

BERMUDA MONETARY AUTHORITY



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QUARTERLY NOTICE

SECOND QUARTER 2002



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GENERAL COMMENTARY

- **KPMG report**

On 23 May 2002 the Bermuda Government published a further report on progress in implementing various recommendations made by KPMG in its report of 2000. The UK Government welcomed the continuing improvement in bringing Bermuda's financial regulatory framework fully up-to-date and into line with international best practice.

- **IOSCO**

The Deputy Director of Banking, Trust & Investment represented the Authority at the XXVIIth Annual Conference of the International Organisation of Securities Commissions (IOSCO) in Istanbul, Turkey, from 18-24 May 2002. The theme of this year's conference was "Globalization: Opportunities and Challenges". During the meeting the IOSCO Presidents' Committee endorsed the form of a multilateral Memorandum of Understanding (MOU) regarding information sharing and cooperation in enforcement matters. The endorsement of this MOU represents a significant step in responding to the challenges presented by increased cross-border securities activity and sets an international benchmark for information-sharing between regulators. The Authority had previously participated in the Special Project team responsible for drafting the MOU.

- **Basel Cross-Border Group**

The Superintendent of Banking, Trust & Investment attended a meeting of the Cross-Border Group held in Paris on 24 June 2002. The Group's work included finalisation of important technical policy papers on the supervisory approach to shell banks and to parallel banking structures which have been submitted to the Basel Committee for wider international review.

- **Offshore Group of Banking Supervisors (OGBS)**

The Superintendent of Banking, Trust & Investment represented the Authority at two meetings of an OGBS working group involving certain members of the OGBS together with representatives of a number of G10 countries, Switzerland and various international bodies. The objective of the group was to design a set of best practice standards to apply internationally to trust and company service providers. The group has concluded its task and submitted proposed standards to the OGBS. It is hoped that, following their finalisation and adoption, these standards will form part of the basis for ongoing IMF assessments of financial regulation.

- **New BMA premises**

During May 2002 the Insurance Division moved physically out of the Government Administration Building into a new second site of the Authority at 31 Reid Street. At the same time, as part of a wider restructuring, the other regulatory teams (Banking & Trust and Investment Divisions) moved to 31 Reid Street, bringing all regulatory areas together under one roof.



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BERMUDA MONEY SUPPLY

(BD\$ millions)	2001-Q1	2001-Q2	2001-Q3	2001-Q4	2002-Q1	2002-Q2
Notes & Coins in Circulation *	76	76	76	86	79	79
Deposit liabilities:						
Banks and Deposit Companies (unconsolidated)	2,459	2,468	2,589	2,659	2,744	2,731
	2,535	2,544	2,665	2,745	2,823	2,810
Less: Cash at Banks and Deposit Companies §	21	23	18	28	19	18
Bermuda Money Supply	2,514	2,521	2,647	2,717	2,804	2,792
% Growth on Previous Period	1.99%	0.28%	5.00%	2.64%	3.20%	-0.43%
% Growth Year-on-Year	2.11%	0.00%	7.25%	10.22%	11.54%	10.75%

* This table includes the supply of Bermuda dollars only. United States currency is also in circulation in Bermuda but the amount has not been quantified.

§ Figures for 2001-Q3 & Q4 and 2002-Q1 have been amended.

BD\$ DEPOSIT PROFILE – COMBINED BANKS AND DEPOSIT COMPANIES (UNCONSOLIDATED)

(BD\$ millions)	2001-Q1	2001-Q2	2001-Q3	2001-Q4	2002-Q1	2002-Q2
Deposit Liabilities	2,459	2,468	2,589	2,659	2,744	2,731
Less:						
Loans, Advances and Mortgages	(2,137)	(2,173)	(2,214)	(2,228)	(2,246)	(2,293)
Surplus deposits	322	295	375	431	498	438
Percentage of Deposit Liabilities Lent	86.9%	88.0%	85.5%	83.8%	81.9%	84.0%



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**COMBINED BANKS AND DEPOSIT COMPANIES FOREIGN CURRENCY POSITION
(CONSOLIDATED)**

