



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

PRESS STATEMENT

By
Matthew Elderfield, Chief Executive Officer

Impact of Market Developments on the Bermuda Financial Services Sector

The Bermuda Monetary Authority (BMA), along with the Bermuda Government, continues to assess the impact on the local economy of the widespread instability within the global financial sector. Undoubtedly this has been a period of concern and uncertainty for us all within the local community. As the regulator of Bermuda's financial services sector our priority has been to ensure that stability in our local markets is maintained for customers using those services, and also for the long-term health of the local economy. We welcome the passage by the US legislature last week of the federal funding package designed to purchase troubled assets. While the anticipated impact of this development may take some time, it is a significant step towards addressing the current dislocation in the global financial markets.

The BMA will continue to monitor the impact of sub prime on the Bermuda market. Our on going analysis shows that the market here has proved to be resilient.

In the meantime, investors are understandably concerned about the value of their portfolios and pensions. Retail investors should think carefully before trading in these volatile markets and should take professional advice if they do so. Investors should contact their pension or investment manager with any questions. They should also note that investment firms and pension managers are required to keep those funds separate so they are safe if anything goes wrong, unless the investor has explicitly agreed otherwise and the BMA has accepted that satisfactory alternative arrangements are in place.

Cont. /...

Regarding the banking sector, Bermuda's banks are in a strong financial position despite the problems elsewhere. Bermuda's banks did not engage in the reckless lending practices associated with sub prime and Bermuda has a much stronger housing market than the US or UK. The Authority requires Bermuda's banks to hold capital levels that are significantly above minimum international standards; this provides an important buffer against financial problems. Bermuda's banks are also subject to strict rules that require them to maintain strong liquidity, or cash, positions. Some Bermuda banks do have investments in sub prime assets, but actual losses to date have been limited. The banks have fully disclosed their positions to the Authority. No Bermuda bank has suffered a credit rating downgrade as a result of the sub prime crisis. Bermuda's banking system remains well-capitalised and subject to strict oversight by the BMA. We remain in close liaison with the management of the banks to monitor developments.

Bermuda's insurance sector also has had limited investment exposure to sub prime. A small number of firms have had significant underwriting exposure through their financial guaranty business. Over the past few months there has been progress in achieving acceptable commutation agreements to eliminate some of these exposures. The Authority continues to work with the few firms that are most impacted. The Authority is also monitoring underwriting exposure through D&O and similar businesses but these losses will take some time to materialise.

The Authority has taken a proactive role since market disruption occurred in August 2007 through a combination of specialised market surveys, stress testing, enhanced supervisory monitoring, and restructuring negotiations with challenged financial guaranty companies. We are working closely with market participants and international regulators to manage the impact on Bermuda's financial markets. The Authority is currently playing an active role in an international regulatory task force that is managing the sale of assets by AIG.

These difficult conditions may continue for a while; however history has shown that Bermuda's people and financial markets are no stranger to storms, and have weathered them well. The strength, quality and resilience of our financial markets means Bermuda is well placed for the current challenging environment.

Matthew Elderfield
Chief Executive Officer
Bermuda Monetary Authority

- End -

Contact:
Pat Phillip-Bassett
Assistant Director
Corporate Governance and Communications
Direct line: 278-0263
E-mail: pbassett@bma.bm