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## PRESS RELEASE

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### **NEW BERMUDA MONETARY AUTHORITY CEO PRESENTS 2010 BUSINESS PLAN AT ANNUAL MEETING**

**Areas of focus to be Preparing for insurance regulatory equivalence; Building on effective resources for supervisory programmes; Regime changes in the aftermath of the global financial crisis; Further emphasis on consumer protection**

Jeremy Cox, newly appointed CEO of the Bermuda Monetary Authority (BMA), along with members of his Executive team, today presented the organisation's 2010 Business Plan at the BMA's Annual Meeting. The Business Plan sets out the organisation's strategic priorities and work plan for the coming year. The Annual Meeting, which took place for the first time last year, provides local stakeholders from the public and private sector with the opportunity to discuss the Business Plan with the Authority's executive management.

Mr. Cox said, "The Authority is committed to improving transparency around the work we do. We are therefore pleased to be able to share our work plan for 2010 at today's Annual Meeting. This is the third Business Plan that the Authority has published. It outlines the critical initiatives the Authority will undertake during the next 12 months to develop Bermuda's regulatory framework in order to achieve key strategic goals, such as regulatory equivalence."

There are four broad areas of focus in the Plan including: preparing for regulatory equivalence of Bermuda's commercial insurance framework with key international markets; building on effective resources in the Authority's supervisory teams; regime changes following the global financial crisis; and further emphasis on consumer protection.

#### **Preparing for Regulatory Equivalence**

Achieving regulatory equivalence, or mutual recognition, for Bermuda's regulatory framework with other key jurisdictions remains a strategic priority for the Authority for 2010. While the focus of the Authority's work in this regard is on obtaining broad equivalence for its framework for commercial insurers under Europe's Solvency II Directive, it is also closely monitoring developments in other markets, particularly within the U.S.

Craig Swan, Director, Policy, Research and Risk Assessment at the Authority, who is leading the BMA's Solvency II-related initiatives said, "This year we plan to focus on particular framework developments under Pillar 2 of the Directive, covering qualitative review of risk management both by companies and

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supervisors. We will be conducting extensive consultation with (re)insurers about the related enhancements to Bermuda's regulatory framework."

"We are committed to working towards Solvency II equivalence," added Mr. Cox. "However, it is important to note that we do not intend to simply duplicate Solvency II provisions; we will apply framework changes that are consistent with the Directive in a manner that is appropriate for the nature of the Bermuda market."

Highlights of those changes include progressing work on establishing a group-wide supervision framework for Bermuda's largest insurers. This will involve further development and implementation of the supervisory processes the Authority intends to apply to Bermuda-based insurance groups with global operations, and the conditions under which it will be regarded as lead supervisor for such groups.

The Authority also intends to set ORSA or Own Risk Solvency Assessment requirements, under which Bermuda's large commercial insurers will provide their own assessment of their capital needs taking into account the risks to which they are exposed, and how they mitigate such risks. The Authority is also establishing eligible capital rules, and conducting further consultation on proposed public disclosure standards for commercial insurers; it will also introduce an Insurance Code of Conduct during 2010.

### **Building on Effective Supervisory Resources**

In common with regulators worldwide, the Authority is working to address the challenge of ensuring it has the right resources to meet the growing demands and expectations of the global regulatory environment, as well as the complexities of the markets it regulates.

Mr. Cox said, "Ensuring we have the right people with the right skills will be key to maintain our effectiveness as Bermuda's financial services regulator, particularly as we seek to address critical framework enhancements such as implementing group supervision. We have placed strategic focus on our operational effectiveness for some time now, and this will continue throughout 2010."

This year's Business Plan calls for building on the senior-level technical skills and expertise among team members in targeted areas of the Authority. These additional resources will support both policy development and implementation of the expanded supervisory programmes that will result from the Authority's regulatory framework changes.

"Overall our resource building activity during 2010 will support the next wave of our work towards regulatory equivalence, with a particular emphasis on growing resources within our supervisory, policy and risk analysis teams," Mr. Cox said.



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### **Regime changes following the global financial crisis**

In the aftermath of the global financial crisis the international community is involved in a major overhaul of financial regulatory standards across all sectors. These changes will impact jurisdictions worldwide, including Bermuda. The Authority intends to continue monitoring these developments during 2010, and also to contribute to the on going debates on global regulatory reform via its participation in the work of international standard setting bodies.

Regarding the Bermuda market's preparedness for these upcoming changes in global regulation, Mr. Cox said, "Our insurance regulations are well placed for changes in international insurance standards due to our work preparing for broad equivalency under Solvency II. With respect to our banking sector, Bermuda's banks are relatively well prepared for changes we expect from the Basel Committee of Banking Supervisors, which is working to raise global standards particularly as they relate to capital adequacy. Since the banks are already required to maintain capital levels above the international standard we believe they are in a strong starting point to meet any new regulations coming out of Basel."

Graeme Dargie, Director, Banking, Trust and Investment at the Authority added, "We will be monitoring these developments closely with a view to revising Bermuda's capital framework appropriately and as necessary to reflect the new international standard. Changes are also anticipated in relation to international standards for bank liquidity. We also intend to review our liquidity policy for Bermuda's banks this year, looking at all aspects of liquidity risk and management across institutions, and consulting with the market on any proposed changes."

With respect to funds, the Authority believes that the most dramatic changes to financial regulation will be within the funds sector, since there have been previously no international standards in this area. Through its participation with the International Association of Securities Commissions as well as liaising with other impacted jurisdictions, it will be actively working to ensure Bermuda's fund regulation meets the new standards.

### **Further emphasis on consumer protection**

The Authority intends this year to place further emphasis on the issue of consumer protection with specific supervisory regime enhancements, as well as outreach activities. Activities will be focused on the local banking and investment markets, aligned with the development and introduction of key regulatory and/or supervisory projects in 2010 that relate to consumer protection. This move follows challenges experienced last year in the local market that had direct impact on a number of retail consumers of financial services.

Graeme Dargie said, "The goal with these activities will be to ensure that the enhancements will provide added protection to retail consumers in the Bermuda market, while also being consistent with applicable global standards and best practices. We will also seek to help consumers of financial services make informed decisions."



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Key initiatives in the 2010 Plan under consumer protection are the establishment of a Deposit Insurance Scheme (DIS) for the banking sector, and a revised Code of Conduct under the Investment Business Act 2003 for the investment sector. The Authority will also be enhancing its intervention powers with respect to banks. It also intends to foster financial literacy among local consumers of financial services and will develop a dedicated education and awareness initiative in that regard.

Mr. Cox added, “The DIS will complement our existing supervisory regime for banks and provide an added layer of protection for local bank depositors in the context of volatile global financial markets. Our intent with the revised Code of Conduct for the investment sector is to enhance disclosure practices and clarity of information provided to clients by investment providers, which will assist consumers with making informed decisions when purchasing their products. Our proposals regarding bank intervention powers is in line with global trends in banking supervision and will allow the Authority to intervene quickly in cases of troubled banks, for the ultimate protection of customers and to support market stability.”

“This year’s Business Plan builds upon the considerable work we have already completed on a number of significant enhancements to Bermuda’s regulatory framework,” Mr. Cox concluded. “We are maintaining the momentum of regulatory change and extensive market consultation established in previous years, and we have again set an aggressive agenda that will drive continued enhancements to the standards and quality of Bermuda’s risk-based framework.”

A copy of the Business Plan is available on the Authority’s website: [www.bma.bm](http://www.bma.bm).

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