

29 April, 2025



Dear Stakeholders,

Re: Consultation on the Proposed Framework for Digital Identity Service Providers (DISP)

The Bermuda Monetary Authority (Authority or BMA) extends its appreciation to stakeholders for their continued engagement as we work to develop Bermuda's DISP regulatory framework. We remain committed to fostering an effective and forward-looking regulatory environment that aligns with international best practices while supporting innovation and security in digital identity services.

As part of this ongoing effort, we sought stakeholder feedback on the proposed framework for DISPs. Below, we outline key responses to the feedback received and the resulting regulatory approach.

1. Scope of the Framework

The Authority asked stakeholders whether companies providing limited services should be excluded from the licensing requirements of the proposed framework.

Response: Stakeholder feedback was mainly in favour of ensuring that all providers, regardless of the specific services or activities performed, remain within the scope of the framework. The Authority is also mindful of retaining its focus on DISPs that provide a complete end-to-end service. As a result, all providers engaging in licensable activities under the Act will be required to comply with the regulatory provisions, unless they are operating solely as an outsourced service provider to a licensed DISP. Further details regarding licensable activities will be set out in an illustrative draft bill and subject to appropriate consultation.

2. Outsourcing and Responsibility

The Authority inquired whether outsourcing should be permitted within the DISP framework and whether service providers should also be subject to licensing.

Response: Stakeholders were generally supportive of allowing outsourcing arrangements within the DISP framework. However, it was emphasised that the licensed DISP must retain full responsibility for overseeing any outsourced functions and would be accountable for complying with the framework's requirements. Such requirements will ensure accountability and regulatory compliance while allowing DISPs to leverage their specialised expertise. This approach aligns with existing BMA regulatory frameworks and outsourcing practices and responsibilities.

3. Vetting Responsibilities

The Authority sought feedback on whether vetting responsibilities should be a required element of a DISP issuing a Digital ID.

Response: Stakeholders expressed concerns about whether DISPs should be responsible for vetting applicants when issuing Digital IDs. The proposed framework defines the role of DISPs as limited to Identification and Verification (IDV) processes, which rely on official documents. Vetting

responsibilities introduce Know Your Customer (KYC) obligations, which are more appropriately assigned to financial institutions and other Relying Parties (RP).

Given that Anti-Money Laundering and other due diligence requirements must be risk-based and tailored to specific entities, DISPs will focus solely on issuing Digital IDs, while RPs will determine the level of vetting required based on their regulatory compliance obligations and risk appetites.

4. Assurance, Portability and Interoperability

The Authority inquired whether DISP should be subject to international standards and whether local Registered Financial Institutions (RFIs) should be required to recognise foreign Digital IDs.

Response: Stakeholders expressed a preference for a common implementation approach that aligns with international best practices. However, at this stage, the Authority does not intend to prescribe specific standards, allowing market participants to position themselves appropriately for continued innovation. Nonetheless, the framework will establish core cybersecurity standards to ensure data protection, among other considerations, which are aligned with the existing international standards applicable to Bermuda.

5. Licensing Approach

The Authority sought input on whether the framework should follow an ‘Opt-in’ model and whether a tiered licensing structure would be appropriate.

Response: Most stakeholders expressed support for the implementation of a tiered licensing model. In response, the Authority will propose a tiered licensing framework designed to promote responsible innovation while upholding consumer protection and security. It was also determined that the framework will be mandatory, rather than opt-in.

6. Physical Presence Requirement

The Authority asked whether a physical presence in Bermuda should be a requirement for licensing DISPs.

Response: Stakeholder feedback on the physical presence requirement was mixed. After careful consideration, the Authority has determined that physical presence will continue to be a requirement. This requirement can be satisfied by appointing a designated senior representative who will be responsible for ensuring regulatory compliance and engagement with Bermuda-based authorities. This approach provides flexibility while maintaining the ability to execute appropriate oversight.

7. Public-Private Partnership Considerations

Some stakeholders suggested that implementing a Public-Private Partnership (PPP) model, such as a government-issued Digital ID, could drive adoption in Bermuda.

Response: Many stakeholders expressed support for a PPP initiative, emphasising that a government-issued Digital ID would likely encourage broader adoption and extend usage beyond financial services within Bermuda, as has been seen in other jurisdictions. The Authority will communicate this feedback to the Government and encourage continued exploration of opportunities for public-private collaboration where there are shared or overlapping policy objectives.

Next Steps

The Authority will proceed with finalising the framework’s provisions and developing supporting regulatory instruments. All corresponding legislative instruments will be subject to further public consultation before implementation.

The Authority appreciates the contributions of stakeholders and remains committed to an inclusive and transparent regulatory process that supports the voluntary adoption of digital identities while providing regulatory guidance to facilitate implementation.

If you require further clarification or would like to provide additional input, please contact policy@bma.bm.

Sincerely,

The Bermuda Monetary Authority