



## Regulatory Update March 2010

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## 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 31st December 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.

# Regulatory and Legislative Developments

## 1. BANKING

### **Stress Testing Guidelines Issued for Banking Sector**

The Authority recently published "Guidelines on Stress Testing for the Bermuda Banking Sector", a paper which sets out guidance on stress and scenario testing for the island's banks. The Guidelines, while being specific to the nature of the Bermuda banking sector, are aligned to the core principles set out by the Basel Committee on Banking Supervision in their paper "Principles for sound stress testing practices and supervision" issued in May 2009. The Authority is among the first group of regulators to publish stress testing guidance for its market following the release of the Basel Committee's principles.

The Guidelines were issued following a period of consultation with Bermuda market participants on proposals the Authority developed in conjunction with the Bermuda Bankers Association's credit subcommittee. They are intended to facilitate a more consistent approach to stress testing in the banking sector. They also address high-level principles, including board and senior management involvement; risk governance; management actions; and capital and liquidity planning that may arise as a result of stress tests. The Guidelines also suggest standardised stress tests and detail the format and content of reporting information banks are required to submit to the Authority.

### **First Round of Pillar 3 Disclosures Completed**

Bermuda's banks made first Pillar 3 disclosures in quarter four 2009. While the disclosures broadly met the Authority's requirements, a number of areas for improvement were identified. The Authority provided individual feedback to firms on the quality and content of their disclosures. The banks provided good coverage of their respective capital structures, as well as their capital adequacy and their risk assessment processes. The banks also provided adequate information concerning their respective amounts of Tier 1 capital, including disclosure of paid-up share capital; reserves;

minority interests; innovative capital instruments; regulatory calculation differences deducted from Tier 1; and disclosures of Tier 2 and Tier 3 capital amounts.

Additional disclosures provided included coverage of the capital requirements for credit risk, with separate disclosures by credit portfolio that included corporate risk, residential mortgages, retail and other credit risk types. Similar capital requirement disclosures were provided for market risk and operational risk, based on the standardised approach.

## 2. INVESTMENT FUNDS

### **Authority Contributes to Principles Paper on Hedge Funds Regulation**

The recent financial crisis has led to renewed focus and debate on the issue of hedge fund regulation. This has led to an active exchange of views among fund supervisors, and the promulgation of proposed standards by international standard setters on the level of regulation necessary to be applied to hedge funds.

As stated in our 2010 Business Plan, the Authority intends to play an active part in this debate. Authority staff recently met with their counterparts from the Caribbean region to share experiences and to develop common proposals for enhancing our respective regulatory frameworks that would inform developments of emerging international standards.

The outcome of the meeting was a draft Principles Paper for Hedge Fund Regulation, which was subsequently endorsed at a meeting of the UK Overseas Territories Financial Services Regulators on 13th March 2010. The Paper was presented as a Discussion Paper to the Offshore Group of Banking Supervisors' meeting on 23rd - 24th March.

The Authority has committed to consult with local industry before introducing any changes to hedge fund regulation in Bermuda. To that end, a discussion paper on the topic is scheduled for publication in quarter three of this year.

### 3. INSURANCE

#### **Group-wide Supervision Consultation Paper Published; Legislation Passed in Parliament**

The Authority has begun the next phase of its consultation with industry on implementing a group-wide supervision framework for the insurance sector. A consultation paper was published on 5th February detailing the Authority's proposals for the regime. The Paper describes the scope of the Authority's group-wide supervision regime and outlines the conditions under which the Authority would seek to be considered a Group-wide Supervisor. It also describes other features of the framework including the assessment of group corporate governance and risk management; group-wide solvency assessments, which includes a discussion of the treatment of intra-group transactions and risk concentrations; and the Authority's statutory reporting requirements for groups. In addition, the Paper explores the efficacy of group support as an important factor in determining group-wide solvency, and the treatment of unregulated entities that are part of the group. Since any group-wide supervisory regime hinges on the principle of supervisory cooperation and equivalence among regulators, the Paper also seeks to explain the Authority's own proposed equivalence framework.

The Authority also completed consultation on the Insurance Amendment Act 2010, which facilitates implementation of the group-wide supervision regime. The Amendment Act was passed in Parliament in March.

