



Regulatory Update December 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 30th September 2010.

The Regulatory Update is published in print and electronic formats. The electronic version is available on the Authority’s website 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. 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

Banking Code of Conduct Introduced

The Authority welcomed the introduction of the Bermuda Banking Code of Conduct, which was issued by Bermuda's banks on 1st November. The Code sets standards of good banking practice for banks and deposit companies and contains a number of commitments they will seek to abide by in their treatment of retail customers. Developed by all of the jurisdiction's banks in conjunction with the Authority, the Code explains what customers should expect in their dealings with banking institutions and is designed to ensure that customers receive fair treatment, including the provision of clear information about the products and services the banks provide and prompt attention to complaints.

The Code establishes standards relating to:

- helping customers choose products and services
- interest rates
- charges
- closing an account
- operating account statements
- credit/debit cards and PINs
- handling customers' personal information
- protection of accounts
- dealing with complaints; and
- lending to customers

The Code is available on the various banking institutions' websites, as well as from the Authority's website: www.bma.bm

Bank Liquidity Policy Under Review

The Authority has completed the first phase of a comprehensive review of liquidity requirements for local banks. This work is designed to ensure the Authority's liquidity policies remain in line with best international practice as promulgated by the Basel Committee of Banking Supervisors (BCBS).

The revisions will take place in two phases. The first phase involves the incorporation into the Authority's liquidity policy of the BCBS's Principles for the sound management and supervision of liquidity. The second phase will involve setting quantitative liquidity requirements for banks in line with emerging international standards.

The Authority began consultation on its proposed enhancements in April 2010, when it issued draft proposals to industry and established a working group comprised of the Authority and members of the Bermuda Bankers Association (BBA). Subsequent to this, the Authority published its "Consultation Paper on The Management of Liquidity: A Revised Framework". Following feedback from the banks and a final roundtable discussion on 9th September 2010, the Authority published a revised liquidity policy incorporating the new Principles in December.

The Authority will commence the second phase of its review once the outcome of the current international consultation process on revised liquidity standards (part of the 'Basel III' discussions) becomes clear. The Authority anticipates beginning consultation on revised standards in the first quarter of 2011.

Authority Hosts Banking and Investment Sector Supervisory Colleges

The latest in the Authority's scheduled supervisory colleges for banks and investment firms took place during the quarter. As lead regulator for the Bank of N.T. Butterfield & Son (BNTB) and Fidelity International Limited (FIL), the Authority hosted colleges on 28th October and 8th November, respectively.

Supervisors from the Cayman Islands, Guernsey, the United Kingdom, the Bahamas and Barbados participated in the BNTB college while the UK Financial Services Authority (FSA) and Commission de Surveillance du Secteur Financier (CSSF) of Luxembourg participated in the FIL college.

International regulatory bodies such as the Bank for International Settlements, Basel Committee on Banking Supervisors and Financial Stability Board support the creation of supervisory colleges for all major cross-border financial institutions. The Authority's supervisory college programme is aligned to international standards in this regard and is designed to: (i) assist its regulatory counterparties in developing a better understanding of the risk profile of a financial group; (ii) facilitate information exchange and cooperation between supervisors; (iii) strengthen supervision of individual entities in a financial group; and (iv) coordinate supervisory activities related to Basel II and Solvency II implementations.

Basel III Implementation - Prospects and Implications for Bermuda

The Basel Committee on Banking Supervision is currently developing the Basel III Accord, an enhanced standard for the prudential supervision of banks. The aim of Basel III is to strengthen the global financial system by raising liquidity and capital requirements, improving risk management practices and expanding disclosure requirements.

The Authority believes Bermuda's banks are well-placed to meet these new requirements.

As of 30th June 2010, all banks reported Tier 1 capital in excess of the revised standards proposed under Basel III. In addition, as at September 2010, the combined risk asset ratio (RAR) of the Bermudian banking sector had increased to 25%, well in excess of international benchmarks.

Credit Union Regulation

A revised Credit Union Act and a new credit union reporting framework will come into effect on 1 January, 2011. The new legislative framework is a result of an extensive consultation process between the Authority and the Bermuda Industrial Union (BIU) Member's Credit Union.

