monitoring, contingency planning and exit arrangements to protect their respective customers and counterparties.

130. Eligible entities should also consider the potential impact of stablecoin activity on their banking relationships. When proposed stablecoin volumes or flows are material, they should engage proactively with their banking partners to ensure that such activity is appropriately understood.

131. The Authority further notes that the structural growth of stablecoin markets – particularly in the context of the U.S. GENIUS Act framework and comparable international developments – may progressively affect the composition of reserve asset markets, the concentration of wholesale bank deposits, and the competitive dynamics of payment and settlement infrastructure. While these dynamics are at present more directly relevant to the U.S. and other major financial centres than to Bermuda, they are material to the risk profile of stablecoin issuers and custodians on whom Bermuda-regulated entities may rely. Eligible entities should therefore monitor developments in recognised stablecoin issuer regulation, reserve asset management and payment system integration as part of their ongoing due diligence.

132. The Authority will also monitor the uptake and evolution of recognised stablecoin use within Bermuda-regulated structures, including trends by stablecoin, issuer, sector, use case, transaction volume, exposure size, custody model, conversion arrangements and reliance on material service providers. This monitoring will support the Authority’s assessment of potential financial stability, banking-sector concentration, liquidity, operational resilience and interconnectedness risks. The BMA will inform whether additional reporting, prudential limits, supervisory conditions or future policy adjustments may be warranted as market adoption develops.

ANNEX 1 - Application and Change-in-Business-Plan Checklist

This checklist is for guidance purposes only and does not introduce a new application process. The applicable submission route will depend on the relevant statutory, licensing, business plan, fund disclosure or supervisory framework.

Item	Expected Content
1. Entity and structure	Entity name, licence or registration status, class, fund type, legal form, group structure and relevant counterparties.
2. Use case	Detailed explanation of the proposed stablecoin use, including transaction flows, parties, timing and risk allocation.
3. Stablecoin eligibility	Stablecoin name, issuer, peg, reserve composition, attestation frequency, redemption mechanics, issuer jurisdiction and due diligence.
4. Governance	Board/operator approval, policies, risk appetite, limits, escalation thresholds and management information.
5. Custody and wallets	Custodian, wallet model, key management, access controls, segregation, reconciliation and audit trails.
6. AML/ATF and sanctions	Business Risk Assessment and Customer Risk Assessment updates, wallet screening, transaction monitoring, blockchain analytics, sanctions procedures and suspicious activity escalation.
7. Valuation and reporting	NAV/accounting methodology, price source, cut-offs, conversion methodology, fees, spreads, depeg treatment and auditor engagement.
8. Legal and contractual	Settlement finality, fiat equivalence, discharge of obligations, fallback clauses, investor/counterparty disclosures and legal opinions. Legal opinions should be treated as a standard expectation where the arrangement involves: (i) insurance, reinsurance or collateral obligations; (ii) novel or untested settlement finality mechanics; (iii) cross-border or multi-jurisdictional arrangements; (iv) insolvency remoteness, trust or segregation structures; or (v) any other arrangement where the legal enforceability of rights and obligations is not established under Bermuda law. Where an entity considers a legal opinion unnecessary, it should document its reasoning and make that documentation available to the Authority upon request.
9. Stress testing	Depeg, redemption suspension, chain outage, custodian failure, smart contract failure, oracle failure, liquidity shortfall and combined scenarios.
10. Reporting	Proposed reporting to the Authority, incident triggers, frequency and responsible persons.

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