#### **Insurance Code of Conduct Issued**

After completing an extensive period of consultation with industry the Authority issued the Insurance Code of Conduct on 13th February 2010. The Code, which is based on international standards, builds upon and codifies the governance standards already established within the Bermuda insurance market. It establishes duties, requirements, and standards, including the procedures and sound principles to be observed

by firms. Matters addressed in the Code include corporate governance; risk management; governance mechanisms; outsourcing and market discipline and disclosure. The Code also has been drafted to ensure proportionality therefore the requirements within it are commensurate with the size, nature, complexity and risk profile of the insurer. The Code will formally come into effect on 1st July 2010 and will apply to insurers registered under Section 4 of the Insurance Act 1978. A copy of the Code is available on the Authority's website: [www.bma.bm](http://www.bma.bm).

#### **Bermuda Insurance Market Continues To Record Strong Performance**

Statistics recently released by the Authority on the Bermuda insurance market show that the sector continues to record significant results, against the backdrop of a prolonged soft market and the effects of the financial crisis. For the reporting period ending December 2008<sup>1</sup>, Bermuda's insurers had aggregate total assets of \$472.9 billion, a 7% increase over the \$442.2 billion achieved the previous year. Gross premiums written achieved a similar volume of business than the previous year, totaling \$123.5 billion, as compared to \$124.4 billion. Of that total, the commercial sector wrote \$103.4 billion in gross premiums, while the captive sector also maintained significant results with gross premiums written of \$19.6 billion.

With respect to incorporations, a total of 42 new (re) insurers were established in the market during 2009, as compared to 40 the previous year. Most of the new market entrants for 2009 were a combination of captive and commercial insurers within the Class 3, 3A and 3B sectors. The companies covered various lines of business, including property and catastrophe and professional liability; there was also increased interest from the life insurance sector, which in turn brought increased assets and new capital to the market. The greatest proportion of business came from the US during the year, with respect to both the captive and commercial markets.

<sup>1</sup> These figures relate to year-end 2008 filings of Statutory Financial Returns (SFRs). Companies submit SFRs on a staggered basis throughout the year following the financial year-end. The initial submission deadline for 2008 SFRs was April 2009 and submissions were received through to the end of 2009.

### **Enhanced Capital and Solvency Framework for Long-Term Insurance Sector Under Discussion**

The Authority released its Discussion Paper entitled "A Capital and Solvency Framework for Long-Term Insurance" in December 2009. The proposals in the Paper seek to update Bermuda's capital requirements for Long-Term insurers in line with current and emerging international developments. Modernising Bermuda's capital requirements for this sector is a key component of the Authority's initiatives to implement requirements that are broadly equivalent to global standards. The Authority is currently reviewing feedback received from industry on its proposals and will be publishing a formal response shortly. Following this initial phase of consultation, the Authority intends to issue a consultation paper on the issue in the third quarter of this year.

### **Commercial Insurer Solvency Assessment Return Framework Under Development**

The Authority is currently building a framework for commercial insurers to conduct an assessment and submit a Commercial Insurer Solvency Assessment Return (CISA). The Authority's CISA, which is in line with the ORSA or Own Risk Solvency Assessment, a requirement under the Solvency II Directive, has been adapted to address the specific nature of the Bermuda insurance market.

The purpose of the CISA is to enable the Authority to obtain a (re)insurer's view of the capital resources required for it to achieve its business objectives, and the governance, risk management and controls a firm has in place related to this process.

The Authority intends to supplement the CISA with a Catastrophe Return (Cat Return) for Class 4 and Class 3B (re)insurers. This will allow the Authority to better assess the composition of the Probable Maximum Loss submissions it receives from firms and the quality of modelling generally in the Bermuda market. The Cat Return will also introduce new stress scenarios for terrorism risks. The Authority intends to publish a consultation paper on its CISA proposals in the second quarter of 2010. This consultation paper will also build on the Authority's proposals for enhanced disclosures as outlined in its Disclosures and Transparency Consultation Paper, which was issued in 2009.

