

Regulatory Update December 2009



YEARS  
*of* SERVICE  
1969-2009

# Table of Contents

Preface	1	<b>Statistical Index</b>	
<b>Regulatory and Legislative Developments</b>	2	<i>Bermuda Money Supply</i>	7
1. Banking	2	<i>BD\$ Deposit and Loan Profile - Combined Banks and Deposit Companies</i>	8
2. Insurance	2	<i>Foreign Currency Position - Combined Banks and Deposit Companies</i>	8
3. Anti-Money Laundering & Anti-Terrorist Financing	4	<i>Bermuda Stock Exchange (BSX)</i>	9
<b>International Outlook</b>	5	<i>Banking Sector Assets and Deposits</i>	10
<b>Market Analysis and Statistics</b>	7	<i>Regulatory Capital to Risk Weighted Assets</i>	11
1. Bermuda Money Supply	7	<i>Combined Balance Sheet of Bermuda Banks and Deposit Companies</i>	12
2. Domestic and Foreign Currency Position	8	<i>Investment Funds Statistics</i>	13
3. Bermuda Stock Exchange (BSX)	9	<i>Investment Funds: Net Asset Value</i>	13
4. Banking	10	<i>Investment Funds: Total Number of Funds</i>	13
5. Investment Funds	13	<i>Insurance Company Incorporation Statistics</i>	14
6. Insurance	14	<i>Companies, Partnerships and Permits Statistics- Applications Approved</i>	15
7. Company Authorisations	15		

## Preface

This bulletin reports on recent activities at the Bermuda Monetary Authority (“the Authority”) and recent developments affecting the financial sector, as well as the community generally. Attached to it are the regular statistical data covering Bermuda dollar money supply, Bermuda banks’ balance sheet analysis and other financial and company sector information, updated for the quarter ended 30th September 2009.

The Regulatory Update is published in print and electronic formats. The electronic version is available on the Authority’s website [www.bma.bm](http://www.bma.bm) and can be downloaded as a PDF file. If you wish to receive an email notice when the electronic version is available, you may sign-up to our e-subscriptions service by emailing your request to [enquiries@bma.bm](mailto:enquiries@bma.bm). If you currently receive the print version and would like to receive the electronic version instead, please indicate this in your request.



## 40 Years of Service

The Bermuda Monetary Authority was established in 1969. Over the past 40 years the Authority has served the community and evolved to become the integrated regulator of the financial services sector in Bermuda. We remain committed to supporting Bermuda’s leadership position as a jurisdiction with effective, risk-based financial regulation.

# Regulatory and Legislative Developments

## 1. BANKING

### **Authority Issues Final Capital Guidance to Banks, First Pillar 3 Disclosures**

As part its implementation of the Basel II Accord, the Authority conducted its initial review of Capital Assessment and Risk Profile (CARP) submissions received from Bermuda's banks in the first quarter of the year. Preliminary feedback was provided to the institutions in late March. The Authority subsequently received final CARP submissions from all relevant institutions and conducted capital reviews for all banks. Preliminary conclusions were provided to each institution during August. The Authority gave the banks until mid-September to comment on its preliminary feedback before issuing final capital guidance to each firm at the end of October.

Pillar 3 of the new framework has the objective of seeking to strengthen market discipline by providing enhanced public disclosure of key information relating to a bank's capital and risks including the management of those risks. Institutions made their preliminary Pillar 3 disclosures at the end of the third quarter. The Authority conducted a review of these disclosures and provided the banks with related feedback at the end of October.

### **Revised Regulatory Framework for Credit Unions**

Consultation on the Authority's proposals for a revised legislative and policy framework for credit unions commenced in early 2009 and involved the Bermuda Industrial Union Members Credit Union, currently the only such institution in Bermuda, the Ministry of Finance and other interested stakeholders. The process was duly completed in November and it is anticipated that new legislation will be tabled in Parliament early in 2010.

### **Deposit Insurance and Enhanced Bank Intervention Powers in Development**

Following the announcement in the Throne Speech of the development of a deposit insurance scheme (DIS) to protect consumers holding money in banks and deposit companies, the Authority is working with the Ministry

of Finance and the island's deposit taking institutions to develop detailed proposals.

The objectives of establishing a DIS in Bermuda will be to (a) provide protection for depositors (b) enhance confidence and stability in the financial system (c) encourage savings and foster economic development and (d) promote competition amongst banks without creating moral hazard.

Work has also begun on developing proposals to strengthen the Authority's bank intervention powers. Enhanced intervention powers will enable the Authority to intervene in troubled banks and facilitate the speedy resolution of problem institutions.

## 2. INSURANCE

### **Authority Successfully Hosts Second Series of Supervisory Colleges**

The Authority successfully hosted its second series of supervisory colleges for two of Bermuda's Class 4 insurers. The Authority's supervisory college programme is an initial element of its development and implementation of group-wide supervision. Recognised by the international regulatory community as an effective means of improving cooperation between supervisors, supervisory colleges bring together international regulators with responsibility for subsidiaries or affiliates of insurance groups.