The revised credit union framework encapsulates the principles contained within the Model Law produced by the World Council of Credit Unions (WOCCU) and the International Credit Union Safety and Soundness Principles. In developing its framework, the Authority conducted research of best practice in other jurisdictions to ensure that the new provisions are aligned to internationally accepted supervisory standards.

Currently, the BIU Members Credit Union is the sole credit union operating in Bermuda. In putting forward its proposals, the Authority took into account the possibility that other credit unions might emerge in time.

The Authority appreciates that, unlike other financial institutions, a credit union works as a cooperative, valuing volunteerism, co-operation and member participation. In developing the new regulatory framework, the Authority endeavoured to ensure that

the unique characteristics of a credit union were given due weight.

2. INSURANCE

Insurance Code of Conduct - Transition Period for Compliance Extended

The Bermuda Authority is extending the transition period for insurers to ensure their companies are fully compliant with the Insurance Code of Conduct. The revised deadline for compliance is 1st July 2011.

Subsequent to that date, the Authority will include evaluation of insurers' compliance with the Code as part of its regular prudential supervision and on-site reviews of insurance companies.

This extension is in recognition of the complexities involved for firms making the necessary operational adjustments to meet the enhanced requirements of the Code. It also provides a further opportunity to ensure insurers fully understand how those requirements will be applied in a proportionate manner across the industry; the Authority will issue further guidance to the market in that regard by 31st March 2011.

Class 4 BSCR Analysis Report 2009 Published

A report entitled "Class 4 Bermuda Solvency Capital Requirement (BSCR) Analysis Report 2009" was recently published by the Authority. The Report provides an insight into the financial performance of Class 4 (re) insurers in Bermuda for the 2009 financial year-end with comparable performance over the previous two years.

The results presented in the Report are based on the Capital and Solvency Returns submitted to the Authority for the 2009 year-end. These returns comprise the Class 4 (re)insurers BSCR, the Authority's risk-based capital model, and related supporting schedules; statutory financial returns; and general purpose financial statements for the relevant year.

An overview of the Bermuda solvency system, including a brief on the BSCR and regulatory capital levels, is provided in the Report. The Report also highlights key market trends and developments over the three-year period to 2009 year-end, focusing on the following key areas:

- Risk profile – This section provides overall Class 4 (re)insurers risk profiles as computed by the BSCR model reflecting capital allocation by risk areas, i.e. underwriting risk, investments and market risk, credit risk, and operational risk.
- Capitalisation – This section provides overall capital levels as reflected by the enhanced capital requirement (ECR) ratio and its distribution across all the Class 4 (re)insurers over the three-year period. This section also includes other key capital and surplus ratios and trends over the period.
- Underwriting – This section highlights key underwriting ratios and trends, the mix of business by lines of business (catastrophe, property and casualty lines of business) over the period and the results of stress and scenario testing.
- Investments – This section highlights key investment ratios and trends and overall composition of the fixed income investment portfolio by security type (government, investment grade, mortgage-backed, mutual funds and non-rated securities) over the period.
- Liquidity – This section highlights key liquidity ratios and trends over the period.
- Operational risk – This section highlights the results of the Commercial Insurer Risk Assessment (CIRA) framework as completed by the Class 4 (re)insurers and compares the 2009 results to prior years.

The Report continues to provide similar financial performance results by predefined sectors across the Class 4 (re)insurers over the three-year period. The Class 4 market has been grouped into three primary sectors (casualty writers, property & casualty writers and property writers) based on their relative exposure to property and casualty business on a net premiums written basis.

The Report culminates with an outlook section which assesses actual, projected and/or expected trends beyond 2009 year-end relating to natural catastrophe exposures, premium growth expectations, insurers' financial strength ratings and a variety of macroeconomic parameters such as interest rates and inflation.

The Report is available on the Authority's website: www.bma.bm.

Industry Consultation on Solvency Framework for Long-Term Insurance Continues

The Authority is continuing its industry consultation on its proposals to enhance the capital requirements for Long-Term insurers, in line with emerging international standards in this regard. The Authority has considered the feedback received from industry on its initial Consultation Paper "A Solvency Framework for Long-Term Insurance" issued in August 2010. Accordingly the Authority has made a number of refinements to the proposed capital and regulatory reporting requirements. Details of the refinements are identified in the Authority's response to the market's feedback, published at the end of November and available on the Authority's website: www.bma.bm.