### **Authority Consults on Enhanced Solvency Regime Proposals for Class 3A Firms**

The Authority is currently consulting with Class 3A firms on its proposals to implement an enhanced solvency regime for this sector. The Authority is proposing to introduce the BSCR-SME, a modified risk-based capital model, based on its BSCR standard model, which is applied to determine minimum capital requirements for Class 4 and Class 3B (re)insurers. It also intends to introduce a CISA process for Class 3A firms.

### **Economic Balance Sheet Policy Development Underway**

The Authority has established a taskforce that includes representatives from industry to consider issues surrounding the introduction of an economic balance sheet requirement for Class 4 and Class 3B firms. This development would include replacement of statutory financial statements with general purpose financial statements. The Authority is currently preparing a discussion paper on the topic, which will be published in the second quarter of 2010.

## **4. ANTI-MONEY LAUNDERING**

### **AML/ATF Self-Assessment Questionnaire**

The Authority's received a 96% return rate on its Anti-Money Laundering (AML/ATF) Self-Assessment Questionnaire (SAQ). The questionnaire was issued at the end of 2009 to relevant institutions to determine the level of licensed entities' compliance with the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008. The Authority has collated and analysed the responses and the results are currently being used as one of the criteria for determining AML-themed on-site activities during 2010. The SAQ was initially distributed to 135 institutions licensed under the Investment Business Act 2003, in addition to operators of licensed trust companies, and fund administrators. The Authority intends to distribute the SAQ to the remaining sectors in Bermuda's financial services market in the second quarter of 2010.

# International Outlook

## **Basis for Formal Information Exchange with Swiss Financial Supervisory Authority Established**

The Authority has exchanged Letters of Cooperation with the Swiss Financial Market Supervisory Authority (FINMA). This development establishes a formal basis for consultation, cooperation and coordination between the Authority and FINMA. The agreement relates specifically to the exchange of information relevant to each agency's supervisory, regulatory and examination responsibilities of insurance companies of mutual interest. Both authorities agreed to structure their cooperation in line with the Articles of the International Association of Insurance Supervisors' Multilateral Memorandum of Association (IAIS MMOU) which, among other matters, requires signatories to the IAIS MMOU to adhere to principles relating to the exchange of confidential information. Bermuda became a signatory to the IAIS MMOU in 2009. Jeremy Cox, Chief Executive Officer of the Authority and Monica Machler, Vice Chair of the Board of Directors of FINMA, exchanged the Letters on 15th March 2010. The exchange of the Letters demonstrates the willingness of both regulatory bodies to cooperate with each other in the interest of fulfilling their respective regulatory mandates and functions at the highest international standards.

## **Authority Participates in IAIS Financial Stability Committee Meeting and First IAIS Tri-annual for the Year**

The Authority participated in the recent meeting of the International Association of Insurance Supervisors' Financial Stability Committee (FSC) held in Basel, Switzerland on 23rd February. The Authority is a member of the FSC, which was established by the IAIS in response to calls by the G20 and the Financial Stability Board (FSB) for financial regulatory reform following the financial crisis. Part of the Committee's mandate is to interface with the FSB to communicate the specific insurance-related reforms being addressed by the IAIS.

The FSC is currently focused on four work streams: insurance and systemic risk; systemically important financial institutions, macro-prudential surveillance and macro-prudential tools. The Authority is currently

contributing to the macro-prudential surveillance work stream. During the meeting discussion covered the upcoming study that will focus on macro-prudential surveillance practices currently undertaken by IAIS members. The study will be led by the Reinsurance Transparency Group, an IAIS sub-group.

The Authority also participated in the IAIS Tri-annual meeting held in Basel, Switzerland from 24th – 26th February. Issues discussed during this meeting included the systemic relevance of the insurance industry to financial stability; macro-prudential surveillance of the insurance industry; and the progress made on the review of the IAIS Insurance Core Principles, which have moved from the working group stage to consultation among IAIS members.

# Market Analysis and Statistics

## 1. BERMUDA MONEY SUPPLY

The Bermuda dollar money supply fell marginally during the quarter but has remained relatively stable over the past year.