During each college regulators discussed supervisory or regulatory issues of common interest arising from supervising each entity. Both insurance companies provided a presentation during their respective colleges; one on its overall business strategy and work on transparency, and the other on reserving methodologies and global loss triangles, which provide insight into a company's loss reserves per line of business across the group. The Authority also made a presentation on its risk framework and the Bermuda Solvency Capital Requirement, its standard risk-based capital adequacy model.

Overall the colleges assist the Authority with developing closer ties and stronger relationships within the international regulatory community, as well as

developing a more global and cooperative approach to the day-to-day supervision of large international financial groups.

### **Group-wide Supervision Framework Development in Progress**

The Authority has completed consultation on its Discussion Paper, "Implementing Group-wide Supervision" and is currently in the advanced stages of drafting a Consultation Paper on its proposed approach to group-wide supervision of insurance groups operating from Bermuda. The second wave of consultation will begin in the first quarter of 2010, when the Authority expects to publish the Consultation Paper for industry comment.

Addressing the challenge of group-wide supervision is one of the elements of regulatory reform currently under consideration by international standard setters such as the International Association of Insurance Supervisors, who have renewed their focus on the topic as a consequence of the financial crisis. The Authority is mindful of the current debates and developments regarding this issue within the international regulatory community and is looking to ensure that its proposals are broadly equivalent to global standards being developed. Particular focus in that regard is on Europe's Solvency II Directive, which will consider group supervision provisions in its equivalency assessments of third party countries.

### **Amendments to Insurance Accounts Regulations Proposed**

The Authority is proposing amendments to the Insurance Accounts Regulations 1980 to align Bermuda's statutory reporting requirements with enhancements identified in the Disclosure and Transparency Consultation Paper published for market feedback earlier this year. The proposed amendments relate to Form 1A, paragraph 28, of Schedule I and Part IV of Schedule III; and to Part V of Schedule II. The amendments will seek to ensure certain provisions enacted in 2008 remain effective in relation to both of these Schedules. They will also provide for enhancements to disclosure requirements

on financial and off-balance sheet instruments under the Regulations.

### **Authority Consults on Eligible Capital Proposals**

The Authority published its Consultation Paper on Eligible Capital on 30th September 2009. The paper presents proposals for the introduction of a three-tiered capital system for insurers to complement existing regulatory capital requirements. These proposals will apply initially to Class 4 and Class 3B insurers. After further consultation, the Authority anticipates extending the tiered capital system to Class 3A insurers. In accordance with the proportionality principle, the Authority is not currently proposing application of such proposals for the captive sector. The existing regulatory regime for captives is considered appropriate and consistent with international regulatory standards.

A copy of the consultation paper is available on the Authority's website: [www.bma.bm](http://www.bma.bm).

### **Insurance Code of Conduct Development Progressing**

The Authority is in the final stages of market consultation on the Insurance Code of Conduct. The intention is to publish the final Code at the end of January 2010. The Code will be formally implemented as of 1st July 2010, with a transition period for insurers to achieve full compliance extending to 31st December 2010.

The Insurance Code of Conduct establishes duties, requirements and standards to be complied with by all insurers registered under Section 4 of the Insurance Act 1978, including the procedures and sound principles to be observed by such persons. The Authority appreciates that insurers have varying risk profiles and will assess an insurer's compliance with the Code in a proportionate manner relative to its nature, scale, and complexity.

A copy of the consultation paper is available on the Authority's website: [www.bma.bm](http://www.bma.bm).

### 3. ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING

#### **AML/ATF Industry Survey Complete, Responses Currently Under Review**

The Authority is currently reviewing responses to its recently-conducted pilot AML/ATF market survey. The survey was designed to facilitate an assessment of AML/ATF licensed entities' compliance with the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 through a self-assessment questionnaire. The web-based questionnaire maintains all responses in electronic format, which will allow for further analysis and risk rating for institutions both individually, and by industry sector. The survey results will assist the Authority's AML/ATF Compliance Unit in prioritising on-site visits for the coming year and provide a benchmark for the level of compliance each licensee perceives they may have under the Regulations.

The questionnaire, which was initially distributed to 135 institutions that included operators of licensed trusts, fund administrators and licensed institutions under the Investment Business Act 2003, closed on 7th November 2009 with 125 respondents. A small number of enhancements are planned to streamline the platform used for the questionnaire and once implemented, it will be rolled out to the balance of licensed entities.

