



Bermuda Monetary Authority

Mission Statement

To protect and enhance Bermuda's reputation and its position as a leading international financial centre utilising a team of highly skilled professionals working together to promote financial stability and provide effective supervision and regulation.

Vision Statement

Committed to integrity and excellence.

500th Anniversary Commemorative Coin

The year 2005 marked the 500th anniversary of the discovery of Bermuda, one of the world's most isolated archipelagos, by the Spanish pilot Juan Bermúdez, in 1505.

A special commemorative quinquennial coin (shown on the front cover of this report) produced in association with the Royal Mint depicts a caravel sailing ship, possibly like Bermúdez's vessel, La Garza, (The Heron) in the centre of a compass superimposed on a map of Bermuda.

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Board of Directors

From left to right:

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Anthony D. Whaley, BA(Hons)(Law), BCL(Oxon) *Partner, Conyers Dill & Pearman*

Robert D. Steinhoff, FCA *Deputy Chairman, Senior Partner, KPMG (retired)*

Cheryl-Ann Lister, MBA, CFA *Chairman & Chief Executive Officer*

A. Shaun Morris, MA(Econ), LLB *Partner, Appleby Spurling Hunter*

Jeremy Cox, BSc, CPA *Supervisor of Insurance*

Darren Q. Johnston, CA *Partner, PricewaterhouseCoopers (not shown)*

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Charles G.R. Collis, BA(Hons), LLB *Partner, Conyers Dill & Pearman*

D. Munro Sutherland, MA, DipFS *Superintendent of Banking, Trust & Investment*

Bala Nadarajah, MCL *Senior Counsel - Corporate & Commercial Law, Head of Corporate Insurance, Attride-Stirling & Wloniecki*

Audette Exel, BA, LLB(Hons) *Managing Director, Isis Limited*

Anthony Joaquin, FCA *Managing Partner, Ernst & Young*



Board Committees

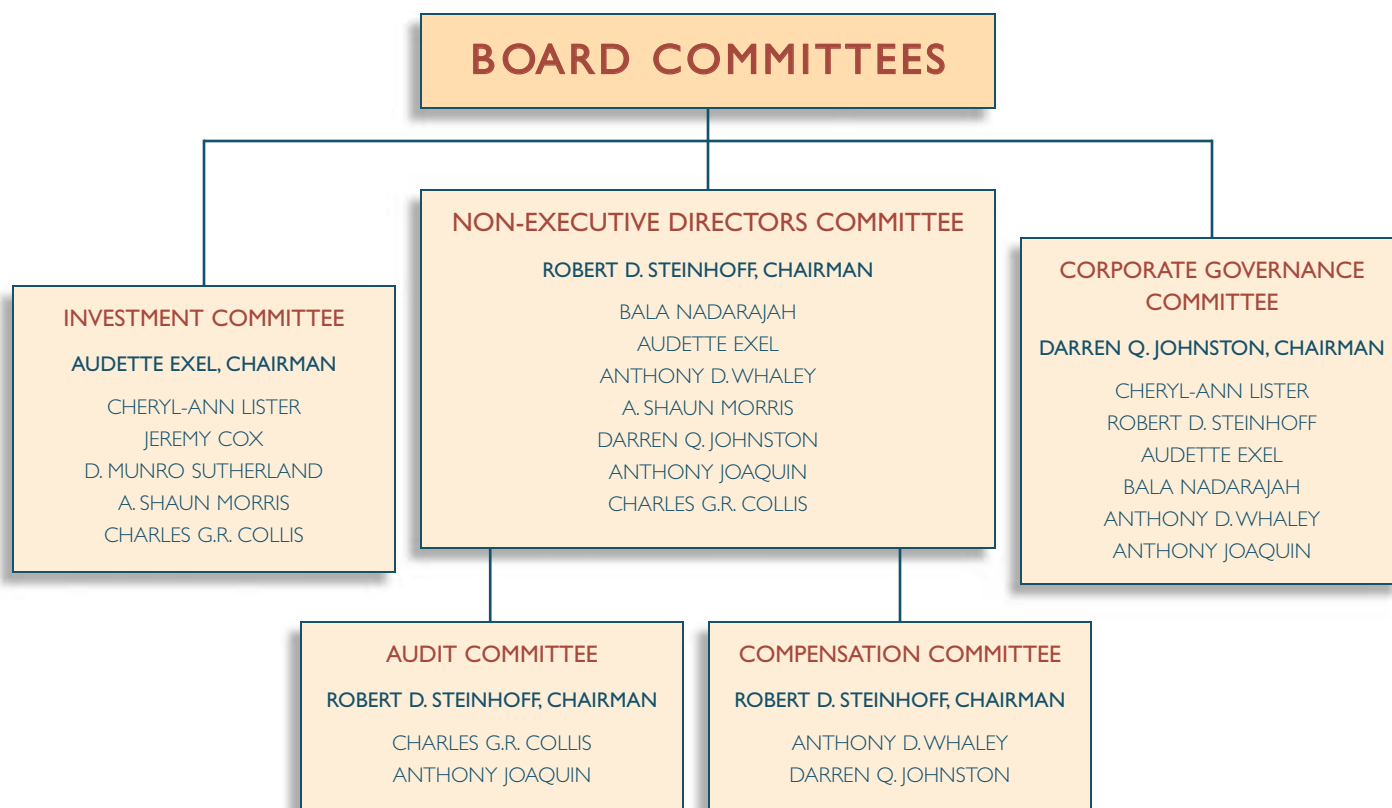
The Bermuda Monetary Authority Board of Directors has continued over the past year to fulfill its mandate as set out in section 4A of the Bermuda Monetary Authority Act 1969 ('the BMA Act'), which states that the Board is to manage the affairs and business of the Authority, and to determine the policy objectives and strategy of the organisation.

To this end 2005 was very eventful as the Board reviewed, approved and oversaw the implementation of the 2005 Strategic Plan, as well as being closely involved in the strategic planning and budget process for 2006/2007. This involved discussing and determining the way forward for the Authority on a number of strategic issues, including reviewing governance benchmarks and best practices, revisiting the Authority's mission statement and setting key priorities for both the Board and management for 2006.

It is anticipated that 2006 will prove to be another dynamic year for the Board, particularly in terms of monitoring and overseeing implementation of the 2006/2007 Strategic Plan. Ensuring the effective implementation of the Plan will involve reviewing departmental work plans and performance measures in order to assess ongoing progress as well as:

- Reviewing the financial condition of the Authority
- Monitoring the activities of the Authority through monthly reports
- Setting direction for the Authority on numerous policy, governance and strategic matters





NON-EXECUTIVE DIRECTORS COMMITTEE

The Committee comprises all the non-executive members of the Board and is charged under section 4C of the BMA Act with responsibility for:

- Reviewing the Authority's discharge of its functions in accordance with objectives and strategy determined by the Board;
- Keeping under review whether the Authority's internal financial controls secure the proper conduct of its financial affairs; and
- Determining the remuneration and other terms of service of the Executive Directors of the Authority.