### Bermuda Money Supply

(BD\$ millions)	2009-Q4	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3
Notes & Coins in Circulation*	137	123	127	126	141	119
Deposit Liabilities	3,840	3,858	3,816	3,802	3,815	3,821
<b>Total</b>	<b>3,977</b>	<b>3,981</b>	<b>3,943</b>	<b>3,929</b>	<b>3,956</b>	<b>3,940</b>
Less: Cash at Banks**	70	60	60	59	57	36
BD\$ Money Supply	3,907	3,921	3,883	3,870	3,900	3,904
% Growth on Previous Period	-0.36%	0.98%	0.33%	-0.76%	-0.10%	0.97%
<b>Growth Year on Year</b>	<b>0.18%</b>	<b>0.43%</b>	<b>0.44%</b>	<b>2.12%</b>	<b>5.01%</b>	<b>4.19%</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.

\* 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.

\*\* Includes deposit companies as well as banks.

## 2. DOMESTIC AND FOREIGN CURRENCY POSITION

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

(BD\$ millions)	2009-Q4	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3
Deposit Liabilities	3,840	3,858	3,816	3,802	3,815	3,821
Less:						
Loans, Advances and Mortgages	(5,148)	(5,205)	(5,097)	(5,039)	(4,865)	(4,686)
Surplus Deposits	(1,308)	(1,347)	(1,280)	(1,237)	(1,050)	(865)
<b>Percentage of Deposit Liabilities Loaned</b>	<b>134.1%</b>	<b>134.9%</b>	<b>133.5%</b>	<b>132.5%</b>	<b>127.5%</b>	<b>122.7%</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.

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

The sector reported a decrease in the proportion of BD\$ lending relative to BD\$ deposit liabilities during the quarter from 134.9% to 134.1%.

BD\$ loans and advances decreased by about 0.8% during the quarter, and increased by 4.5% year-on-year. BD\$ customer deposits also decreased marginally during the quarter (0.6%) but increased by 1.1% year-on-year.

The shortfall in BD\$ deposits over BD\$ loans and advances is financed partly by BD\$ shareholders' funds and foreign currency denominated customer deposits, the latter predominantly denominated in US dollars.

Taking into account other BD\$ liabilities, in particular the banks' capital, there are more than sufficient BD\$ liabilities to fund the sector's BD\$ assets.

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

(BD\$ millions)	2009-Q4	2009-Q3	2009-Q2	2009-Q1*	2008-Q4	2008-Q3
Total Foreign Currency Assets	15,960	15,575	16,396	15,987	17,470	19,121
Less: Other Assets	478	501	518	604	593	530
Less: Foreign Currency Loans to Residents	1,172	1,128	1,110	1,089	1,146	1,197
Net Foreign Currency Assets	14,310	13,947	14,768	14,294	15,731	17,395
Foreign Currency Liabilities	14,940	14,262	14,889	14,597	15,822	17,384
Add: BD\$ Deposits of Non-Residents	176	204	350	348	335	196
Net Foreign Currency Liabilities	15,116	14,466	15,238	14,945	16,157	17,581
<b>Net Foreign Currency Position (Consolidated)</b>	<b>(807)</b>	<b>(519)</b>	<b>(471)</b>	<b>(651)</b>	<b>(426)</b>	<b>(186)</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.