# International Outlook

## **Authority Appointed to the Executive Committee of the International Association of Insurance Supervisors**

The Authority was appointed as a member of the Executive Committee of the International Association of Insurance Supervisors (IAIS) after a vote taken at the IAIS's General Meeting held in Rio de Janeiro, Brazil, from 19th - 23rd October. The Executive Committee, whose members represent diverse geographical regions, is the decision-making body of the IAIS, which sets international regulatory standards for the insurance sector. Their mandate is to promote the objectives of the IAIS through ratifying proposals put forward by the various committees and subcommittees as regards the development of global insurance standards.

The Authority will be representing Bermuda on the Committee as a member of the Offshore Group of Insurance Supervisors. Jeremy Cox, incoming CEO of the Authority, will participate as a member of the Executive Committee as of January 2010. In addition to being a member of the IAIS Executive Committee, the Authority has representatives on 12 IAIS committees, subcommittees and working groups. Senior members of the BMA team hold the Chairmanship position of the Reinsurance Transparency Subcommittee, and Vice Chairmanship positions of both the Insurance Groups and Cross-Sectoral Issues Subcommittee and the Other Forms of Risk Transfer Subcommittee.

## **International Association of Insurance Supervisors Multi-lateral Memorandum of Understanding (MMoU)**

The Authority, as a member of the IAIS Signatories Working Group, participates in the review of applications from authorities wishing to become signatories to the IAIS MMoU. William Kattan, Director of Legal Services and Enforcement at the Authority, represents the BMA on the Working Group. The Group is currently verifying applications that have been submitted from regulatory authorities in France, Japan, Austria and Romania for approval to become signatories to the MMoU.

## **Authority Establishes Memoranda of Understanding with Nebraska Department of Insurance and the Pennsylvania Insurance Department**

The Authority has formally established Memoranda of Understanding (MOUs) with the Nebraska Department of Insurance (NDOI) and the Pennsylvania Insurance Department (PID). Matthew Elderfield CEO of the Authority and Ann M. Frohman, Director of Insurance for the NDOI, the primary regulator for insurance entities domiciled in the State of Nebraska, signed an MOU in October. The MOU with the Pennsylvania Insurance Department was signed in November by Mr. Elderfield and Joel S. Ario, the Pennsylvania Insurance Commissioner. The MOUs establish a formal basis for consultation, cooperation and coordination between the Authority and the two regulatory bodies, including the exchange of information relevant to each agency's supervisory, regulatory and examination responsibilities in relation to insurance entities that they regulate in common.

## **BMA Proactive on Foot Report Recommendations**

The Review of British Offshore Financial Centres (known as the Foot Report), a review of the opportunities and challenges facing the British Crown Dependencies and the Overseas Territories, was published in October. The Report was commissioned by the British Government to assess such matters as the quality and extent of economic planning; meeting international standards on tax transparency, financial sector regulation; tackling financial crime; and crisis prevention and resolution measures.

In the area of financial sector regulation, the Report made five recommendations to regulators, namely: the need for increased resources; establishing good governance arrangements; deposit protection design principles; ability to take robust action over large banks and clear powers of intervention; and the ability to commission independent company reviews. The Authority had already identified for action many of the matters covered in these recommendations, which it has been actively addressing through its programme of continuous enhancement of the jurisdiction's regulatory framework.

### **Paper Co-Authored by Authority Staff Published in the Journal of Financial Crime**

A paper co-authored by William Kattan, Director, Legal Services and Enforcement, Marcelo Ramella, Assistant Director, Research and Wendy King, Research Officer, at the Authority was recently selected to be published in the Journal of Financial Crime. The paper entitled "Handling conflicts of interest within financial innovation. The case of regulation and supervision of Bermuda sidecars" was one of many submissions for publication in the journal following the Cambridge Symposium on Financial Crime, held earlier this year in Cambridge England. The case study discusses the strategies used by the Authority in identifying and treating conflicts of interest within a highly innovative environment that involves sophisticated counterparties. It is a resource to those wishing to explore these issues and the role of the regulator in identifying and managing them. Copies of the paper are available at [www.emeraldinsight.com/reprints](http://www.emeraldinsight.com/reprints).

### **The Authority Successfully Hosts Caribbean Regional Technical Assistance Centre Risk- based Banking Supervision Workshop**

The Authority hosted the Caribbean Regional Technical Assistance Centre's (CARTAC) risk-based banking supervision workshop from 23rd – 27th November. The workshop was facilitated by the specialist financial regulatory training body the Toronto Centre on Leadership in Financial Regulation, and was part of their regional programme on financial regulation training. This was the first time this regional programme had been hosted in Bermuda. A total of 35 individuals participated in the workshop – 16 from six countries within the Caribbean region and 19 from the BMA team.

The Toronto Centre's training model involves a mix of lectures, case studies, and group work. During the week participants addressed some of the pressing issues facing supervisors today including risk-based concepts, risk assessment, and developing a supervisory strategy.