During the year the Committee met as required and, drawing on the work of the Board, the Compensation Committee and

the Audit Committee, was able to review the matters with which it is charged under the BMA Act. In conjunction with the Board, the Committee reviewed the implementation of the Authority's Strategic Plan and monitored the Authority's financial affairs against the annual budget adopted by the Board.

COMPENSATION COMMITTEE

The Committee met as required and kept under careful review the effectiveness of the Executive Directors and other senior management. It also reviewed the compensation package of the Executive Directors and approved proposals for remuneration for the Authority's Executive Officers. The Committee further reviewed the terms and extensions of employment contracts of Executive Directors.

AUDIT COMMITTEE

The Audit Committee comprises three non-executive directors of the Board who are charged with ensuring that the financial affairs of the Authority are monitored and reported in accordance with Generally Accepted Accounting Principles (GAAP).

The Committee met as required to plan the annual audit, and to review the annual financial statements, the Auditor's report and the appropriateness of the Authority's accounting principles. The Committee also reviewed the recommendations made in the Auditor's management letter as well as management's response and implementation of follow-up action. The Committee continued its practice of reviewing key risks and controls of the Authority's major business processes, as well as Information Technology ('IT') infrastructure, general accounting controls relating to IT and internal controls over investments during the year:

Looking ahead, the Committee will review its charter during 2006 and intends to focus on enhancing the Authority's risk management process. In addition it will continue to provide oversight of the annual audit and review internal controls in selected business processes.

INVESTMENT COMMITTEE

The Investment Committee has responsibility for ensuring prudent investment of the Authority's portfolio of assets, in accordance with the requirements of the BMA Act and with the investment policy guidelines that are established by the Board.

During 2005, the Committee met on a regular basis to keep under careful review the Authority's investment portfolio. The portfolio is invested largely in very high quality US public sector securities and is not actively traded.

In addition, the Committee undertook a full review of the investment policy guidelines to ensure that they remain current and appropriate in today's market environment.

The Committee also oversaw a substantial compliance and risk management review undertaken by the Finance and Investment Departments, to ensure that all appropriate policies and procedures affecting the investment of the portfolio were properly established, documented and in compliance with the relevant governing legislation, regulations and guidelines.

The Investment Committee intends to build on this work with management in 2006, to ensure the portfolio continues to be managed as prudently and efficiently as possible. The Committee will also be working to ensure that both the Finance and Investment Departments are appropriately resourced at all times. The focus will be on ensuring that effective risk management, compliance and controls are entrenched at all the required levels for proper management of the Authority's funds.

CORPORATE GOVERNANCE COMMITTEE

The Board established the Corporate Governance Committee during 2005 to develop, implement and monitor governance protocols and procedures in a manner that is consistent with Bermuda statutory requirements, international regulatory standards and general best practice.

In order to achieve its mandate, the Committee worked diligently to review and enhance the governance arrangements of the Authority. The Committee addressed two key areas during the year: the development and evaluation of a 'gap analysis' against best practices and a review of the Board's current internal delegations.

[The Gap Analysis of Governance Issues](#)

This project was the Committee's largest undertaking and included a comprehensive review and evaluation of the Authority's activities in relation to the four core principles of Independence, Accountability, Transparency and Integrity. These core principles have been defined in a number of relevant papers on corporate governance as being critical to the operation of regulatory and central banking agencies.

The Authority recognised the importance of the core principles by adopting them as guiding principles for the Authority via a Board resolution on July 20th 2005. These principles are defined as follows:

INDEPENDENCE - we are committed to performing our mandate without undue political or commercial interference.

ACCOUNTABILITY - we are accountable to our stakeholders and will demonstrate that our actions fulfill our mandate.

TRANSPARENCY - subject to reasonable and required confidentiality, we will provide information to the public in a comprehensive, accessible and timely manner.

INTEGRITY - we will pursue the goals of the BMA without compromising the BMA out of negligence or self-interest.

In order to determine how the Authority compared with other financial services regulators, the Committee conducted research into the implementation of the core principles in a number of other jurisdictions. The gap analysis was completed in early December 2005 and the related recommendations will assist the Authority to implement an enhanced corporate governance regime.

Review of the Board's Current Internal Delegations

This review became necessary due to the increasing responsibilities and demands being placed on the Authority, which has resulted in the organisation evolving in terms of both size and stature. It became essential to re-examine the Board's internal delegation of functions and powers to ensure that the Authority's structure had kept pace with the increasing demands placed upon it, and also to make certain that it remains consistent with best practice. Consequently, the Committee conducted an evaluation of the Board's internal delegation of powers and functions during the year. The resulting recommendations have been agreed by the Committee and will be presented to the Board in the near future.