Internal Models Update

Following the publication of Guidance Notes entitled, "Standards and Application Framework for the Use of Internal Capital Models for Regulatory Capital Purposes" in June 2009, the Authority conducted pilot reviews during 2010 to gain further insight into insurers' economic capital models. The pilot reviews have enabled the Authority to enhance its internal capital model (ICM) review process further. These enhancements include the development of an expanded pre-application process, detailed information requests, internal scoring mechanisms and automated tools designed to enable benchmarking between ICMs and analysis against other industry data.

In 2011, the Authority plans to revise the ICM Guidance to reflect lessons learned from the pilot reviews and further developments in international standards. The Authority also intends to expand the scope of the ICM review process, and related Guidance, beyond Class 4 companies to include Classes 3A and 3B in 2011 and the Long-Term sector in 2012. While the standards and framework will change slightly, the principles relating to ICM approval will predominately remain the same, namely that model use is appropriate, adequate governance and controls exist, all material risks are sufficiently modelled and the structure, theory and assumptions employed in the model are in line with leading practice. The Authority also plans to conduct

further pilot activity in the near future, mostly relating to the Long-Term sector, and build its ICM review team appropriately to ensure adequate resources are dedicated to this important initiative.

3. ANTI-MONEY LAUNDERING

Caribbean Financial Action Task Force Endorses Bermuda-led Working Group Paper

Shauna MacKenzie, newly-appointed Director of Legal Services and Enforcement attended the CFATF Plenary meeting held in the Cayman Islands from 2nd – 4th November 2010. The Plenary endorsed the Financial Action Task Force (FATF) working paper on Trusts and Service Providers which was prepared by a working group led by Bermuda. The Plenary also reviewed the Mutual Evaluation Report for Guatemala and received a number of follow up reports for other member countries.

The Plenary appointed members to the CFATF Steering Group. The group will make recommendations for improvements for the operation and administration of the regional programme to meet the needs of a wide range of member countries. The group will also set up working groups to address issues identified by FATF's working groups. Bermuda is a member of the Steering Group, co-chair of the working group on FATF initiatives and chair of the working group addressing finance and governance initiatives.

Authority Presents Paper at 28th International Symposium on Economic Crime

William Kattan, Senior Advisor and Tom Galloway Senior Legal Counsel of the Bermuda Monetary Authority, attended the Symposium on Economic Crime from 5th – 12th September held at Jesus College Cambridge, UK. Mr. Kattan presented a paper at the Symposium on regulating executive compensation.

The programme comprised approximately 50 speakers per day, covering a diverse range of issues including terrorist financing and terrorist activity, and provided significant analysis and focus from many jurisdictions. In addition, anti-money laundering workshops took place, covering a range of issues, including developing a national risk assessment.

Authority Hosts Anti-Money Laundering (AML) Workshops

The Authority held a series of awareness sessions on Bermuda's anti-money laundering regulations targeted to the island's various financial industry sectors. The seminars were designed to educate firms within the island's financial services industry about their legal obligations under Bermuda's new anti-money laundering / anti-terrorism financing (AML/ATF) laws, and to assist them in ensuring they are fully compliant. The sessions covered such items as: AML legislative changes; a brief explanation of the Authority's supervisory programme; customer due diligence; and reliance on third parties. Over 150 industry representatives attended the three workshops.

Authority Hosts First Annual International Regulatory Forum

The Authority hosted its inaugural International Regulatory Forum was hosted by the Authority on 6th December at the Fairmont Hamilton Princess Hotel, Bermuda. The Forum, which focused on insurance regulation and in particular Europe's Solvency II Directive, brought together representatives from the regulatory arena in Bermuda and internationally, as well as from the Bermuda market. A number of influential regulators and industry representatives from Europe participated as panelists in the Forum, including Karel Van Hulle, Head of Unit Insurance and Pensions, Financial Institutions, European Commission, who is leading development of Solvency II for the European Commission. The European delegation also included Gabriel Bernardino, Chairman, Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), the agency that will conduct third-country regulatory equivalence assessments, and Alberto Corinti, Deputy Director, CEA, the European insurance and reinsurance federation.

Other panel speakers included representatives from the Bermuda market, i.e. Michael Butt, Chairman, Axis Capital; Stephen Catlin, Chief Executive, Catlin Group; and Michael McGavick, CEO, XL Capital Ltd. Jeremy Cox, CEO, and Shanna Lespere, Director, Insurance Supervision Complex Institutions, also spoke on behalf of the Authority.