The Toronto Centre was created in 1998 with the support of the Government of Canada, the World Bank, the Schulich School of Business and, subsequently, the International Monetary Fund. Its mandate is to enhance the capacity of management in banking, insurance and securities regulatory bodies so that they can strengthen and adapt their organisations to face the constant changes and threats to financial markets.

CARTAC is a joint initiative of the CARICOM (the Caribbean Community Secretariat), the International Monetary Fund (IMF), the United Nations Development Program, Canada, and five other governments and agencies, including the Caribbean Development Bank, the Inter-American Development Bank, the United Kingdom's Department for International Development, USAID and the World Bank. Established in Barbados in 2001, CARTAC is a regional resource which provides technical assistance and training in core areas of economic and financial management, including onshore and offshore financial sector supervision and regulation, tax policy and administration, public expenditure management and economic and financial statistics, at the request of its participating countries.

# Market Analysis and Statistics

## 1. BERMUDA MONEY SUPPLY

Driven by a marginal increase in customer deposit liabilities during the quarter, the Bermuda dollar money supply expanded by just under 1% during the quarter. Money supply has been broadly flat over the past year.

### Bermuda Money Supply

(BD\$ millions)	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3	2008-Q2
Notes & Coins in Circulation**	123	127	126	141	119	118
Deposit Liabilities	3,858	3,816	3,802	3,815	3,821	3,783
<b>Total</b>	<b>3,981</b>	<b>3,943</b>	<b>3,929</b>	<b>3,956</b>	<b>3,940</b>	<b>3,901</b>
Less: Cash at Banks and Deposit Companies	60	60	59	57	36	35
BD\$ Money Supply	3,921	3,883	3,870	3,900	3,904	3,866
% Growth on Previous Period	0.98%	0.33%	-0.76%	-0.10%	0.97%	2.02%
Growth Year on Year	0.43%	0.44%	2.12%	5.01%	4.19%	5.13%

*Totals may not add due to rounding.*

*Note: Data presented as per the revised framework in accordance with the Basel II Accord, as of 2009-Q1.*

*\*\* 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.*

## 2. DOMESTIC AND FOREIGN CURRENCY POSITION

### BD\$ Deposit and Loan Profile – Combined Banks and Deposit Companies (Unconsolidated)

(BD\$ millions)	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3	2008-Q2
Deposit Liabilities	3,858	3,816	3,802	3,815	3,821	3,783
Less:						
Loans, Advances and Mortgages	(5,205)	(5,097)	(5,039)	(4,865)	(4,686)	(4,516)
Surplus Deposits	(1,347)	(1,280)	(1,237)	(1,050)	(865)	(734)
Percentage of Deposit Liabilities Loaned	134.9%	133.5%	132.5%	127.5%	122.7%	119.4%

Totals may not add due to rounding.

Note: Data presented as per the revised framework in accordance with the Basel II Accord, as of 2009-Q1.

Following recent amalgamations within the sector, separate data for the deposit companies are no longer published.

The sector continued to report a quarter-on-quarter increase in the proportion of BD\$ lending relative to BD\$ deposit liabilities, with the deficit increasing slightly from 133.5% to 134.9% during the quarter.

BD\$ loans, advances and mortgages increased by 2.11% during the quarter and 11.08% year-on-year as compared to increases in BD\$ deposits liabilities of 1.10% during the quarter and 0.97% year-on-year. The shortfall in BD\$ deposits over BD\$ loans, advances and mortgages has been financed by foreign currency denominated customer liabilities, which are predominantly in US dollars.

### Foreign Currency Position - Combined Banks and Deposit Companies (Consolidated)

(BD\$ millions)	2009-Q3	2009-Q2	2009-Q1*	2008-Q4	2008-Q3	2008-Q2
Total Foreign Currency Assets	15,575	16,396	15,987	17,470	19,121	19,384
Less: Other Assets	501	518	604	593	530	554
Less: Foreign Currency Loans to Residents	P 1,138	1,110	1,089	1,146	1,197	1,150
Net Foreign Currency Assets	13,937	14,768	14,294	15,731	17,395	17,681
Foreign Currency Liabilities	14,262	14,889	14,597	15,822	17,384	17,552
Add: BD\$ Deposits of Non-Residents	P 349	350	348	335	196	200
Net Foreign Currency Liabilities	14,611	15,238	14,945	16,157	17,581	17,752
Net Foreign Currency Position (Consolidated)	(674)	(471)	(651)	(426)	(186)	(71)

Totals may not add due to rounding.

Note: Data presented as per the revised framework in accordance with the Basel II Accord, as of 2009-Q1.

