

# Bermuda Monetary Authority initiates consultation on proposed changes to Bermuda's digital asset business regime

**Briefing Summary:** The Bermuda Monetary Authority (the “**BMA**”) has issued a consultation paper outlining proposed amendments to the Digital Asset Business Act 2018 (the “**Act**”) and the Digital Asset Business (Prudential Standards) (Annual Return) Rules 2018 (the “**Rules**”) inviting the digital asset business sector and other stakeholders to share their views on the proposals by 9th December 2024 using the following link: Consultation - Proposed Amendments to the Digital Asset Business Act 2018 and the Digital Asset Business (Prudential Standards) (Annual Return) Rules 2018 Survey. The proposed amendments aim to enhance the BMA's administrative, rule-making and enforcement powers, refine definitions used in the Act and amend annual reporting requirements.

**Service Area:** Bermuda Legal Services, Corporate, Regulatory

**Sector:** Blockchain, Digital Assets and Tokenisation, Fintech and Regtech, Technology

**Location:** Bermuda

**Content Authors:** Steven Rees Davies, Charissa Ball

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## Proposed amendments

Key proposals include:

- Introduction of a definition of ‘control of assets’ to codify the BMA's expectations for digital asset businesses with business models that incorporate the holding and/or controlling of assets belonging to, or on behalf of clients;
- Enhancing the BMA's powers to make rules on additional capital and solvency, wind-down plans, net assets, liquidity and control of assets requirements;
- Requiring all digital asset businesses to have a wind-down plan to facilitate an orderly exit from the market; and
- Transitioning certain existing civil penalties to late fees for non-compliance of reporting and notification obligations.

### Key Contacts



Steven Rees Davies  
PARTNER, BERMUDA  
+1 441 542 4525

[EMAIL STEVEN](#)



Charissa Ball  
COUNSEL, BERMUDA  
+1 441 542 4276

[EMAIL CHARISSA](#)

OFFSHORE LAW SPECIALISTS

BERMUDA BRITISH VIRGIN ISLANDS CAYMAN ISLANDS GUERNSEY JERSEY

CAPE TOWN HONG KONG SAR LONDON SINGAPORE

[careyolsen.com](https://www.careyolsen.com)

Other proposed amendments relate to the display and registration of licences, segregation of assets under sections 17 and 18 of the Act, definition of a material change to the business plan requiring a section 22 notification, revocation of licences, ability of BMA to file a winding up petition for contravention of the Act, control of advertisements and increased minimum licensing criteria relating to net assets, capital and liquidity.

## Timing for amendments

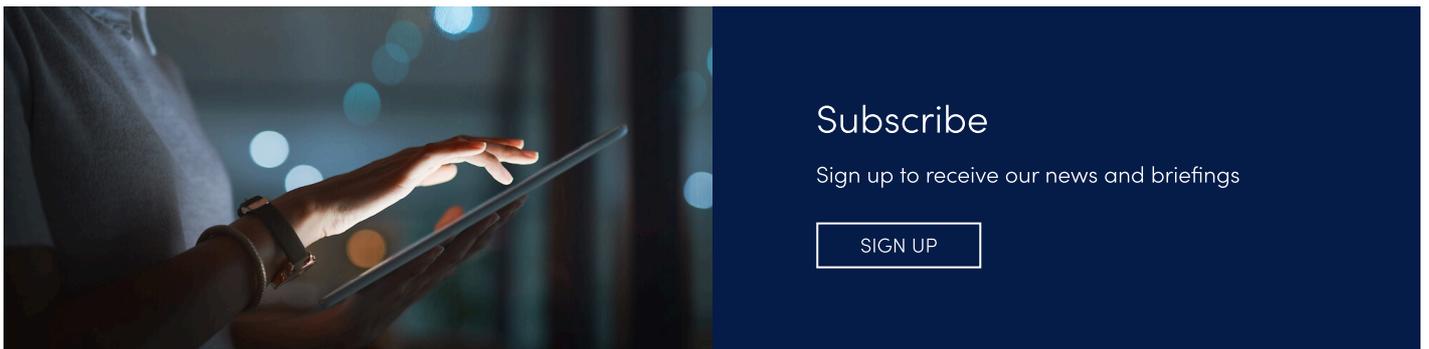
Whilst interested parties have until 9th December 2024 to provide feedback on the consultation paper, no timeline has been given for the subsequent introduction of any final amendments. However, the BMA has proposed, in relation to the control of assets and implementation of a wind-down plan, that licensees be afforded a period of twelve months to align their operations with the proposed amendments and to make any necessary adjustments.

## Consultation period

You are encouraged to review the consultation paper and provide feedback directly to the BMA no later than 9 December 2024. If you have any questions or want to discuss the potential effect of the proposed amendments on your business plans, please contact either Steven Rees Davies or Charissa Ball.

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