There were two panel discussions held during the Forum entitled, "Is Solvency II the "New Normal" for Global Insurance Supervision", moderated by Roger Scotton, International Affairs Advisor at the Authority; and "How Prepared are Regulators and the Market for Implementation – What are the Challenges and How can they be Addressed", moderated by Brad Kading, President and Executive Director of the Association of Bermuda Insurers and Reinsurers.

The Authority intends to broaden the scope of future Forum events to cover topical issues in the banking and investment sectors as well as the insurance sector.

Authority Participates in Financial Stability Board Data Gaps and Systemic Linkages Working Group

Following the IAIS 's appointment of Jeremy Cox to represent the organisation on the Financial Stability Board (FSB) Data Gaps and Systemic Linkages Working Group earlier this year, the Authority has been actively participating in and contributing to the Working Group's workload. The Working Group's mandate is to report to the FSB on the improvement of data collection and sharing through cross-border supervisory arrangements. It is also pursuing the furtherance of a collaborative forum to improve understanding about the exposures of global financial institutions, with an eventual aim of developing frameworks for these initiatives.

The Authority participated in a series of meetings which have been held during the year including: Amsterdam on 14th -15th July, New York on 5th -6th October, Rome on 11th November and Mexico City on 7th -8th December. The Working Group will report on its progress to the FSB in early January 2011.

IAIS Triannual and Annual Conference

The Authority participated in the International Association of Insurance Supervisors Triannual and Annual Conference held in Dubai on 22nd - 29th October. During the meetings the Authority chaired the IAIS Reinsurance Transparency Group meeting and contributed to the Technical Committee's discussion on the revised Insurance Core Principles, as well as to the IAIS Financial Stability Committee's discussions on macroprudential surveillance for the insurance sector.

Offshore Group of Insurance Supervisors Annual General Meeting

Jeremy Cox attended the Annual General Meeting of the Offshore Group of Insurance Supervisors (OGIS), held in Dubai on 25th October. The Authority sits on the IAIS Executive Committee as one of two representatives from OGIS. Matters discussed at the meeting included Solvency II and developments within the IAIS, including the on going work to update the

Insurance Core Principles. In addition elections were held for a number of executive positions within the Group.

Authority Contributes to Discussions on Development of a Macroprudential Surveillance Framework for the Insurance Sector

Marcelo Ramella, Assistant Director, Research at the Authority represented the Authority at the IAIS Financial Stability Committee meeting held in Basel, Switzerland on 6th -7th December. He contributed to the on going discussions on the development of a macroprudential surveillance framework for the insurance sector.

Authority Contributes to Recently Published Book on Global Complexities Within the Insurance Industry

Marcelo Ramella contributed a chapter to the recently-published book *Global Perspectives on Insurance Today: A Look at National Interest versus Globalization*. The book, which looks at key risks faced by the global insurance industry today, including the aging populations of developed countries, competition from other financial institutions, and both disparate and quickly changing regulatory demands, offers a unique perspective on the challenges confronting the insurance industry and how attendant risks can be most effectively managed. Contributors to the book are some of the most highly regarded experts from global companies, professional organisations and supervisory authorities. Mr. Ramella's chapter focuses on securitisation and insurance and examines the first 14 years of this innovative practice in insurance.

Market Analysis and Statistics

1. BERMUDA MONEY SUPPLY

The Bermuda dollar money supply contracted by 0.3% during the quarter and by 3.9% from a year earlier. The reduction reflected a 9% decline in Bermuda dollar notes and coins in circulation during the quarter while the decline in deposit liabilities was offset by a decline in cash on hand.

Bermuda Money Supply

(BD\$ millions)	2010-Q3	2010-Q2	2010-Q1	2009-Q4	2009-Q3	2009-Q2
Notes & Coins in Circulation*	122	134	127	137	123	127
Deposit Liabilities	3,706	3,719	3,748	3,840	3,858	3,816
Total	3,828	3,853	3,875	3,977	3,981	3,943
Less: Cash at Banks**	60	73	61	70	60	60
BD\$ Money Supply	3,768	3,780	3,814	3,907	3,921	3,883
% Growth on Previous Period	-0.32%	-0.89%	-2.37%	-0.36%	0.98%	0.33%
Growth Year on Year	-3.90%	-2.64%	-1.44%	0.18%	0.43%	0.44%

Totals may not add due to rounding.