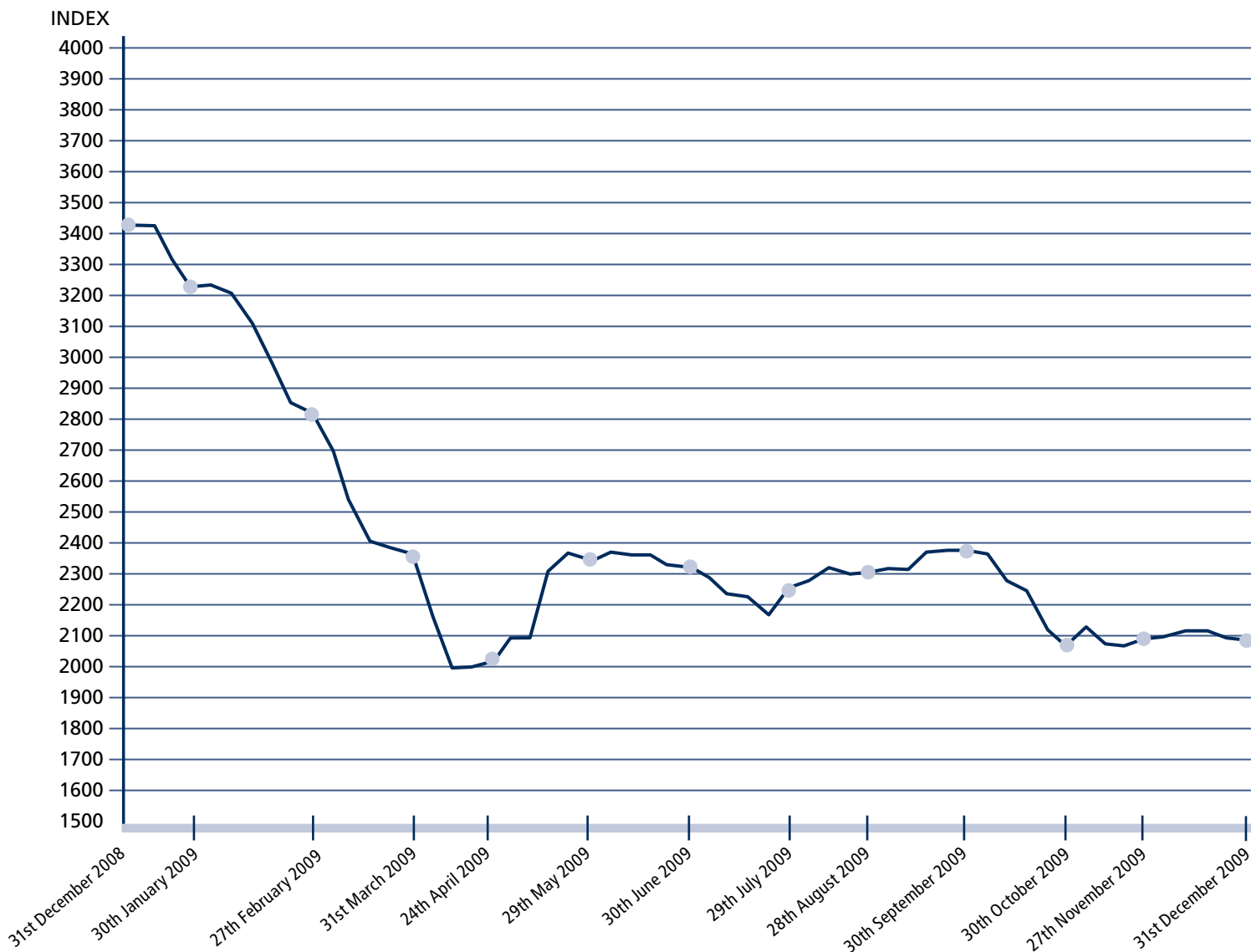
\*Restated based on submissions from the banks.

The deficit in the net foreign currency position of Bermuda's banking sector increased by \$288 million during the quarter. Total foreign currency liabilities increased by 4.8% during the quarter as compared to an increase in total foreign currency assets of 2.5%.

### 3. BERMUDA STOCK EXCHANGE (BSX)

Total market capitalisation (excluding funds) declined by roughly \$3 billion during the fourth quarter to \$ 225 billion as at 31st December 2009. The domestic market (see chart below), which comprised \$1.4 billion of this market capitalisation, declined by roughly 12% during the quarter. This change is illustrative of the continued challenging operating environment experienced by domestic companies.

**Correction:** Market capitalisation total for Q3 2009 was stated incorrectly in the December 2009 Regulatory update. The correct number for the period was \$228 billion.



Source: Bermuda Stock Exchange

## 4. BANKING

The sector's total assets increased by 1.6% during the quarter from \$21.3 billion to \$21.6 billion, mainly driven by an increase in customer deposits. Within the total, deposits with other banks rose by 9.0% while loans and advances rose by 0.4%. However, total investments decreased by 2.1%.

Total customer deposits increased during the quarter by 3.6% from \$17.8 billion to \$18.5 billion. The increase is attributable to increases in both savings and demand deposits of 8.7% and 6.1% respectively. Time deposits decreased by 3.0%.

Loans and advances rose by 0.4% during the quarter while customer deposits increased by 3.6%. As a result, the loans-to-deposits ratio decreased slightly from 46.6% in Q3 2009 to 45.2%.