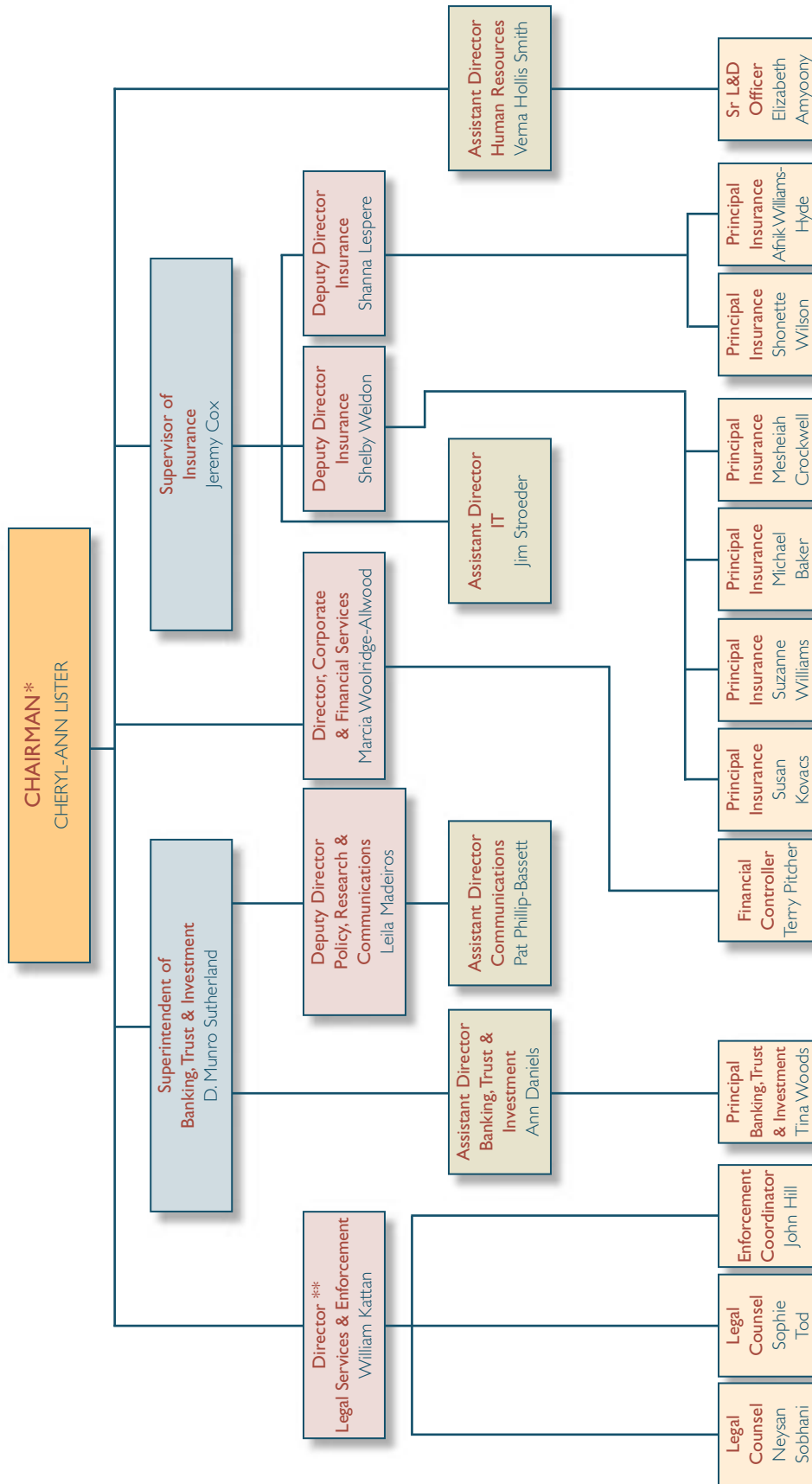
In addition, in order to enhance the Authority's governance arrangements, minor changes to the Act were submitted to the Minister of Finance for approval. The amendments are in keeping with best practice for other financial service regulators in other jurisdictions.

During 2006 and 2007, the Committee will review and enhance:

- Codes of Conduct for Board and Staff
- Conflict of Interest Policy
- The organisational and structural design of the Authority

The Committee will continue monitoring, formalising and implementing policies, practices and procedures that enhance the Authority's governance practices.

Organisational Chart



This organisational chart shows the Management Team of the Bermuda Monetary Authority.

* CONTROLLER OF FOREIGN EXCHANGE

** SECRETARY TO THE BOARD

Executive Team

From left to right:

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Leila Madeiros, MA *Deputy Director; Policy, Research & Communications*

D. Munro Sutherland, MA, DipFS *Superintendent of Banking, Trust & Investment*

Cheryl-Ann Lister, MBA, CFA *Chairman & Chief Executive Officer*

Jeremy Cox, BSc, CPA *Supervisor of Insurance*

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William Kattan, LLB(Hons), LLM *Director; Legal Services & Enforcement*

Shanna D.R. Lespere, BSc.H, CMA *Deputy Director; Licensing & Authorisation (Insurance)*

Shelby R. Weldon, CPA *Deputy Director; Compliance (Insurance)*

Marcia Woolridge-Allwood, BBA, JP *Director; Corporate & Financial Services*



OBJECTS OF THE AUTHORITY

- To issue and redeem notes and coins
- To supervise, regulate and inspect any financial institution which operates in and from within Bermuda
- To promote the financial stability and soundness of financial institutions
- To supervise, regulate or approve the issue of financial instruments by financial institutions or by residents
- To assist with the detection and prevention of financial crime
- To foster close relations between financial institutions themselves and between the financial institutions and the Government
- To manage exchange control and regulate transactions in foreign currency or gold on behalf of the Government
- To advise and assist the Government and public bodies on banking and other financial and monetary matters
- To perform such functions as may be necessary to fulfil the said objects



Chairman's Statement



The Authority and its staff have accomplished much during this very active and challenging year. 2005 has been marked by significant internal and external developments. Internationally, the ever-changing regulatory environment has moved at a rapid pace, while internally the Authority has continued to grow in both size and responsibility.

Once again, the Authority's Team has managed to meet the demands and expectations of our demanding environment with a superior level of dedication and commitment in support of the Authority's objectives.

It is through the expertise and professionalism of our staff that the Authority has been able to execute its work efficiently and effectively over the past year.

On behalf of the Board and the Executive, I would like to express my sincere appreciation to the staff for their outstanding contributions.

The Authority's achievements during 2005 have been made possible through the hard work and dedication of all team members in the various departments, and the contributions of the members of our Board. We have successfully completed developments during the year that have progressed our ongoing efforts to enhance Bermuda's regulatory framework. We achieved this progress by making specific additions to our range of supervisory tools and processes, as well as via key amendments to Bermuda's suite of financial services legislation. As a result of this progress, we have completed the successful rollouts of enhanced on-site supervision for the insurance and trust sectors; the release of the Annual Monetary Fund Report on the Bermuda

framework which acknowledged the strength of the Authority's regulatory and supervisory regimes; the timely completion of the IAIS Self-assessment Survey which demonstrated progress made on adherence to updated insurance regulatory standards; and the introduction of the new Supervisory Model and Risk-based Framework for insurance.

In addition, as a result of establishing a new Corporate Governance sub-committee of the Board, we were able to review and enhance our corporate governance processes. The work done in this regard is already proving to be valuable in helping us to meet our goals regarding transparency, accountability, independence and integrity.

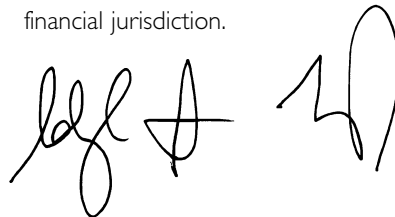
'It is through the expertise and professionalism of our staff that the Authority has been able to execute its work efficiently and effectively over the past year'.

All of our accomplishments, along with the Authority's continued active participation and regular engagement with global standard setting bodies, have ensured that our framework meets international standards while still fostering a risk-based, effective regulatory regime that is appropriate for the Bermuda market. This is by no means an easy task, however, by maintaining a balanced, practical approach to regulation, we continue to support Bermuda's overall success as a quality financial jurisdiction. Further, the expansion of the Legal Services & Enforcement Team during the past year has increased efficiencies and has enhanced Bermuda's long-standing relationships with overseas regulators.