* 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)	2010-Q3	2010-Q2	2010-Q1	2009-Q4	2009-Q3	2009-Q2
Deposit Liabilities	3,706	3,719	3,748	3,840	3,858	3,816
Less:						
Loans, Advances and Mortgages	(5,146)	(5,390)	(5,214)	(5,148)	(5,205)	(5,097)
Surplus Deposits	(1,440)	(1,671)	(1,466)	(1,308)	(1,347)	(1,280)
Percentage of Deposit Liabilities Loaned	138.9%	144.9%	139.1%	134.1%	134.9%	133.5%

Totals may not add due to rounding.

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

The sector reported a decrease in the ratio of Bermuda dollar lending to Bermuda dollar deposit liabilities during the quarter from 144.9% to 138.9%.

- Bermuda dollar loans, advances and mortgages declined by 4.5% during the quarter and 0.9% year-on-year.
- The shortfall in Bermuda dollar deposits over Bermuda dollar loans and advances continues to be financed by Bermuda dollar shareholders' funds and foreign currency-denominated customer deposits, the latter denominated chiefly in US dollars.
- Taking into account other Bermuda dollar liabilities, in particular the banks' capital, there are more than sufficient Bermuda dollar liabilities to fund the sector's Bermuda dollar assets.

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

(BD\$ millions)	2010-Q3	2010-Q2	2010-Q1	2009-Q4	2009-Q3	2009-Q2
Total Foreign Currency Assets	16,616	16,861	16,250	15,960	15,575	16,396
Less: Other Assets	437	433	386	478	501	518
Less: Foreign Currency Loans to Residents	1,052	1,219	1,067	1,172	1,128	1,110
Net Foreign Currency Assets	15,127	15,209	14,797	14,310	13,947	14,768
Foreign Currency Liabilities	15,163	15,749	14,964	14,940	14,262	14,889
Add: BD\$ Deposits of Non-Residents	192	195	189	176	204	350
Net Foreign Currency Liabilities	15,355	15,944	15,153	15,116	14,466	15,238
Net Foreign Currency Position (Consolidated)	(228)	(735)	(356)	(807)	(519)	(471)

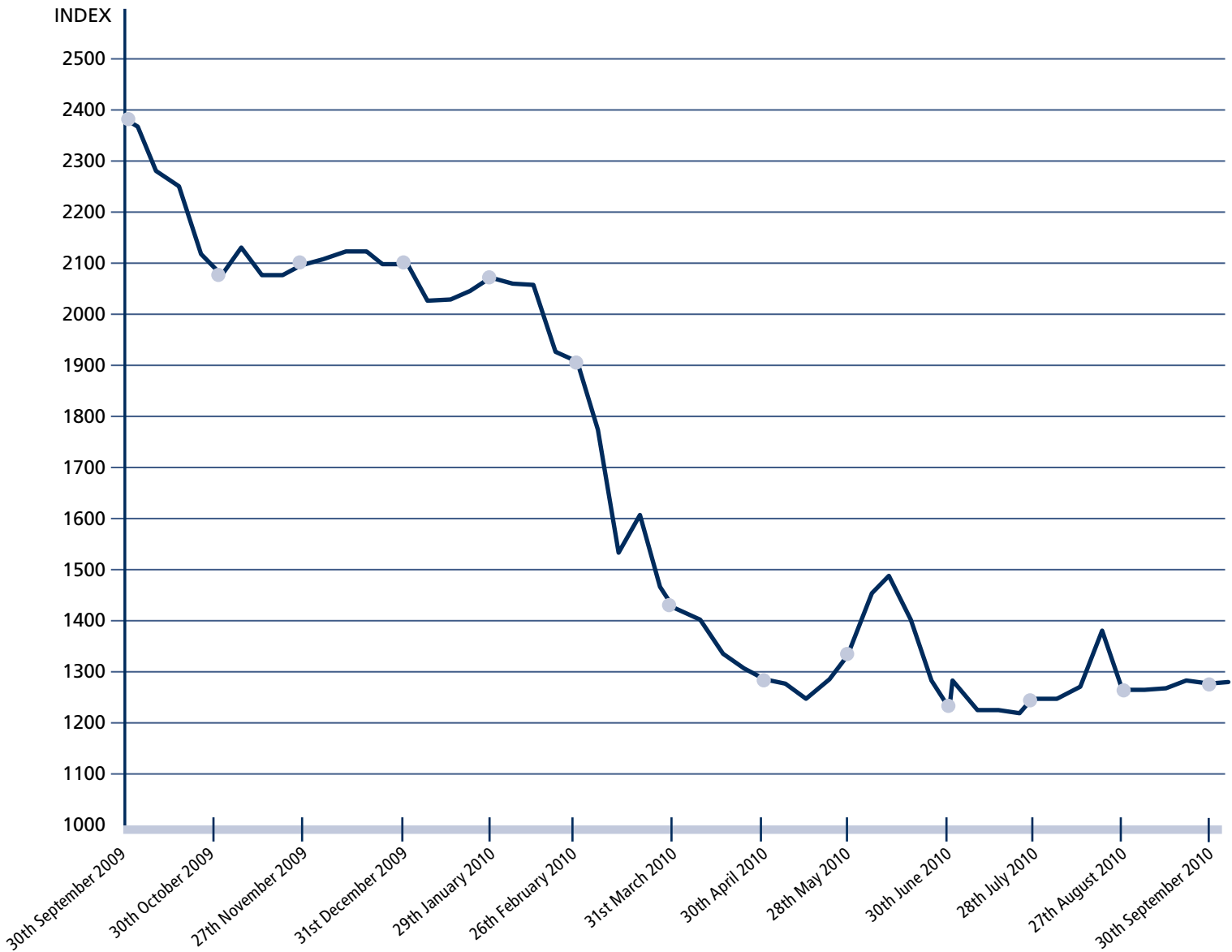
Totals may not add due to rounding.