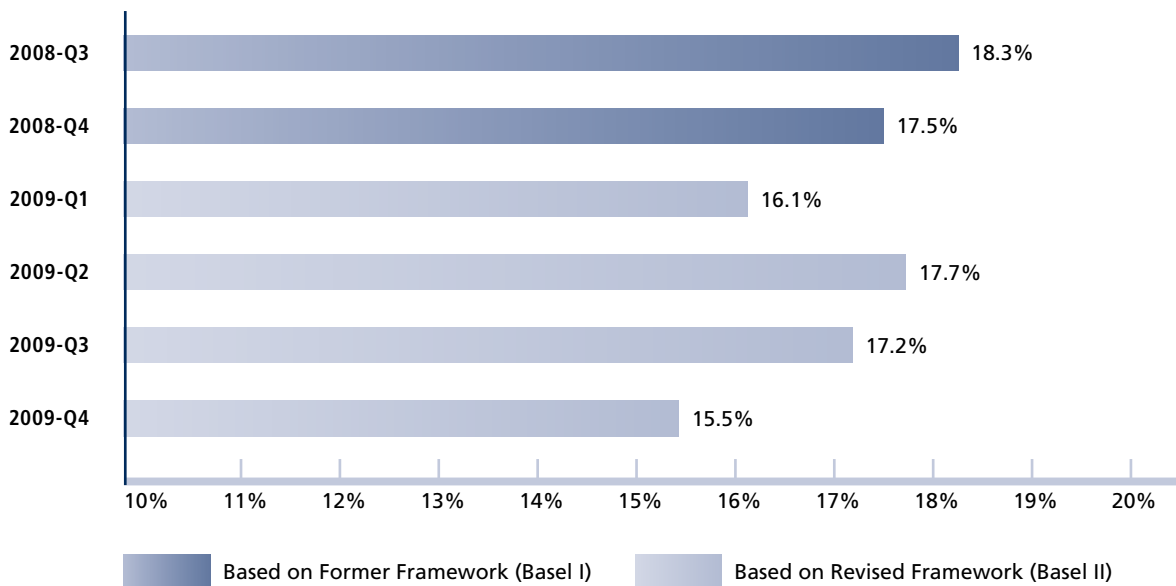
### Banking Sector Assets and Deposits

	2009-Q4	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3
Total Assets (\$ millions)	21,627	21,284	21,933	21,456	22,805	24,277
Quarterly Change (%)	1.6	-3.0	2.2	-5.9	-6.1	-0.3
Total Deposits (\$ millions)	18,462	17,823	18,332	18,036	19,380	20,828
Quarterly Change (%)	3.6	-2.8	1.6	-6.9	-7.0	-0.7

## Regulatory Capital to Risk Weighted Assets

The aggregate risk asset ratio for the sector decreased in Q4 2009 from 17.2 percent to 15.5 percent largely reflecting a substantial loss associated with the write-down of assets within the investment portfolio in one institution. There were also increases in specific provisions for credit losses which further reduced the level of capital. A substantial amount of new equity capital raised by one bank in early 2010 will have improved the quantity and quality of regulatory capital for the sector.

The table below shows the movement in the risk asset ratio for the last six quarters.



*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-Q4			2009-Q3*			2009-Q2*		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
<b>Assets</b>									
Cash	89	56	33	83	42	41	83	43	40
Deposits	5,651	60	5,591	5,183	70	5,113	5,365	55	5,311
Investments	6,457	43	6,413	6,597	45	6,552	7,163	34	7,129
Loans & Advances	8,341	5,009	3,332	8,307	5,051	3,256	8,235	4,965	3,270
Premises & Equipment	477	364	113	487	375	112	473	344	129
Other Assets	611	133	478	626	125	501	613	95	518
<b>Total Assets</b>	<b>21,627</b>	<b>5,666</b>	<b>15,960</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>Liabilities</b>									
Demand Deposits	8,110	866	7,244	7,643	896	6,746	7,674	851	6,822
Savings	4,461	1,445	3,017	4,104	1,430	2,674	4,151	1,412	2,739
Time Deposits	5,891	1,472	4,419	6,076	1,479	4,596	6,507	1,503	5,005
<b>Sub Total - Deposits</b>	<b>18,462</b>	<b>3,783</b>	<b>14,679</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>
Other Liabilities	570	309	261	616	371	245	672	349	323
<b>Sub Total - Liabilities</b>	<b>19,032</b>	<b>4,092</b>	<b>14,940</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>
Equity & Subordinated Debt	2,594	1,705	889	2,845	1,886	959	2,928	2,023	906
<b>Total Liabilities and Capital</b>	<b>21,627</b>	<b>5,798</b>	<b>15,829</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>