(BD\$ millions)	2001 - Q1	2001 - Q2	2001 - Q3	2001 - Q4	2002 - Q1	2002 - Q2
Total Foreign Currency Assets	14,793	15,522	14,569	15,429	14,979	14,460
Less: Other Assets	229	298	269	177	189	183
Less: Foreign Currency Loans to Residents	253	270	294	348	389	412
Net Foreign Currency Assets	14,311	14,954	14,006	14,905	14,401	13,866
Foreign Currency Liabilities	13,484	14,248	13,281	14,029	13,468	13,024
Add: BD\$ Deposits of Non-Residents	146	167	191	216	266	316
Net Foreign Currency Liabilities	13,630	14,415	13,472	14,245	13,734	13,340
Net Foreign Currency Position (consolidated)	681	539	534	660	666	525
Totals may not add due to rounding						



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BALANCE OF PAYMENTS ESTIMATES

(BDS) MILLIONS	1999	2000	2001	2002	2001	2001	2001	2001	2002	2002
				YTD	Q1	Q2	Q3	Q4	Q1	Q2
CURRENT ACCOUNT										
PAYMENTS										
Merchandise(Imports)	712	719	720	378	183	183	163	191	187	191
Shipping & Other Transportation	108	114	113	53	26	31	29	27	27	26
Travel	212	216	216	82	32	47	81	56	33	49
Investment Income	56	68	69	33	16	19	16	18	17	16
Profess. Man. & Tech. Service	77	97	106	56	26	26	27	27	28	28
Other Goods Services & Income	220	243	284	159	68	73	69	74	76	83
Current Transfers	164	181	203	105	49	50	51	53	52	53
	1549	1638	1711	866	400	429	436	446	420	446
RECEIPTS										
Merchandise(Exports)	51	51	36	28	9	9	6	12	12	16
Shipping & Other Transportation	20	26	29	12	9	7	8	5	7	5
Travel	483	434	350	174	36	131	128	55	40	134
Investment Income	208	232	315	113	159	63	44	49	49	64
Profess. Man. & Tech. Service	912	967	986	470	228	232	265	261	233	237
Other Goods Services & Income	120	123	124	70	33	26	31	34	32	38
Current Transfers	15	14	16	9	4	4	4	4	4	5
	1809	1847	1856	876	478	472	486	420	377	499
NET BALANCE										
Merchandise (Trade)	(661)	(668)	(684)	(350)	(174)	(174)	(157)	(179)	(175)	(175)
Shipping & Other Transportation	(88)	(88)	(84)	(41)	(17)	(24)	(21)	(22)	(20)	(21)
Travel	271	218	134	92	4	84	47	(1)	7	85
Investment Income	152	164	246	80	143	44	28	31	32	48
Profess. Man. & Tech. Service	835	870	880	414	202	206	238	234	205	209
Other Goods Services & Income	(100)	(120)	(160)	(89)	(35)	(47)	(38)	(40)	(44)	(45)
Current Transfers	(149)	(167)	(187)	(96)	(45)	(46)	(47)	(49)	(48)	(48)
Current A/C Surplus/Deficit	260	209	145	10	78	43	50	(26)	(43)	53
CAPITAL & FINANCIAL ACCOUNT										
CAPITAL ACCOUNT										
	0	2	0	1	0	0	0	0	0	1
FINANCIAL ACCOUNT										
Net Long Term Investment	(173)	(119)	(127)	(15)	(127)	(1)	2	(1)	(2)	(13)
Net Short Term Investment	11	(40)	29	(5)	102	(4)	(27)	(42)	(1)	(4)
of which : Authorised Dealers	33	(41)	26	(13)	95	(5)	(27)	(37)	(9)	(4)
: BMA	(22)	1	3	8	7	1	0	(5)	8	0
Capital & Financial A/C Balance	(162)	(157)	(98)	(19)	(25)	(5)	(25)	(43)	(3)	(16)
BALANCING ITEM	(98)	(52)	(47)	9	(53)	(38)	(25)	69	46	(37)
Totals may not add due to rounding										



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BALANCE OF PAYMENTS COMMENTARY

Introduction

The balance of payments figures are, to a large extent, based on estimated and historical data; they should therefore be interpreted with a suitable degree of caution. The estimates for **professional, managerial and technical services** receipts for 2000 and 2001 have been revised in light of the findings of *International Companies 2000*, a study conducted by Dr. Brian Archer as a consultant to the Ministry of Finance. Certain **current account** payment categories that have a relationship with the professional, managerial and technical services receipts have been revised also. Recent figures for **merchandise (imports)** are based on preliminary data and may be subject to revision.