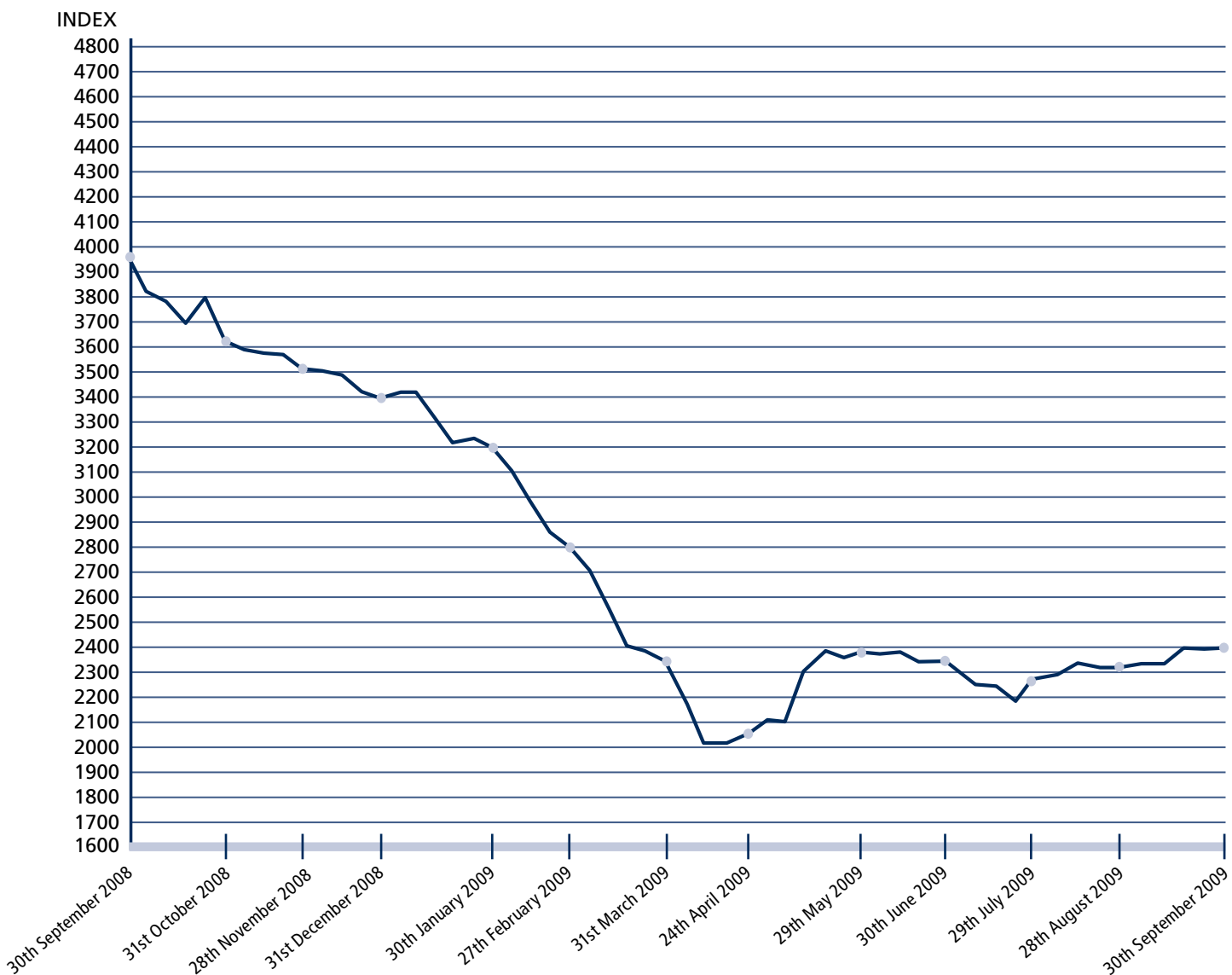
P denotes provisional figures.

\*Restated based on submissions from the banks.

Bermudian banks' foreign currency liabilities continue to surpass foreign currency assets. The deficit in the net foreign currency position of the Bermudian banking and deposit taking sector increased during the quarter mainly as a result of a decrease in foreign currency assets by 5.0% during the quarter as compared to a 4.2% decrease in foreign currency liabilities.

### 3. BERMUDA STOCK EXCHANGE (BSX)

Total market capitalisation of the BSX rose by roughly \$29 billion during the third quarter to \$339 billion as at 30th September 2009, the result of continued international listings on the exchange. The domestic market comprised approximately \$1.6 billion of this market capitalisation, and rose by 3.4 % during the quarter.



Source: Bermuda Stock Exchange

## 4. BANKING

The balance sheet of Bermuda's banks and deposit companies remained broadly stable except for minor shifts in aggregate asset allocation and the composition of customer deposits. The total balance sheet was reduced by 3.0% during the quarter driven by a 2.8% decrease in customer deposit liabilities. Total assets decreased by BD\$ 0.6 billion during the quarter while deposit liabilities decreased by BD\$ 0.5 billion.

Loans and advances increased by 0.9% during the quarter and 6.5% year-on-year and represented 39.0% of total assets during the quarter as compared to 37.5% in Q2 2009 and 32.1% in Q3 2008. The increase in the proportion of loans to total assets during the quarter is due to the 0.9% increase in loans during the quarter combined with a 3.0% decrease in total assets.