*Restated based on submissions from the banks.

Net foreign currency liabilities of the banks fell by 3.7% in Q3 while net foreign currency assets declined by 0.5%. As a result, there was a sharp fall (of \$507 million) in the net foreign currency deficit during the quarter.

3. BERMUDA STOCK EXCHANGE (BSX)

Total market capitalisation, excluding funds, was \$355 billion as at 30th September, up by roughly \$64 billion over the quarter, primarily due to new fixed income and insurance-linked issues. The domestic market (see chart below) was valued at \$1.74 billion as at 30th September, little changed over the quarter.



Source: Bermuda Stock Exchange

4. BANKING

Total assets decreased by 2.3% during the quarter from \$22.8 billion to \$22.3 billion. The decline was primarily due to a drop in foreign currency-denominated deposit liabilities of 2.6%.

Reversing the prior period's gains, cash and deposits with other banks declined by 3.1% during the quarter while total loans and advances declined by 3.5%. Total investments rose by 0.2% but declined 5.2% year-on-year.

Customer deposit liabilities declined by 2.6% from \$19.1 billion in Q2 to \$18.6 billion in Q3, reversing some of the prior period increase of 3.7%. The change represented a 10.4% decrease in demand deposits that was partially offset by increases in savings and time deposits of 4.6% and 0.8% respectively.

Shareholders' equity for the sector rose marginally by 3.2% or \$89.5 million over the quarter.