As the challenges facing the Authority continued to grow, we reaffirmed our commitment to support our staff in terms of learning and development to help them conduct their roles within the Authority's Team. Further, we accelerated our efforts to build our resources appropriately including the creation of a specialised Learning & Development unit within the Human Resources Department. Our focus on various initiatives, including new technical training, the deployment of additional staff in support of our expanded supervisory responsibilities, recruitment of new staff with Human Resources management and development skills and enhancements to our internal communications programme, have all contributed to the successful development of the Authority's Team overall during the past year.

I must, once again, thank Minister Paula Cox and her team at the Ministry of Finance for their continued support. It has been another year in which our respective, complementary efforts have reinforced the overall stability of Bermuda's financial services sector. I also wish to express my sincere thanks to Mr. Robert Steinhoff, Deputy Chairman of the Authority, Mr. Darren Johnston and Ms Audette Exel who chaired the Board sub-committees, as well as all the other members of the Board. The significant amount of time and expertise that our Board of Directors dedicate to the Authority is invaluable and we sincerely appreciate their contributions to our success.

In this dynamic regulatory environment much more will be required of us as regulators. We will also demand more of ourselves in terms of being an efficient, open and effective organisation. The Authority has already demonstrated this ongoing commitment, through the skills and dedication of our Board and staff, and stands ready to meet future challenges as it supports Bermuda's position as a leading financial jurisdiction.



Cheryl-Ann Lister; MBA, CFA
Chairman

Statistical & Financial Highlights for 2005

The Authority's net income amounted to \$9.19 million in 2005, against \$3.19 million in the prior year. Revenues increased by some 53% as a result, in particular, of increased insurance application and registration fees, intended to fund a significant increase in the resources devoted to insurance regulation. The Authority also realised an exceptional gain on the sale of its former building, Burnaby House, as well as rental income on the new Head Office building purchased at the end of 2004 which the Authority is not yet able to occupy. Expenses increased more slowly, by some 18%.

Given the very high net income recorded for the year, reflecting the time-lags involved as the Authority builds up its staffing and physical resources, the Minister of Finance gave approval for the proceeds of the sale of the Burnaby House building to be excluded in calculating the usual 50% allocation of net income to the Consolidated Fund of the Government of Bermuda. Consequently, an amount of \$1.72 million has been allocated to the Consolidated Fund, as compared to \$1.59 million in 2004.

BERMUDA CURRENCY OPERATIONS

At the end of 2005 the amount of Bermuda currency notes and coin in circulation was \$113.7 million, a 14% increase over the amount recorded for 2004. Seasonal peaks in circulation figures were experienced during the main public holidays in July (Cup Match) and December (Christmas), consistent with previous years. Immediately ahead of the Cup Match holiday \$113.1 million was in circulation, up 12% over the previous year. The total notes and coin in circulation during the Christmas week was \$113.6 million, some 13% above the figure recorded at the end of the preceding year.

Bermuda Money Supply

Please note that the figures for this table have been updated since publication. For the correct Bermuda Money Supply figures, please refer to the errata sheet on Page 65.

| (BD\$ millions) | 2005 - Q4 | 2005 - Q3 | 2005 - Q2 | 2005 - Q1 | 2004 - Q4 | 2004 - Q3 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Notes & Coins in Circulation* | 93 | 98 | 93 | 93 | 100 | 90 |
| Deposit liabilities: | | | | | | |
| Banks and Deposit Companies (unconsolidated) | 3,362 | 3,510 | 3,562 | 3,579 | 3,558 | 3,544 |
| | 3,455 | 3,609 | 3,655 | 3,672 | 3,658 | 3,635 |
| Less: Cash at Banks and Deposit Companies | 40 | 25 | 28 | 26 | 27 | 23 |
| BD\$ Money Supply | 3,416 | 3,583 | 3,628 | 3,646 | 3,630 | 3,612 |
| % Growth on Previous Period | -4.67% | -1.22% | -0.50% | 0.43% | 0.51% | 1.52% |
| % Growth Year on Year | -5.91% | -0.79% | 1.97% | 5.63% | 10.09% | 12.14% |

* 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.

Currency Notes Issued and Redeemed

Bermuda Dollar

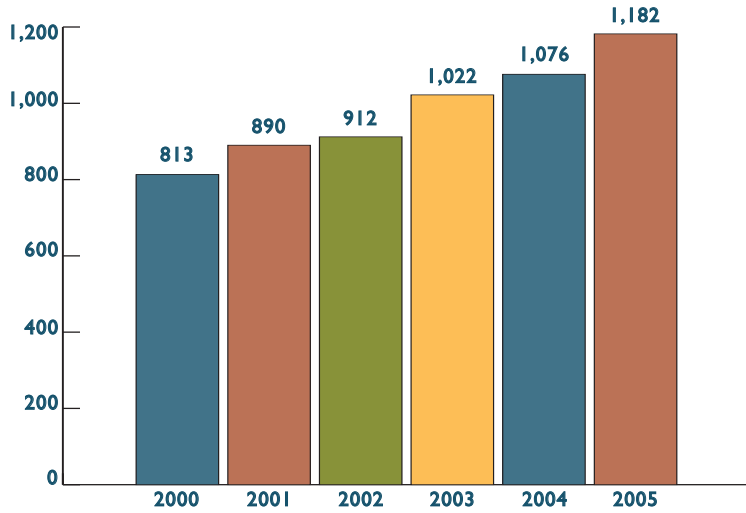
| Month | New | Re-Issue | Notes Issued | Notes Redeemed | Notes Issued & O/S at End of Month | Change | % Change |
|-------------|-------------------|-------------------|--------------------|-------------------|------------------------------------|-------------------|--------------|
| January | 3,694 | 3,308,000 | 3,311,694 | 9,780,400 | 80,259,920 | (6,468,706) | -7.46% |
| February | 475,719 | 5,000,000 | 5,475,719 | 7,536,000 | 78,199,639 | (2,060,281) | -2.57% |
| March | 1,380,911 | 8,690,000 | 10,070,911 | 8,469,400 | 79,801,150 | 1,601,511 | 2.05% |
| April | 300,441 | 10,503,000 | 10,803,441 | 6,346,900 | 84,257,691 | 4,456,541 | 5.58% |
| May | 394,169 | 6,730,000 | 7,124,169 | 5,745,900 | 85,635,960 | 1,378,269 | 1.64% |
| June | 613,144 | 7,927,000 | 8,540,144 | 8,373,000 | 85,803,104 | 167,144 | 0.20% |
| July | 4,190,247 | 12,824,000 | 17,014,247 | 3,207,700 | 99,609,651 | 13,806,547 | 16.09% |
| August | 110,431 | 5,190,000 | 5,300,431 | 19,920,000 | 84,990,082 | (14,619,569) | -14.68% |
| September | 200,484 | 6,367,000 | 6,567,484 | 6,904,300 | 84,653,266 | (336,816) | -0.40% |
| October | 200,449 | 7,309,000 | 7,509,449 | 5,847,100 | 86,315,615 | 1,662,349 | 1.96% |
| November | 78,864 | 5,628,000 | 5,706,864 | 4,926,100 | 87,096,379 | 780,764 | 0.90% |
| December | 7,007,792 | 8,378,000 | 15,385,792 | 2,356,200 | 100,125,971 | 13,029,592 | 14.96% |
| 2005 | 14,956,345 | 87,854,000 | 102,810,345 | 89,413,000 | 100,125,971 | 13,397,345 | 13.4% |
| 2004 | 22,980,883 | 131,210,000 | 154,190,883 | 148,942,050 | 86,728,626 | 5,248,833 | 6.1% |