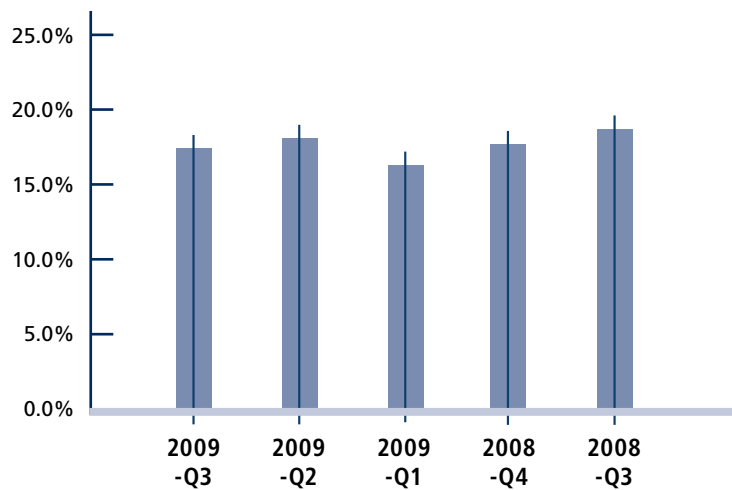
Inter-bank placements and holdings of high quality marketable securities made up 55.4% of total assets.

### Banking Sector Assets and Deposits

	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3	2008-Q2
Total Assets (\$millions)	21,284	21,933	21,456	22,805	24,277	24,355
Quarterly Change (%)	-3.0	2.2	-5.9	-6.1	-0.3	-2.6
Total Deposits (\$millions)	17,823	18,332	18,036	19,380	20,828	20,972
Quarterly Change (%)	-2.8	1.6	-6.9	-7.0	-0.7	-3.2

## Regulatory Capital to Risk Weighted Assets

The aggregate risk asset ratio for the sector remained high at 17.2%.



*Note: Data presented as per the revised framework in accordance with the Basel II Accord, as of 2009-Q1.*

The following table provides further information on the composition of assets and liabilities.

## Combined Balance Sheet of Bermuda Banks and Deposit Companies (Consolidated)

(BD\$ millions)	2009-Q3*			2009-Q2*			2009-Q1*		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
<b>Assets</b>									
Cash	83	42	41	83	43	40	77	43	34
Deposits	5,183	70	5,113	5,365	55	5,311	5,859	51	5,808
Investments	6,597	45	6,552	7,163	34	7,129	6,579	32	6,547
Loans & Advances	8,307	5,051	3,256	8,235	4,965	3,270	7,803	4,901	2,902
Premises & Equipment	487	375	112	473	344	129	453	362	91
Other Assets	626	125	501	613	95	518	683	80	604
<b>Total Assets</b>	<b>21,284</b>	<b>5,708</b>	<b>15,575</b>	<b>21,933</b>	<b>5,537</b>	<b>16,396</b>	<b>21,456</b>	<b>5,469</b>	<b>15,987</b>
<b>Liabilities</b>									
Demand Deposits	7,643	896	6,746	7,674	851	6,822	8,137	855	7,282
Savings	4,104	1,430	2,674	4,151	1,412	2,739	3,643	1,369	2,274
Time Deposits	6,076	1,479	4,596	6,507	1,503	5,005	6,257	1,553	4,703
<b>Sub Total - Deposits</b>	<b>17,823</b>	<b>3,806</b>	<b>14,017</b>	<b>18,332</b>	<b>3,766</b>	<b>14,566</b>	<b>18,036</b>	<b>3,777</b>	<b>14,259</b>
Other Liabilities	616	371	245	672	349	323	849	511	338
<b>Sub Total - Liabilities</b>	<b>18,439</b>	<b>4,177</b>	<b>14,262</b>	<b>19,004</b>	<b>4,115</b>	<b>14,889</b>	<b>18,885</b>	<b>4,288</b>	<b>14,597</b>
Equity & Subordinated Debt	2,845	1,886	959	2,928	2,023	906	2,571	1,953	618
<b>Total Liabilities and Capital</b>	<b>21,284</b>	<b>6,063</b>	<b>15,221</b>	<b>21,933</b>	<b>6,138</b>	<b>15,794</b>	<b>21,456</b>	<b>6,241</b>	<b>15,215</b>

