

VIRTUAL CURRENCY (CLIENT DISCLOSURE) RULES 2018

BERMUDA

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The Bermuda Monetary Authority (the Authority), in exercise of the powers conferred by section 7 of the Act, makes the following Rules—

Citation

- 1 These Rules may be cited as the Virtual Currency (Client Disclosure) Rules 2018.

Interpretation

- 2 In these Rules—
 - “Act” means the Virtual Currency Business Act 2018;

Disclosures and other protections for clients

- 3 (1) Every licensed undertaking prior to entering into an initial transaction for, on behalf of, or with a client shall disclose to such client—
 - (a) all material risks associated with its products, services and activities; and
 - (b) any additional disclosure the Authority determines reasonably necessary for the protection of clients.

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

(3) A licensed undertaking may make an application to the Authority to provide alternate disclosures to clients,

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(4) In considering any application made to it by a licensed undertaking, the Authority may take the following matters into consideration—

- (a) the protection of clients and potential clients;
- (b) the nature, scale and complexity of the virtual currency business activities carried on by the licensed undertaking.

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

- (a) the class of licence it holds;
- (b) a schedule of fees and charges for any service or product to be provided by the licensed undertaking; the manner in which fees and charges will be calculated by the licensed undertaking if such are not set in advance and disclosed at the time the agreement is entered into and the manner in which payment is to be made by the client to the licensed undertaking in respect of any fee or charge payable;
- (c) whether the licensed undertaking has obtained insurance to address losses which may arise as a result of the provision of any service or product it may offer; which includes but is not limited to, insurance cover for cyber or any other type of theft;
- (d) whether a transfer or exchange of virtual currency is irrevocable and any exceptions to irrevocability;
- (e) a description of—
 - (i) the licensed undertaking's liability and other remedies available to the client for an unauthorized, mistaken, or accidental transfer or exchange of a client's virtual currency;
 - (ii) the basis for any recovery by the client from the licensed undertaking for losses to client assets;
 - (iii) the manner in which a client must update contact information required to be provided to the licensed undertaking;
 - (iv) a client's ability to stop a pre-authorized transfer of virtual currency and where clients do have the ability to stop a transfer, the procedure to initiate a stop-payment order to transfer or exchange virtual currency or to revoke authorization for a subsequent transfer of virtual currency;
 - (v) the client's ability to receive a receipt or other evidence of a transfer or exchange and the process for receiving such receipt;
 - (vi) requirement for the client to receive not less than thirty days prior notice of material change to the terms and conditions of any services provided by the licensed undertaking, which includes amendment to policies

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applicable to the client's account;

- (f) at the conclusion of a transaction with a client, the licensed undertaking shall provide to the client by confirmation in writing the following information—
- (i) the name and contact information of the licensed undertaking;
 - (ii) contact information allowing for a client to request information—
 - (a) about its account;
 - (b) the licensed undertaking's business activities in general; or
 - (c) to make a complaint to the licensed undertaking;
 - (iii) the type, value, date, precise time, and amount of all transactions applicable to the client's account;
 - (iv) the fee charged for transactions, including any charge for conversion of virtual currency to another virtual currency or to fiat currency.

Made this day of 2018

Chairman
The Bermuda Monetary Authority

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