



# BERMUDA MONETARY AUTHORITY

## FREQUENTLY ASKED QUESTIONS

Regulatory Sandbox and Innovation Hub

JULY 2019

**Definitions:**

‘BMA’ or the ‘Authority’ - Bermuda Monetary Authority

‘Sandbox’ - Regulatory Sandbox

‘InsurTech’ – Insurance Technology

‘FinTech’ – Financial Technology

**Where can I find information on the BMA Sandbox and Innovation Hub?**

The Authority has published Guidance Notes to outline eligibility criteria and application guidelines for prospective applicants.

The Authority has also created a dedicated email, [innovate@bma.bm](mailto:innovate@bma.bm), where applicants can send their inquiries. The Authority welcomes queries and is available to dialogue and provide additional guidance as needed throughout the application process.

**What is the difference between the Sandbox and Innovation Hub?**

The Sandbox is targeted at Companies that are looking to perform tests of new technologies and offer innovative products, services and delivery mechanisms to a limited number of clients in a controlled environment for a limited period of time, and if successful, intending to be licensed as insurance entities (brokers, agents, insurance managers or (re)insurers). The BMA would determine the legislative and regulatory requirements that would be modified for these Companies for the duration of the Sandbox testing.

The Innovation Hub on the other hand, is targeted at a broader base of industry participants who may wish to establish a formal dialogue with the Authority on their innovative solutions and technology to be offered to Bermuda licensed insurance and digital asset business entities, and receive regulatory guidance; these may include activities that are not directly regulated by the Authority. The Innovation Hub can also be used by companies that will eventually apply to the Sandbox once their concept is sufficiently developed (i.e. those that are not yet ready for live tests).

**Does one need to be a Bermuda registered company in order to participate in the Sandbox and Innovation Hub?**

For the Sandbox, only Bermuda registered companies can participate. However, for the Innovation Hub, all companies including those not registered in Bermuda, can participate. The proposed product or services of non-Bermuda incorporated companies however must include an intended benefit for Bermuda licensees.

**What are the fees for participation in the Sandbox and Innovation Hub?**

A Company that wishes to participate in the Sandbox will be required a fee of \$6,180 for insurers and \$3,000 for insurance intermediaries. The fee for Digital Asset Business varies depending upon volume of activity.

There is currently no fee for joining the Innovation Hub; however, it is possible that in the future a minimal annual fee will be required.

**Is the Sandbox mandatory for all tech-enabled companies wishing to operate in Bermuda?**

No. The Sandbox is ideal for companies that wish to test their Proof-of-Concept (POC) in a limited environment and for those who are still yet to raise the capital necessary or build the infrastructure to be able to go full live. However, where companies have already successfully tested their POC somewhere and can demonstrate to the Authority of their ability to comply with the full legislative requirements applicable for the proposed licensed entity, they can opt to apply for a regular license. In such cases, the company will then be subject to the normal application review process by the Assessment and Licencing Committee (ALC).

**What are the requirements to join the Innovation Hub?**

The requirements include comprehensive letter detailing the innovative solution and documents to allow the Authority to vet the Shareholders, Directors and Officers of the Company.

**Does a Company have to be a start up to be considered for the Sandbox?**

No. Whereas a start-up is the ideal candidate for the Sandbox, it is also available to existing insurance licensees; however, existing players will need to conduct the POC using a separately incorporated Company.

**What are the capital requirements for companies intending to operate in the Sandbox?**

At the minimum, innovative insurers are required to hold paid-up share capital of \$120,000. However, the Authority may decide on a case-to-case basis to require lower or higher amount, upon the insurer’s application and satisfaction that the proposed amount is commensurate to the risk profile of the company during the Sandbox period. Innovative intermediaries on the other hand will be required to maintain sufficient indemnity insurance cover to enable the company to meet the business obligations as may be appropriate given the nature, scale and complexity of the proposed business.

**What kind of regulatory concessions would an entity participating in the Sandbox receive?**

For insurers, the Authority has included under Appendix II of the Guidance for Insurance Regulatory Sandbox and Innovation Hub, a list of legislative requirements that it would consider modifying for a Sandbox applicant. However, the Authority will consider each application on a case-by-case basis and will apply a balanced approach in determining the final legislative requirements that will apply to the Sandbox applicant.

**Where and when can a Company submit their Sandbox application?**

A Company applying to use the Sandbox should first verify that it satisfies the eligibility criteria set out in the Insurance Regulatory Sandbox and Innovation Hub Guidance Note paragraphs 15 and 16. Appendix I of the Guidance Note outlines the minimal content required in the application and there is also an application checklist found here: <http://www.bma.bm/document-centre/policy-and-guidance>

Once the Company confirms eligibility, it should submit the complete application package by email to [innovate@bma.bm](mailto:innovate@bma.bm) with the subject “Insurance Regulatory Sandbox”.

Applications can be submitted at any time but it should be noted that ALC meets on Friday mornings at 9.00a.m. In order for an application to be considered on a given Friday morning, it needs to be submitted by Monday 5pm of two weeks prior. The Authority is pleased to have physical and/or virtual meetings both pre and during the application process to provide guidance and feedback. Applicants may request meetings.

**How long will it take for the Authority to make a decision once an application is made?**

The Authority will typically reach out within two weeks of receiving the initial application; this may be to ask for additional information before making a final decision or if satisfied, will be to communicate the decision. During this period, the Company can also adjust the application and resubmit for the Authority’s review. Early discussions may be held with the Authority to obtain clarity to enhance processing efficiency. Applicants should expect a total turnaround of four weeks before a final decision is made by ALC.

**Can changes be made once the Company embarks on the Proof-of-concept stage?**

The BMA recognises that due to the dynamic nature of innovation, Companies may need to make changes once they embark on the testing phase. The Company is however required to notify the Authority of material changes, in advance of implementing them, through its Principal Contact (BMA assigned staff member). Depending on the nature of the changes, they may need to be reviewed and a formal approval given; they may also need to be communicated to the customers. The Principal Contact will be able to provide the Company with more guidance as to the next steps.

**How long can a Company utilise the Sandbox environment?**

A Company will include a recommendation of the amount of time it believes is required for proof-of-concept. This will vary, but it is envisioned that a Company would be in the Sandbox environment for six to twelve months; the exact sandbox period time will be determined by the Authority and communicated to the Company prior to admission into the Sandbox. The Authority will make the determination after reviewing the application and considering the recommendation of the Company. However, once it is in the Sandbox, a Company may request for additional time for testing. The Authority will review requests for extension on a case-by-case basis. Applications for extension should be submitted one month prior to the expiration of the Sandbox period.

**Can a Company exit the Sandbox at the Proof-of-concept stage?**

A Company can choose to apply to exit the Sandbox before completion of proof-of-concept stage or the Authority may require it to discontinue. In both instances, the Company shall be required to extinguish all

existing and future obligations to its policyholders or clients before exiting the Sandbox. The Authority may also prescribe further requirements in the interest of protecting policyholders or clients.

**What happens after the Sandbox period?**

If a Company successfully completes the testing during the Sandbox period, it can apply for a class change to a non-Sandbox (regular) license and will then become subject to the applicable regulatory requirements of the respective insurance license class.