(BD\$ millions)	2008-Q4*			2008-Q3			2008-Q2		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
<b>Assets</b>									
Cash	96	57	39	76	36	39	75	36	40
Deposits	6,258	33	6,225	7,016	41	6,975	6,706	47	6,658
Investments	7,356	13	7,343	8,303	24	8,279	8,860	26	8,834
Loans & Advances	7,954	4,794	3,159	7,803	4,600	3,203	7,599	4,417	3,182
Premises & Equipment	462	352	110	454	359	95	474	358	117
Other Assets	680	87	593	625	95	530	641	87	554
<b>Total Assets</b>	<b>22,806</b>	<b>5,335</b>	<b>17,470</b>	<b>24,277</b>	<b>5,155</b>	<b>19,121</b>	<b>24,355</b>	<b>4,970</b>	<b>19,384</b>
<b>Liabilities</b>									
Demand Deposits	8,079	908	7,171	8,527	856	7,671	8,868	868	8,000
Savings	4,183	1,358	2,826	3,575	1,344	2,231	3,354	1,285	2,069
Time Deposits	7,117	1,558	5,559	8,725	1,615	7,110	8,749	1,653	7,096
<b>Sub Total - Deposits</b>	<b>19,379</b>	<b>3,824</b>	<b>15,556</b>	<b>20,828</b>	<b>3,815</b>	<b>17,013</b>	<b>20,972</b>	<b>3,806</b>	<b>17,165</b>
Other Liabilities	809	542	267	699	328	372	667	281	386
<b>Sub Total - Liabilities</b>	<b>20,188</b>	<b>4,366</b>	<b>15,822</b>	<b>21,527</b>	<b>4,143</b>	<b>17,384</b>	<b>21,639</b>	<b>4,087</b>	<b>17,552</b>
Equity & Subordinated Debt	2,617	1,531	1,086	2,749	1,576	1,173	2,715	1,634	1,081
<b>Total Liabilities and Capital</b>	<b>22,805</b>	<b>5,897</b>	<b>16,908</b>	<b>24,277</b>	<b>5,719</b>	<b>18,558</b>	<b>24,354</b>	<b>5,721</b>	<b>18,633</b>

Totals may not add due to rounding.

Note: Data presented as per the revised framework in accordance with the Basel II Accord, as of 2009-Q1.

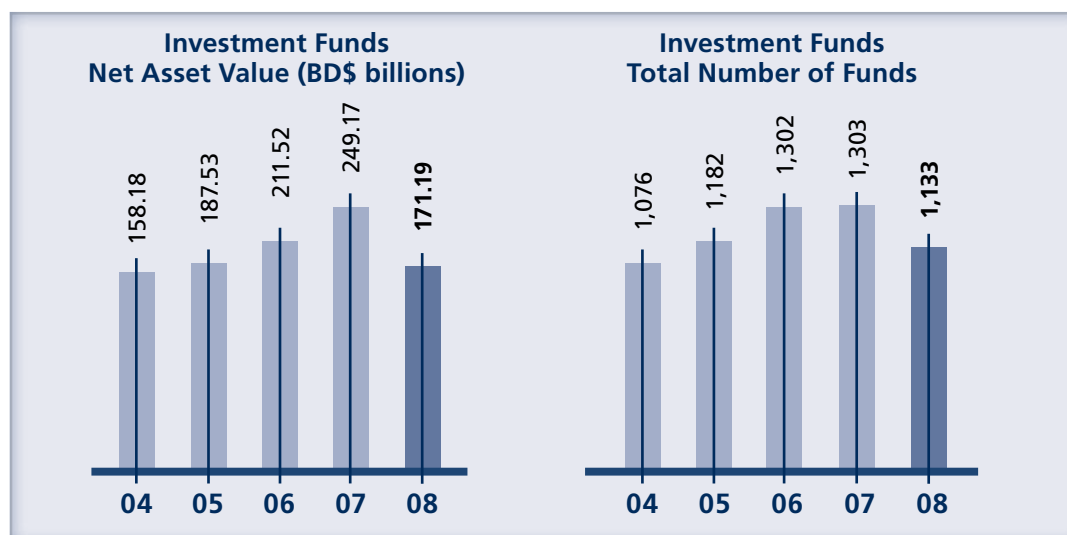
\* Restated based on submissions from the banks.

## 5. INVESTMENT FUNDS

The number of Bermuda authorised funds declined slightly (2.12%) in Q3 2009 while the total net asset value has stabilised from Q2 2009 to Q3 2009. In line with prevailing global trends in the markets, the total NAV for Q3 2009 versus Q3 2008 declined by 21.32% or \$41.85 billion, whilst the total number of funds declined by 21% or 270.