(BD\$ millions)	2009-Q1			2008-Q4*			2008-Q3		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
<b>Assets</b>									
Cash	77	43	34	96	57	39	76	36	39
Deposits	5,859	51	5,808	6,258	33	6,225	7,016	41	6,975
Investments	6,579	32	6,547	7,356	13	7,343	8,303	24	8,279
Loans & Advances	7,803	4,901	2,902	7,954	4,794	3,159	7,803	4,600	3,203
Premises & Equipment	453	362	91	462	352	110	454	359	95
Other Assets	683	80	604	680	87	593	625	95	530
<b>Total Assets</b>	<b>21,456</b>	<b>5,469</b>	<b>15,987</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>Liabilities</b>									
Demand Deposits	8,137	855	7,282	8,079	908	7,171	8,527	856	7,671
Savings	3,643	1,369	2,274	4,183	1,358	2,826	3,575	1,344	2,231
Time Deposits	6,257	1,553	4,703	7,117	1,558	5,559	8,725	1,615	7,110
<b>Sub Total - Deposits</b>	<b>18,036</b>	<b>3,777</b>	<b>14,259</b>	<b>19,379</b>	<b>3,824</b>	<b>15,556</b>	<b>20,827</b>	<b>3,815</b>	<b>17,013</b>
Other Liabilities	849	511	338	809	542	267	699	328	372
<b>Sub Total - Liabilities</b>	<b>18,885</b>	<b>4,288</b>	<b>14,597</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>
Equity & Subordinated Debt	2,571	1,953	618	2,617	1,531	1,086	2,749	1,576	1,173
<b>Total Liabilities and Capital</b>	<b>21,456</b>	<b>6,241</b>	<b>15,215</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>

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.

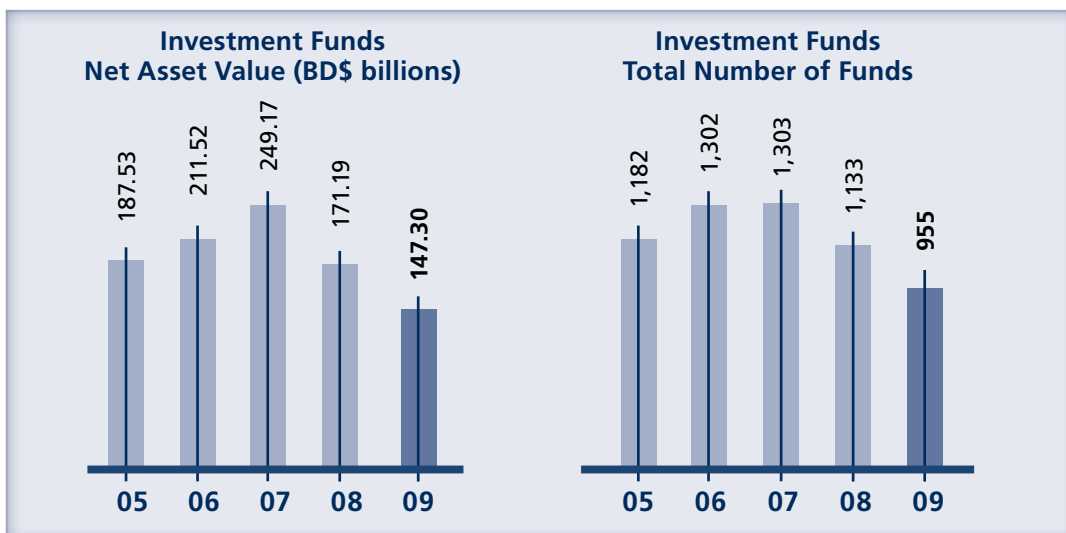
\* Restated based on submissions from the banks.

