

News Alert: [Bermuda's Economic Substance Legislation Becomes Operative](#)

Appendix: Relevant Activities and Examples of Core Income Generating Activity

Relevant Activity	Description of Relevant Activity	Core Income Generating Activity
Banking	Engaging in deposit taking business for which a licence is required under the Bank and Deposit Companies Act 1999.	<ul style="list-style-type: none"> • raising funds; • managing risk including credit, currency and interest risk; • taking hedging positions; • providing loans, credit or other financial services to customers; • managing regulatory capital; and • preparing regulatory reports.
Insurance	Engaging in business for which registration is required in accordance with the Insurance Act 1978.	<ul style="list-style-type: none"> • predicting and calculating risk; • insuring or re-insuring against risk; • providing client services; and • preparing regulatory reports.
Fund Management	If the entity manages investments for funds and in respect of which a licence is required in accordance with the Investment Business Act 2003 or for which a licence would be required if such activity were taking place in Bermuda.	<ul style="list-style-type: none"> • taking decisions on the holding and selling of investments; • calculating risk and reserves; • taking decisions on currency or interest fluctuations and hedging positions; and • preparing relevant regulatory or other reports for government authorities and investors.
Financing	If the entity provides funds, other than by way of subscription for shares or other equity contributions, for the business activities of one or more other entities (whether or not affiliated).	<ul style="list-style-type: none"> • agreeing funding terms; • setting the terms and duration of any financing; • monitoring and revising agreements; and • managing risk associated with such agreements.
Leasing	If the entity provides leasing arrangements in respect of which it is the lessor of one or more assets leased to one or more affiliates or third parties.	<ul style="list-style-type: none"> • identifying and acquiring assets to be leased; • setting the terms and duration of any leasing; • monitoring and revising agreements; and • managing any risk associated with such agreements.
Headquarters	Engaging in the general management and administration of its affiliates within or outside Bermuda.	<ul style="list-style-type: none"> • taking relevant strategic or management decisions; • incurring expenditures on behalf of affiliates; and • coordinating group activities
Shipping	Engaging in ownership, leasing, operation or management of a ship that is used to transport goods.	<ul style="list-style-type: none"> • managing the crew (including hiring, paying and overseeing crew members); • hauling and maintaining ships; • overseeing and tracking deliveries; • determining what goods to order and when to deliver them; and • organizing and overseeing voyages.

Distribution Centre	Engaging in the resale of goods purchased from a foreign affiliate.	<ul style="list-style-type: none"> • Transporting and storing goods • Managing stock and taking orders
Service Centre	Primarily provides consulting or administrative services to a foreign affiliate.	<ul style="list-style-type: none"> • Providing consulting or administrative services to a foreign affiliate.
Holding Entity	A holding entity is a pure equity holding entity where it only holds equity participations in one or more entities and earns passive revenues from dividends capital gains and other incidental income only.	<ul style="list-style-type: none"> • n/a
Intellectual Property	If the entity engages in the exploitation of IP assets held by the entity (including non-trade intangible assets).	<ul style="list-style-type: none"> • conducting research and development in relation to IP assets such as patents; • marketing, branding and distribution of non-trade intangible assets such as trademarks; • taking the strategic decisions and managing or bearing the principal risks or both related to the development and subsequent exploitation of an IP asset; • taking the strategic decisions and managing or bearing the principal risks or both related to any third party acquisition and subsequent exploitation of an IP asset; or • carrying on the underlying trading activities through which IP assets are exploited and which lead to the generation of revenue from third parties.

To view the full News Alert (January 2019) visit [Bermuda's Economic Substance Legislation Becomes Operative](#)