Currency Coins Issued and Redeemed

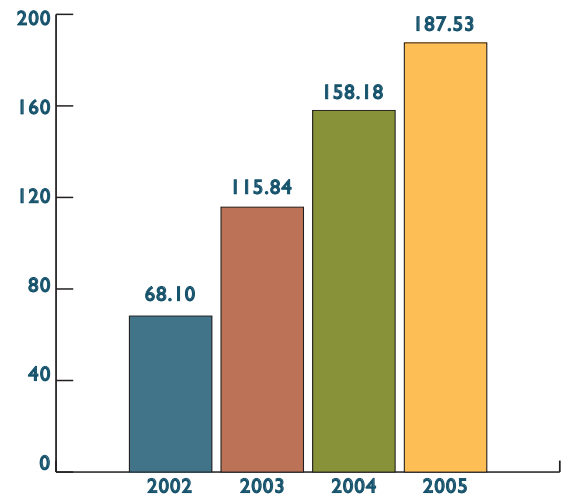
Bermuda Dollar

| Month | Coins Issued | Coins Redeemed | Coins Issued & O/S at End of Month | Amount Change | % Change |
|-------------|----------------|----------------|------------------------------------|----------------|-------------|
| January | 72 | - | 13,197,047 | 72 | 0.00% |
| February | 0 | - | 13,197,047 | 0 | 0.00% |
| March | 0 | - | 13,197,047 | 0 | 0.00% |
| April | 2 | - | 13,197,049 | 2 | 0.00% |
| May | 29 | - | 13,197,078 | 29 | 0.00% |
| June | 163,898 | - | 13,360,977 | 163,898 | 1.24% |
| July | 91,278 | - | 13,452,255 | 91,278 | 0.68% |
| August | 119 | - | 13,452,375 | 119 | 0.00% |
| September | 17,538 | - | 13,469,913 | 17,538 | 0.13% |
| October | 61,575 | - | 13,531,488 | 61,575 | 0.46% |
| November | 40,896 | - | 13,572,384 | 40,896 | 0.30% |
| December | 6 | - | 13,572,390 | 6 | 0.00% |
| 2005 | 375,415 | 0 | 13,572,390 | 375,415 | 2.8% |
| 2004 | 620,041 | 0 | 13,196,975 | 620,041 | 4.7% |

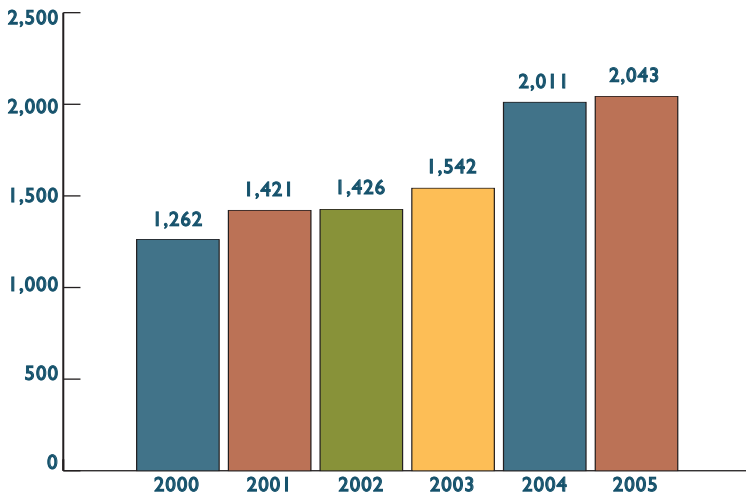
Collective Investment Schemes: Total Number of Schemes



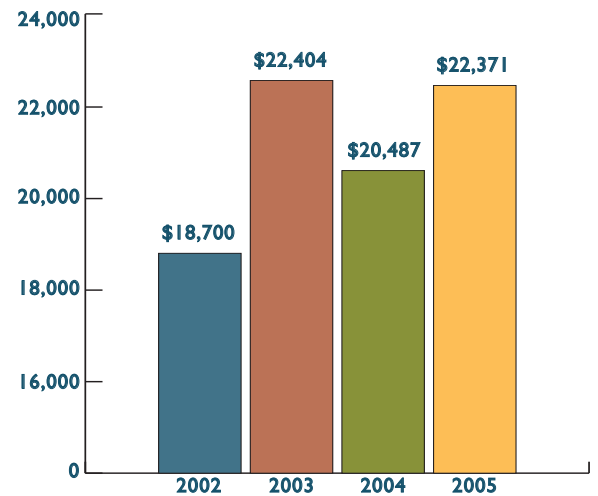
Collective Investment Schemes: Net Asset Value (BD\$ Billions)



Collective Investment Schemes: Number of Portfolios within Bermuda Classified Schemes



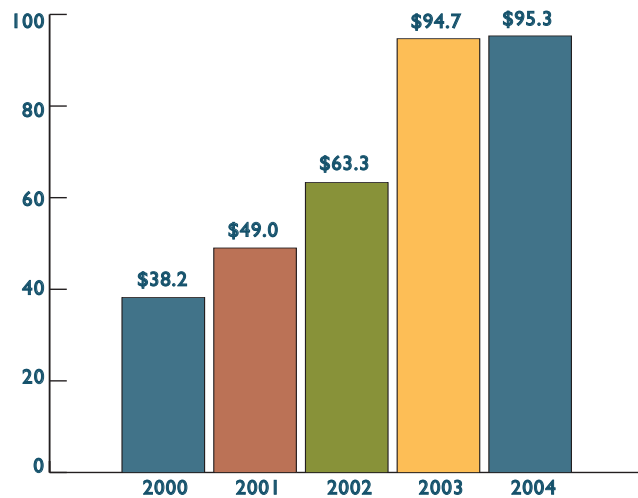
Bermuda Banks and Deposit Companies (Consolidated) Total Assets (BD\$ Millions)