## 5. INVESTMENT FUNDS

The decline in the number of Bermuda funds throughout the year reflected the continued volatility in global market conditions for the period. However funds leaving the register were typically small in size and the resultant impact on the aggregate sector Net Asset Value (NAV) was not material. Although the total NAV did show a decline in the fourth quarter, the fall over the year was much less than in the previous year.

	2009-Q4	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3
Mutual Funds	662	697	712	774	819	878
Umbrella Funds	71	72	74	77	76	81
Sub-Funds	175	203	206	220	220	238
Segregated Account Companies	84	86	84	85	83	82
Segregated Accounts	317	343	335	331	336	390
<b>Total</b>	<b>1,309</b>	<b>1,401</b>	<b>1,411</b>	<b>1,487</b>	<b>1,534</b>	<b>1,669</b>
Unit Trusts	44	53	67	72	71	94
Umbrella Trusts	94	108	101	99	84	151
Sub-Trusts	25	201	198	198	198	221
<b>Total</b>	<b>163</b>	<b>362</b>	<b>366</b>	<b>369</b>	<b>353</b>	<b>466</b>
<b>Total Portfolios</b>	<b>1,472</b>	<b>1,763</b>	<b>1,777</b>	<b>1,856</b>	<b>1,887</b>	<b>2,135</b>
<b>Total Number of Funds</b>	<b>955</b>	<b>1,016</b>	<b>1,038</b>	<b>1,107</b>	<b>1,133</b>	<b>1,286</b>
<b>Total Net Asset Value (In billions)</b>	<b>\$147.30</b>	<b>\$154.45</b>	<b>\$154.62</b>	<b>\$158.92</b>	<b>\$171.19</b>	<b>\$196.30</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

Fourteen new insurance and reinsurance companies were established in the Bermuda market during the fourth quarter of 2009, a significant increase over the previous quarter. These numbers represent similar levels recorded for the same period in 2008 and are indicative of improving economic conditions following the financial crisis, as well as companies gearing up for the 2010 insurance renewal period.

### Insurance Company Incorporation Statistics

	2009-Q4	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3
Class 1	2	0	5	2	3	1
Class 2	1	1	2	2	2	0
Class 3 <sup>1</sup>	2	1	4	4	6	3
Class 3A	2	1	0	2	1	1
Class 3B	2	0	0	0	0	0
Class 4	0	1	0	0	1	0
Long-Term	3	0	1	0	2	0
SPI <sup>2</sup>	1	0	0	2	-	-
Dual Licence	1	0	0	0	0	0
<b>Total Additions</b>	<b>14</b>	<b>4</b>	<b>12</b>	<b>12</b>	<b>15</b>	<b>6</b>

#### 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 Licence – Insurers writing a combination of long-term (or life) business and Class 1, 2, 3, 3A, 3B or 4 business.

<sup>1</sup> Class 3 sector reclassification took effect as of 2009-Q1. Therefore, data reported from that date will reflect the reclassified Class 3 company categories.

<sup>2</sup> The Authority began accepting applications for the SPI class of insurer as of 2009-Q1.

## 7. COMPANY AUTHORISATIONS

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

	2009-Q4	2009-Q3	2009-Q2	2009-Q1	2008-Q4	2008-Q3
<b>Exempted Companies</b> (Bermuda companies exempted from the 60% Bermudian ownership requirement)	185	117	151	141	206	233
<b>Exempted Partnerships</b> (partnerships established in Bermuda to carry on business in or from within Bermuda)	27	7	12	28	33	23
<b>Overseas Partnerships</b> (overseas partnerships applying for permits to carry on business in or from within Bermuda)	3	1	0	1	0	2
<b>Overseas Permit Companies</b> (overseas companies applying for permits to carry on business in or from within Bermuda)	18	3	4	1	9	12
<b>Unit Trusts</b>	41	13	4	12	1	12
<b>Continuation Companies</b> (companies from other jurisdictions continuing into Bermuda as exempted companies)	5	4	7	7	9	5
<b>Unlimited Liability Companies</b>	0	1	0	0	2	1
<b>Local Companies</b>	41	23	36	47	35	42
<b>Total Applications Approved *</b>	<b>320</b>	<b>169</b>	<b>214</b>	<b>237</b>	<b>295</b>	<b>330</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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