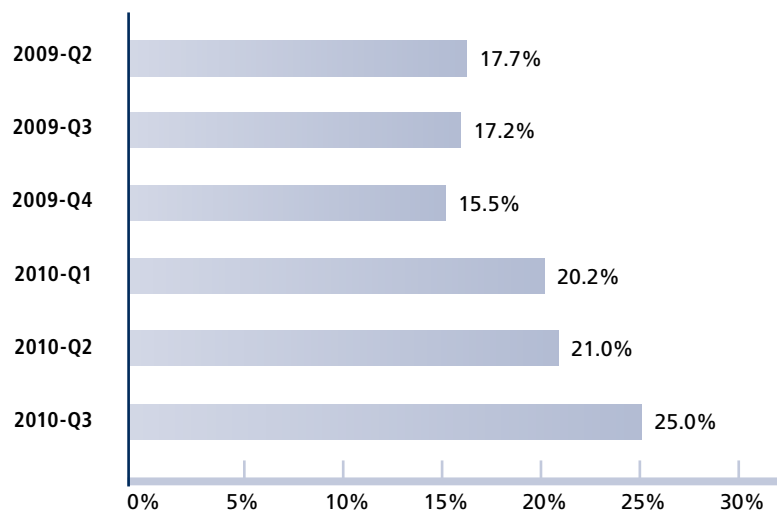
Banking Sector Assets and Deposits

	2010-Q3	2010-Q2	2010-Q1	2009-Q4	2009-Q3	2009-Q2
Total Assets (\$ millions)	22,275	22,779	21,933	21,627	21,284	21,933
Quarterly Change (%)	-2.2	3.9	1.4	1.6	-3.0	2.2
Total Deposits (\$ millions)	18,632	19,124	18,435	18,462	17,823	18,332
Quarterly Change (%)	-2.6	3.7	-0.1	3.6	-2.8	1.6

Regulatory Capital to Risk Weighted Assets

The aggregate risk asset ratio for the sector increased from 21.0% at end-June to 25.0% at end-September.

The table below shows the recent trend in the risk asset ratio.



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

(BD\$ millions)	2010-Q3			2010-Q2			2010-Q1		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
Assets									
Cash	80	40	39	91	52	38	80	46	34
Deposits	6,433	53	6,380	6,633	39	6,594	6,289	37	6,252
Investments	6,256	28	6,228	6,240	44	6,196	6,131	24	6,106
Loans & Advances	8,423	5,005	3,418	8,730	5,244	3,486	8,422	5,063	3,358
Premises & Equipment	512	399	113	507	394	114	484	371	113
Other Assets	572	135	437	578	146	433	527	142	386
Total Assets	22,275	5,659	16,616	22,779	5,919	16,861	21,933	5,683	16,250
Liabilities									
Demand Deposits	7,279	842	6,437	8,036	857	7,178	7,761	878	6,883
Savings	4,792	1,434	3,357	4,580	1,433	3,147	4,750	1,445	3,304
Time Deposits	6,561	1,367	5,194	6,509	1,369	5,140	5,925	1,399	4,527
Sub Total - Deposits	18,632	3,644	14,988	19,124	3,660	15,465	18,435	3,722	14,714
Other Liabilities	432	257	175	534	249	285	530	279	251
Sub Total - Liabilities	19,064	3,901	15,163	19,658	3,909	15,749	18,965	4,001	14,964
Equity & Subordinated Debt	3,211	2,065	1,146	3,121	2,105	1,017	2,967	1,639	1,328
Total Liabilities and Capital	22,275	5,966	16,308	22,779	6,013	16,766	21,933	5,640	16,292

(BD\$ millions)	2009-Q4			2009-Q3*			2009-Q2*		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
Assets									
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
Total Assets	21,627	5,666	15,960	21,284	5,708	15,575	21,933	5,537	16,396
Liabilities									
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
Sub Total - Deposits	18,462	3,783	14,679	17,823	3,806	14,017	18,332	3,766	14,566
Other Liabilities	570	309	261	616	371	245	672	349	323
Sub Total - Liabilities	19,032	4,092	14,940	18,439	4,177	14,262	19,004	4,115	14,889
Equity & Subordinated Debt	2,594	1,705	889	2,845	1,886	959	2,928	2,023	906
Total Liabilities and Capital	21,627	5,798	15,829	21,284	6,063	15,221	21,932	6,138	15,794

Totals may not add due to rounding.

* Restated based on submissions from the banks.

5. INVESTMENT FUNDS

The total net asset value of Bermuda funds increased by \$2.37 billion or 1.3% in the third quarter. The total number of funds was little changed over the quarter.

The trend to date for 2010 remains one of increasing net asset value. Compared with a year earlier, the total net asset value in Q3 was up by \$29.16 billion, an increase of 18.9%.

	2010-Q3	2010-Q2	2010-Q1	2009-Q4	2009-Q3	2009-Q2
Mutual Funds	656	661	654	662	697	712
Umbrella Funds	59	64	67	71	72	74
Sub-Funds	157	172	169	175	203	206
Segregated Account Companies	78	79	81	84	86	84
Segregated Accounts	215	229	273	317	343	335
Total	1,165	1,205	1,244	1,309	1,401	1,411
Unit Trusts	43	39	42	44	53	67
Umbrella Trusts	102	101	99	94	108	101
Sub-Trusts	166	175	174	25	201	198
Total	311	315	315	163	362	366
Total Portfolios	1,476	1,520	1,559	1,472	1,763	1,777
Total Number of Funds	938	944	943	955	1,016	1,038
Total Net Asset Value (In billions)	\$183.61	\$181.24	\$172.26	\$147.30	\$154.45	\$154.62

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

Eight new insurers and intermediaries were registered in the Bermuda market during the third quarter of 2010. These numbers represent a decrease from the same period in 2009.