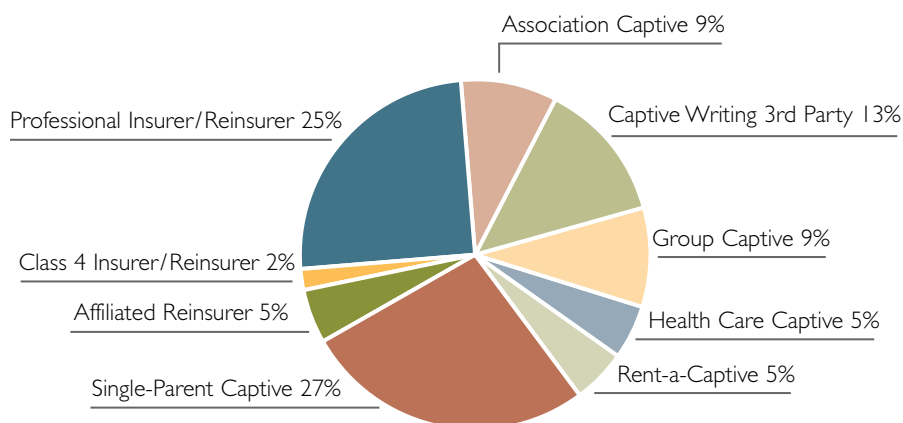
Analysis of all International Insurers Registered

| Class of Insurer | 2005 | % | 2004 | % |
|--------------------|--------------|------------|--------------|------------|
| Class 1 | 363 | 26 | 374 | 27 |
| Class 2 | 403 | 28 | 415 | 29 |
| Class 3 | 441 | 31 | 422 | 30 |
| Class 4 | 30 | 2 | 21 | 2 |
| Long-term | 84 | 6 | 76 | 5 |
| Composites | 100 | 7 | 102 | 7 |
| Grand Total | 1,421 | 100 | 1,410 | 100 |

Bermuda Insurance Market Statistics Gross Premium Written (BD\$ Billions)



Breakdown by Company Type of the Actively Writing International Insurers 2005



Overview 2005

During 2005, the Authority continued to maintain effective and proactive supervision of Bermuda's regulated financial sectors. As in previous years, the Authority strove to ensure that requirements and standards were applied to businesses fairly and consistently. An important theme during 2005 was the ongoing development of more formalised tools for evaluating and monitoring risk in licensed entities and the use of structured risk assessments in determining supervisory resources and priorities. This approach is most advanced in the insurance sector where the application of the new risk assessment model, implementation of which began early in 2005, is now almost fully in place. But the year also saw the Authority prepare to apply similar approaches more widely. This is a significant development which can assist in making supervision both more effective and more cost-effective, and it reflects a trend that is becoming increasingly common internationally.

At the same time, the Authority continued to work on a range of proposed amendments to its different regulatory regimes, intended in particular to maintain a high measure of compliance with international regulatory standards. Areas that remained under active review related to legislation on insurance, and on collective investment schemes, as well as enhancements to the supervision of banks and certain investment firms, reflecting the revised Basel capital framework (Basel II).

In these initiatives the Authority was acutely aware of the need to strike a careful balance between the costs and benefits of such regulatory developments and enhancements. Accordingly, it ensured that there was the fullest dialogue and collaboration with industry so that legislation and regulatory policies remain appropriate for the different industries and for Bermuda, and can be effectively implemented. For the same reason, the Authority continued to devote considerable resources during the year to playing a full and active role in the various international standard-setting bodies. The intention of such participation - from direct membership of technical committees to providing early and regular comment and feedback on draft proposals for new standards - is to ensure that the relevant bodies properly understand Bermuda and its financial sector, and that new international regulatory requirements remain appropriate and can be applied consistently in different jurisdictions.

In addition to a full programme of developments affecting upcoming regulatory legislation and policies in 2006, the Authority also worked closely with the Ministry of Finance to ensure Bermuda maintains compliance with international standards for the prevention of money laundering and terrorist financing. The resulting draft technical amendments to the Proceeds of Crime Act, Regulations and Guidance Notes remained under consultation with industry at the end of the year.

The Authority's own growth and development during 2005 also reflected the pace of regulatory change on an international basis witnessed in recent years. The Authority paid careful attention to ensuring that its operational and human resources were increased appropriately and as warranted to meet the growing demands of its regulatory and supervisory responsibilities. The complement of staff, and by extension the available professional skills, in both regulatory and support functions within the organisation grew during the year, with particular emphasis placed on enhancing the supervisory teams for insurance and banking, trust and investment. The Authority also put in place enhanced learning and development resources to support the ongoing

reinforcement of technical expertise at all levels. The structure and corporate governance of the Authority also remained under active review, in order to ensure that the organisation promotes best practice, and a high level of transparency and accountability in executing its regulatory responsibilities.



Corporate & Financial Services

The Corporate and Financial Services Department encompasses the Authority's administrative and support groups (finance, currency operations and facilities) together with its authorisations unit, which processes all applications for incorporation of companies and the establishment of partnerships. In the third quarter of 2005, the Department also assumed responsibility for the Authority's Document Management unit. The Department reports to the Director, Corporate & Financial Services.

FINANCIAL AND CURRENCY OPERATIONS

During the year the Group's staff continued to improve and automate its internal processes to meet the needs and demands of the Authority's growing staff. In 2005, the Group focused on enhancing its financial systems to incorporate a module that streamlines the collection of annual business fees. It is hoped that the Department and the Authority will see the results of the revised system in 2006.

In May 2005, the Authority issued a five-sided coin commemorating the quincentennial of the discovery of Bermuda by Juan Bermúdez. Two versions of the coin were minted in gold and silver proof with gold plating, and each proved popular with both local collectors and international clients alike. In addition, a 1kg version of the bi-metal silver proof coin was also produced, believed to be the first ever five-sided coin of such a size. Due to the efforts of the Currency Operations team, interest in our commemorative coin series is increasing. In addition, the school presentation series, which the team conducts around Bermuda, will ensure that the next generation of Bermudians is aware of the country's unique currency and heritage.

During the year, the Authority also prepared and obtained approval for the design of a new triangle coin series featuring shipwrecks located in the waters around Bermuda. The first coin in the initial six-coin set is scheduled to arrive in June 2006 to coincide with the opening of the Authority's new Bermuda Bank Notes Exhibit at Commissioner's House, Bermuda Maritime Museum.



