

BSX: Providing transparency to listed vehicles

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Despite a handful of corporate departures from Bermuda, the news beneath the headlines is that the vast majority of companies have no intention of moving from the island. The rationale behind their decisions varies, but is usually based on the same factors: the operational reliability of the Bermuda Stock Exchange (BSX), the diversification of Bermuda's economy, its convenient geographical position and the effective and conservative regulatory regime.

Greg Wojciechowski, chief executive of BSX, says any movement is down to corporate restructuring rather than operational changes. "The moves mainly involve a change of corporate holding company domicile. Operationally, these companies continue to function in Bermuda with management and staff on the ground. As there is critical mass of insurance and financial service related companies located in Hamilton, supported by first-rate infrastructure, a powerful incentive to stay is created."

In addition, Bermuda is hailed as an economic success story with, according to Fitch Ratings, a "solid track record of macroeconomic stability" with a rating of AA+, Moody's Aa2 and Standard & Poor's AA-. This comes at a time when other offshore jurisdictions are experiencing severe economic problems. The strength of the stock exchange underscores Bermuda's position as a world-class financial services centre. The BSX is home to nearly 700 listed securities and has a total market capitalisation of over \$225 billion.

Of course, historical achievement alone is not sufficient to persuade companies and funds of the island's merits. BSX recognises that innovation is essential to maintaining and expanding its franchise. So, for instance, it has continued to develop its Launch 'n' List services to reduce the time taken to create, domicile and list a structure - whether a fund or a more specialized instrument such as a Catastrophe Bond. "This was launched several years ago and is probably now more efficient than similar services onshore because we are a smaller jurisdiction with less bureaucracy and a close working relationship with our regulator, the Bermuda Monetary Authority" says Wojciechowski.

Indeed, onshore locations represent bigger competition than ever given the raft of tax and regulatory reforms that are being rolled out across onshore jurisdictions, targeting offshore activity. Wojciechowski points out that BSX has two distinct approaches: one for the continued development of the domestic capital market and the other for creating niche services for the international capital markets.

Other innovative moves to attract business include the Insurance Amendment Act 2008 which became effective last November, providing for the establishment of special-purpose insurers. This recognises and facilitates the creation of insurance-linked securities (ILS), such as catastrophe bonds (cat bonds). BSX has already successfully listed nine cat bonds with a combined value of nearly \$900 million. The BSX has developed specific regulations for ILS listings, which are not always mirrored by other jurisdictions. These focus particularly on transparency, something that has become particularly important to end-investors.

The BSX's Mezzanine Market, designed for growing high-tech and development stage companies, has also taken off with about 30 launches to date. Wojciechowski says: "It allows smaller companies that are gearing up for larger-scale opportunities to raise capital and, more importantly, get their regulatory house in order ready for further launches." The success of this initiative has led BSX to soft-launch an associated international trading service for non-Bermudan entities.

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