Current Account

Provisional estimates for the second quarter of 2002 recorded a surplus on **current account** of \$53 million, slightly ahead of the level seen in the corresponding quarter last year.

- **Payments**
Payments in the second quarter increased by \$17 million compared to the second quarter of 2001.
- **Receipts**
Receipts in the second quarter of 2002 increased by \$27 million compared to the second quarter of 2001.

Capital and Financial Account

The **capital and financial account**, which comprises **capital** transfers, **long term investment** and **short term investment**, recorded an estimated net outflow of \$16 million in the second quarter of 2002 resulting from: -

- **capital account** inflow of \$1 million; and
- **net long term investment** outflow of \$13 million; and
- **net short term investment** outflow of \$4 million, representing an increase in the external holdings of authorised dealers.

Note

Where Bermudian exempted companies do not carry on business in Bermuda, their financial flows (other than direct purchases of goods and services from, and their capital account transactions with, Bermuda residents) are excluded from these estimates.



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COMPANIES PARTNERSHIPS AND PERMITS STATISTICS

APPLICATIONS APPROVED SUMMARY

	2001-Q1	2001-Q2	2001-Q3	2001-Q4	2002-Q1	2002-Q2
Exempted Companies (Bermuda companies exempted from the 60% Bermudian ownership requirement)	341	321	261	308	283	223
Exempted Partnerships (partnerships established in Bermuda to carry on business in or from within Bermuda)	27	23	19	26	7	18
Overseas Partnerships (overseas partnerships applying for permits to carry on business in or from within Bermuda)	5	5	0	1	3	0
Overseas Companies (overseas companies applying for permits to carry on business in or from within Bermuda)	18	15	5	20	11	20
Unit Trusts	1	2	41	7	14	1
Continuation Companies (companies from other jurisdictions continuing into Bermuda as exempted companies)	6	6	3	4	4	3
Unlimited Liability Companies	0	0	3	0	0	0
Local Companies	60	57	44	41	50	52
Total Applications Approved	458	429	376	407	372	317

Detailed statistics may be accessed on the Authority's website www.bma.bm



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ADDITIONS TO THE INSURANCE REGISTER

	2002-Q1 (revised)	2002-Q2
Class 1 Single-parent captive insuring only risks of its owners or affiliates of the owners	5	8
Class 2 (a) a multi-owner captive insuring risks of its owners or affiliates of the owners; (b) a single-parent and multi-owner captive: (i) insuring the risks related to or arising out of the business or operations of the owners and affiliates, and/or (ii) deriving up to 20 percent of its net premiums from unrelated risks	6	4
Class 3 Insurers not included in Class 1, 2 or 4, such as i) Reinsurers writing third party business; ii) Insurers writing direct policies with third party individuals; iii) Single parent, group, association, or joint venture captives where more than 20% of their net premiums written arises from risks which are unrelated to the business of the owners; iv) Finite reinsurers and rent-a-captives	7	5
Class 4 Insurers and reinsurers capitalised at a minimum of \$100 million underwriting direct excess liability and/or property catastrophe reinsurance risk	0	1
Long-Term Insurers Insurers writing long-term (or life) business	1	0
Composites Insurers writing combination of long-term (or life) business and Class 1, 2, 3 or 4 business	2	0
Total additions during quarter	21	18



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COLLECTIVE INVESTMENT SCHEMES STATISTICS

	2001-Q1	2001-Q2	2001-Q3	2001- Q4	2002-Q1	2002-Q2
Mutual Funds	644	622	656	675	666	707
Sub-Funds	294	333	331	377	442	450
Umbrella Funds	57	54	49	49	39	48
Sub-Funds	144	133	127	127	125	124
Feeder-Funds	70	72	71	73	85	80
Total Mutual Funds	1,209	1,214	1,234	1,301	1,357	1,409
Unit Trusts	82	81	82	83	95	96
Umbrella Trusts	11	10	9	9	6	6
Sub-Trusts	19	19	24	27	19	19
Feeder Trusts	2	1	1	1	0	0
Total Unit Trusts	114	111	116	120	120	121
TOTAL	1,323	1,325	1,350	1,421	1,477	1,530
TOTAL NET ASSET VALUE (IN BILLIONS)	\$48.17	\$47.16	\$49.45	\$55.99	\$60.28	\$64.16