Companies, Partnerships and Permits Statistics - Applications Approved

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|--------------|-------|-------|-------|-------|-------|
| Exempted Companies (Bermuda companies exempted from the 60% Bermudian ownership requirement) | 1,006 | 1,047 | 971 | 1,045 | 1,236 | 1,656 |
| Exempted Partnerships (Partnerships established in Bermuda to carry on a business in or from within Bermuda) | 111 | 76 | 72 | 63 | 95 | 111 |
| Overseas Partnerships (Overseas partnerships applying for permits to carry on business in or from within Bermuda) | 12 | 3 | 3 | 3 | 11 | 11 |
| Overseas Permit Companies (Overseas companies applying for permits to carry on business in or from within Bermuda) | 43 | 32 | 32 | 55 | 58 | 67 |
| Unit Trusts | 81 | 53 | 68 | 31 | 52 | 7 |
| Continuation Companies (Companies from other jurisdictions continuing into Bermuda as exempted companies) | 28 | 27 | 43 | 32 | 19 | 27 |
| Unlimited Liability Companies | 0 | 1 | 5 | 2 | 3 | 5 |
| Local Companies | 211 | 222 | 202 | 194 | 204 | 206 |
| Total Applications Approved | 1,492 | 1,461 | 1,396 | 1,425 | 1,678 | 2,090 |

AUTHORISATIONS

During 2005, the Authority received 1,526 applications for the incorporation of new companies and partnerships, as well as permits for overseas companies; this was consistent with the level seen in 2004 (1,538 applications).

A total of 1,492 applications were consented during the year, and 12 were refused. The Authority gave consents for 1,200 exempted undertakings (i.e. exempted companies, exempted partnerships, overseas companies, overseas partnerships and continuation companies). In addition, 211 local companies and 81 unit trusts were consented. The majority of the consents

granted for 2005 were for corporate and investment holding companies, mutual funds and insurance undertaking businesses, which was consistent with previous years.

In mid-2005, the Authority announced, after industry consultation, the introduction of a number of interim changes to its review of share transfer applications, intended to improve the efficiency of the process while maintaining Bermuda's rigorous requirements and high standards. Further discussions with the Ministry of Finance and the market will continue during 2006 to ensure that Bermuda remains competitive in this regard.

Representing the Corporate and Financial Services Department:
Keisha Pitt, Sharon Davis, Marcia Woolridge-Allwood, Terry Pitcher, Tamera Smith, Tawana Butterfield

FACILITIES

During the year the Group continued preparatory work for the impending move to the Authority's 45,000 square foot premises in the City of Hamilton in early 2007. The Group also provided maintenance and support to the Authority's staff who are presently located in leased premises in Hamilton. The planning of this relocation project will be a major initiative for the group in 2006.

As in previous years, the Facilities Team kept its premises-related and other security policies under constant review. During the latter part of 2005, the Team undertook a major initiative to update the Authority's Business Continuity Plan in line with the new premises and business unit processes. This new plan was completed in early 2006 and will allow the Authority to adjust its security and disaster recovery procedures as circumstances dictate in the years ahead.

Carolyn Brown, Donna Roberts, Randolph Simons, Lamonte Grant, Selena Wilson



Information Technology

The IT Department manages the development of IT facilities designed to support and enhance the Authority's operational effectiveness. The Department reports to Executive Management via the Supervisor of Insurance.

The IT Department began 2005 by concluding various projects connected with the move to temporary premises by the Authority and managing the organisation's technology requirements across two locations. The move provided the IT Department with the opportunity to undertake an infrastructure review at the beginning of the year. This review highlighted issues that were easily overcome and placed the Authority in good stead for further developments in its systems and technology.

Development, testing and implementation of a range of additional capabilities, including a new Help Desk system and enhanced secured and encrypted communications tools, increased operational efficiencies across the Authority in the

execution of its work. In March the IT Department completed the rollout of the Authority's redesigned website. The website's content and structure were completely revamped, presenting the Authority's image and information in a user-friendly format with enhanced functionality.

The Authority's work to complete electronic document storage (scan-to-file process) continued in earnest throughout 2005. This ongoing project reflects the Authority's drive to implement fully functional business continuity processes for all facets of daily operations.

The IT Department completed the review and design of a workflow project for the Insurance Department during 2005, which will roll into 2006 for its subsequent phases and implementation. Additional planned workflow development includes a document routing application scheduled for release in 2006. Both systems are components of the Authority's plan to combine its historical and current information flows with its new regulatory databases and applications.

Representing the Information Technology Department:
Nicole Burgess, James Stroeder, Terry Harvey



Policy, Research & Communications

The Policy, Research & Communications (PRC) Department brings together overall regulatory policy development, strategic research and corporate communications resources for the Authority within one team. The Department reports through the Deputy Director, Policy, Research & Communications to the Superintendent of Banking, Trust & Investment.

2005 was the first full year of operation for the Authority's supervisory policy unit and the volume of policy work increased significantly during the year. This was driven to a large extent by the varied and numerous initiatives of international standard setting bodies and industry-specific external issues, such as investigations into broking practices, accounting and disclosure in the insurance industry, particularly with respect to the inappropriate use of finite reinsurance.

The unit also advised and worked closely with the Authority's line supervisory teams with respect to ongoing development of their respective regulatory regimes.

POLICY DEVELOPMENTS

The Policy Team finalised the Authority's response to the International Monetary Fund (IMF) Report regarding Bermuda's financial sector legislation and regulatory framework early in 2005. This initiative had required a significant amount of time and attention the previous year. The IMF Report was finally published in March 2005. PRC also developed the Authority's response to a new IMF initiative during the year, the Offshore Financial Centre (OFC) Information Framework. The IMF had requested that OFCs start providing certain standard financial information on various sectors, primarily banking, insurance and collective investment schemes. The Authority provided the relevant data to the IMF, much of which is already collated and published by the Authority. In light of this initiative, the Authority is continuing to review the need for any enhancements to its current data collection and publication.



During 2005, the Authority's membership and ongoing close involvement with developments from the International Association of Insurance Supervisors (IAIS) led to the Policy Team contributing to and providing feedback on various papers produced by the IAIS proposing new standards and guidance for supervising the insurance sector:

Further, the Authority undertook for the first time to submit Bermuda's detailed self-assessment of its insurance regulatory regime against the IAIS 28 Insurance Core Principles, as requested of all IAIS members during the year. PRC also actively participated in the drafting process of the IAIS Captive Issues paper, which was designed to educate the IAIS about the history and nature of captive insurance companies. The paper also discusses regulatory issues in relation to captives, including the position that they should not be regulated in the same way as commercial insurance companies. PRC invited comments on the paper from various representative bodies locally, including the Insurance Advisory Committee, as part of Bermuda's ongoing feedback on consecutive drafts of the paper.

The Authority also participated in the IAIS Reinsurance sub-committee on the Finite Reinsurance project, with the Policy Team completing a detailed questionnaire to provide information on Bermuda's treatment of finite reinsurance. The Team also compiled data and information on nine companies in the Bermuda reinsurance market for the IAIS Reinsurance Transparency Group (RTG) for a Global Reinsurance Market Report which was published in December 2005. This involved working closely with the Association of Bermuda Insurers and Reinsurers (ABIR), which proved to be an extremely helpful resource.