Insurance Company Registration Statistics¹

	2010-Q3	2010-Q2	2010-Q1*	2009-Q4	2009-Q3	2009-Q2
Class 1	0	1	2	1	3	1
Class 2	2	0	1	2	0	1
Class 3	2	0	4	1	3	1
Class 3A	0	0	1	3	2	3
Class 3B	0	0	0	0	0	0
Class 4	0	0	0	0	1	0
Long-Term	2	3	2	0	0	3
SPI ²	0	3	2	0	0	0
Dual Licence	0	0	1	0	0	0
Intermediaries	2	2	4	3	1	6
Total Additions	8	9	17	10	10	15

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.
- Intermediaries – Insurance managers, insurance brokers, insurance agents and insurance salesmen, as defined in Section 10 of the Insurance Act 1978.

¹ Effective Q1 2010, the presentation of this statistical data has been revised to provide details of those companies added to the Insurance Register during each quarter, i.e. those that have been granted an insurance licence by the Bermuda Monetary Authority. Previously, statistics for company incorporations were provided in this publication. Company incorporations are completed by the Bermuda Registrar of Companies (ROC) office; statistics on insurance company incorporations will now be available from the ROC.

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

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

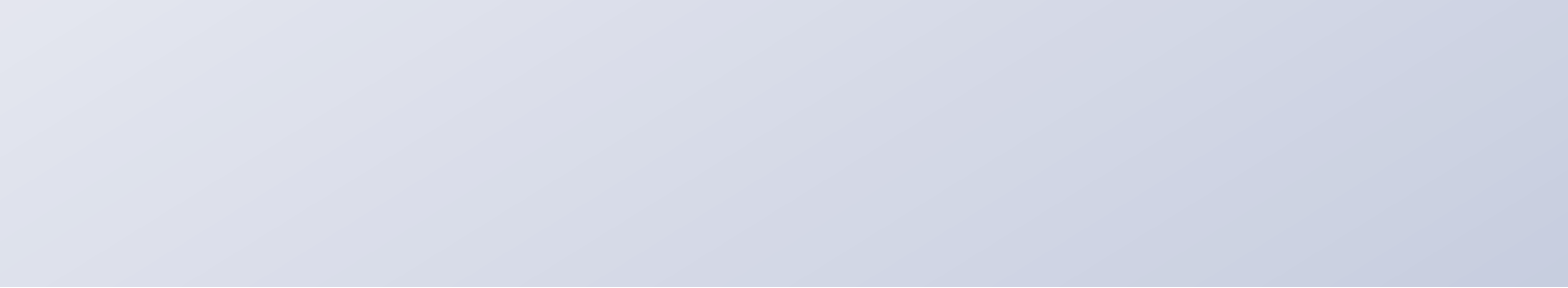
7. COMPANY AUTHORISATIONS

Companies, Partnerships and Permits Statistics - Applications Approved

	2010-Q3	2010-Q2	2010-Q1	2009-Q4	2009-Q3	2009-Q2
Exempted Companies (Bermuda companies exempted from the 60% Bermudian ownership requirement)	188	183	227	231	145	194
Exempted Partnerships (partnerships established in Bermuda to carry on business in or from within Bermuda)	5	18	14	27	7	12
Overseas Partnerships (overseas partnerships applying for permits to carry on business in or from within Bermuda)	1	1	1	3	1	0
Overseas Permit Companies (overseas companies applying for permits to carry on business in or from within Bermuda)	7	7	10	18	3	4
Unit Trusts	6	8	7	41	13	4
Total Applications Approved *	207	217	259	320	169	214

* 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.



BERMUDA MONETARY AUTHORITY

BMA House ■ 43 Victoria Street ■ Hamilton HM 12 Bermuda
P.O. Box HM 2447 ■ Hamilton HM JX Bermuda
tel: (441) 295 5278 ■ fax: (441) 292 7471
email: enquiries@bma.bm ■ website: www.bma.bm