	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3	2008-Q2
Mutual Funds	697	712	774	819	878	886
Umbrella Funds	72	74	77	76	81	82
Sub-Funds	203	206	220	220	238	240
Segregated Account Companies	86	84	85	83	82	82
Segregated Accounts	343	335	331	336	390	383
<b>Total</b>	<b>1,401</b>	<b>1,411</b>	<b>1,487</b>	<b>1,534</b>	<b>1,669</b>	<b>1,673</b>
Unit Trusts	53	67	72	71	94	93
Umbrella Trusts	108	101	99	84	151	143
Sub-Trusts	201	198	198	198	221	213
<b>Total</b>	<b>362</b>	<b>366</b>	<b>369</b>	<b>353</b>	<b>466</b>	<b>449</b>
<b>Total Portfolios</b>	<b>1,763</b>	<b>1,777</b>	<b>1,856</b>	<b>1,887</b>	<b>2,135</b>	<b>2,122</b>
<b>Total Number of Funds</b>	<b>1,016</b>	<b>1,038</b>	<b>1,107</b>	<b>1,133</b>	<b>1,286</b>	<b>1,286</b>
<b>Total Net Asset Value (In billions)</b>	<b>\$154.45</b>	<b>\$154.62</b>	<b>\$158.92</b>	<b>\$171.19</b>	<b>\$196.30</b>	<b>\$235.33</b>

Note: Data reported for the periods after Q4 2005 include funds that have been granted exemption under section 7 of the Investment Funds Act 2006.



## 6. INSURANCE

Four new insurance and reinsurance companies were established in the Bermuda market during the third quarter of 2009. These numbers represent a slight decrease on the same period in 2008 and reflect the continued challenging economic and market conditions.

### Insurance Company Incorporation Statistics

	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3	2008-Q2
Class 1	0	5	2	3	1	0
Class 2	1	2	2	2	0	0
Class 3*	1	4	4	6	3	7
Class 3A	1	0	2	1	1	-
Class 3B	0	0	0	0	0	-
Class 4	1	0	0	1	0	1
Long-Term	0	1	0	2	1	1
SPI	0	0	2	-	-	-
Dual-Class	0	0	0	0	0	0
<b>Total Additions</b>	<b>4</b>	<b>12</b>	<b>12</b>	<b>15</b>	<b>6</b>	<b>9</b>

\* Class 3 sector reclassification took effect as of 2008-Q3. Therefore, data reported from that date will reflect the reclassified Class 3 company categories.

Note: The Authority began accepting applications for the SPI class of insurer as of 2009-Q1.

#### Explanatory Notes:

- Class 1 – Single-parent captive insuring the risks of its owners or affiliates of the owners.
- Class 2 – (a) a multi-owner captive insuring the risks of its owners or affiliates of the owners; or (b) a single parent or multi-owner captive: (i) insuring the risks arising out of the business or operations of the owners or affiliates, and/or (ii) deriving up to 20 percent of its net premiums from unrelated risks.
- Class 3 – Captive insurers underwriting more than 20% and less than 50% unrelated business.
- Class 3A – Small commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or loss and loss expense provisions and where the unrelated business net premiums are less than \$50 million.
- Class 3B – Large commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or loss and loss expense provisions and where the unrelated business net premiums are more than \$50 million.
- Class 4 – Insurers and reinsurers capitalised at a minimum of \$100 million underwriting direct excess liability and/or property catastrophe reinsurance risk.
- Long-Term – Insurers writing long-term (or life) business.
- SPI – A special purpose, single transaction or single customer insurance company which assumes (re)insurance risks, and which typically fully funds its exposure to such risks through the proceeds of a debt issuance or some other financing mechanism, where the repayment rights of the providers of such debt or other financing mechanism are subordinated to the (re)insurance obligations of that vehicle.
- Dual Class – Insurers writing a combination of long-term (or life) business and Class 1, 2, 3, 3A, 3B or 4 business.

## 7. COMPANY AUTHORISATIONS

### Companies, Partnerships and Permits Statistics - Applications Approved

	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3	2008-Q2
<b>Exempted Companies</b> (Bermuda companies exempted from the 60% Bermudian ownership requirement)	117	151	141	206	233	267
<b>Exempted Partnerships</b> (partnerships established in Bermuda to carry on business in or from within Bermuda)	7	12	28	33	23	25
<b>Overseas Partnerships</b> (overseas partnerships applying for permits to carry on business in or from within Bermuda)	1	0	1	0	2	1
<b>Overseas Permit Companies</b> (overseas companies applying for permits to carry on business in or from within Bermuda)	3	4	1	9	12	11
<b>Unit Trusts</b>	11	4	12	1	12	1
<b>Continuation Companies</b> (companies from other jurisdictions continuing into Bermuda as exempted companies)	4	7	7	9	5	4
<b>Unlimited Liability Companies</b>	1	0	0	2	1	2
<b>Local Companies</b>	23	36	47	35	42	60
<b>Total Applications Approved *</b>	<b>167</b>	<b>214</b>	<b>237</b>	<b>295</b>	<b>330</b>	<b>371</b>

\* Quarterly numbers are amended to reflect more up-to-date consent information.

The statistics shown above reflect the number of applications that have received vetting clearance from the Bermuda Monetary Authority. These figures do not reflect the actual number of entities incorporated in Bermuda during the period. Such statistics can be obtained from the Registrar of Companies.





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