Finally with respect to the IAIS, the Policy Team reviewed and assessed papers which pave the way for a revamping of international insurance standards with respect to the area of solvency assessment. These IAIS papers set out the 'roadmap' for future work (next several years) of the IAIS and regulatory

standards for insurance supervision in the areas of financial requirements (capital and technical provisions), corporate governance and market conduct. The Authority anticipates that these initiatives and the continued scrutiny of Bermuda's insurance regulatory regime will continue to place significant demands on the Department's resources.

With respect to ongoing review of the insurance regulatory regime in Bermuda, PRC led the consultative process with industry on a range of proposals. The Policy Team prepared working drafts and published a variety of materials, including 15 new Guidance Notes to provide industry with further clarification on key issues and processes, Insurance Amendment Act changes and research on various issues including comparisons with other regulatory regimes in several jurisdictions. The Team also assisted with the finalisation of a draft Collective Investment Schemes Act and, together with the National Anti-Money Laundering Committee, the proposed amendments to the Proceeds of Crime Act and Guidance Notes with respect to Bermuda's anti-money laundering regime. The Policy Team was also closely involved in the preparation, towards the end of the year, of a number of consultation papers relating to proposed amendments in respect of Bermuda's regulatory regimes for banks and certain investment businesses. These proposals included draft amendments to the Authority's capital adequacy regimes to deal with market risk as well as the Authority's approach to the implementation of the new capital framework for banks (Basel II). The Authority maintained an active schedule of meetings with, and presentations to, industry representative groups throughout the year to discuss all these matters, and this intensive consultative process has been extremely helpful in providing clarification of existing practice, addressing issues with respect to compliance with international standards and supporting the ongoing internal review of the effectiveness of Authority's regulatory framework.

RESEARCH

Resources within the Department grew during the year to address the Authority's growing requirements with respect to research and corporate communications. Establishing a dedicated research function within the Department brought enhanced focus to the process of gathering and producing a high level of statistical data and comparative jurisdictional information to support the Authority's operations. A number of studies produced from mid-2005 onwards provided analysis of global market trends related to particular industry sectors. These research papers assisted the Authority in its discussions with industry as well as contributing to internal deliberations regarding ongoing development of Bermuda's regulatory framework.

The Research Unit also began preliminary work for establishing a comprehensive research programme for the Authority, which will further enhance the organisation's ability to generate timely, relevant statistical data and market information for use both internally and as a resource for external stakeholders.

CORPORATE COMMUNICATIONS

The Authority's heightened focus on strategic corporate communications continued during 2005, with a significant expansion of activity both internally as well as externally in the market. The expanded activity was driven in part by increased demands in terms of scheduled speaking engagements, media interviews, articles, media relations and general requests for information regarding the Authority's ongoing regulatory developments. Given the increasingly intense attention being focused on regulatory issues in offshore jurisdictions in the global arena, the Authority placed even greater emphasis on ensuring the facts about Bermuda's position and robust framework were accurately presented in the market.

The activity was also based on a comprehensive Communications Survey conducted during the year both internally with the Authority's staff and with industry representative groups and executives in Bermuda.

The Survey was designed to ensure the Authority communicates in a relevant and effective manner within and outside of the organisation, and sought to develop the targeting and structure of its communications programme. The expanded communications programme also supported the Authority's overall commitment to maintaining transparency in its operations, educating key groups about the effectiveness of Bermuda's regulatory framework and building positive external relationships.

The Authority was represented via keynote speeches and panel presentations by senior personnel at various significant industry conferences and events internationally during the year, covering a wide range of issues related to regulation of insurance, hedge funds and anti-money laundering policies among other areas. The Authority also contributed, via submission of articles, to a variety of business publications covering Bermuda's regulatory developments during the year. Such activity, in addition to the contribution of the Corporate Communications Team to policy work conducted with international standard setting bodies, assisted in generating a greater understanding in the market about the Bermuda framework in the wider context of global regulatory developments.

In terms of internal communications, the Authority used the guidance provided by the Communications Survey to focus on communicating with staff on matters such as transparency and training and development within the organisation. The Authority's focus on production of enhanced internal communications tools during the year, such as a redesigned employee newsletter and preliminary work on an intranet for the organisation, also reflected the need to communicate efficiently across its growing staff. Given the continuing growth of the organisation in terms of staffing levels the Authority also recognised the need to focus internal communications efforts on supporting ongoing cohesion throughout the organisation, and this will remain an area of emphasis moving into 2006.

Legal Services & Enforcement

The two units within the Legal Services & Enforcement Department support the Authority in the fundamental areas of legal guidance and legislative development and ensuring that existing financial services regulations are enforced effectively. The Legal Unit is responsible for providing legal advice to officers and staff of the Authority as regards the interpretation of provisions under which the Authority operates and on the use of the Authority's powers and discretions. The Unit also acts as the Authority's attorneys, providing advice on contracts, leases and other legal matters. The Enforcement Unit deals with 'policing of the perimeter', investigates any cases of unlicensed activity falling within the scope of its authority and assists with investigations

of breaches by licensed entities. In addition, it undertakes initial assessment of all requests received from overseas regulators for assistance involving use of the Authority's compulsory powers under the BMA Act and the Insurance Act 1978 to require information from licensed firms. The Department reports to the Director, Legal Services & Enforcement.

NEW LEGISLATION

During 2005, the Authority's Legal Team remained directly involved in discussions concerning new or amended legislation and in the related consultative processes with both government and industry. In addition, and as agreed with the Ministry of Finance, the Team added initial drafting of relevant legislation to its responsibilities and therefore, the Team actively participated in the legislative initiatives detailed in

Representing the Legal Services & Enforcement Department:
Sophie Tod, Neysan Sobhani, Rowena Comber, William Kattan



the line supervisory sections of this report. They were also extensively involved in preparing the Bank and Deposit Companies Amendment Act 2005, the Trusts (Regulation of Trust Business) Amendment Act 2005, and the Investment Business Amendment Act 2005. These Acts make new provision for reporting auditors and accountants (i.e. auditors and accountants who are charged with a duty to report certain facts or matters to the Authority). They also provide for the Minister to prescribe by regulations the facts and matters that must be reported to the Authority. The Legal Team also assisted in drafting the Bermuda Monetary Authority (Collective Investment Scheme Classification) Amendment Regulations 2005, which came into effect at the end of 2005. These Regulations were made in response to unforeseen difficulties that had been caused for certain Bermuda collective investment schemes by the implementation of the EU Savings Directive in Switzerland.

COMMITTEES

During 2005, senior staff from the Department represented the Authority at meetings of a number of important external Committees in order to provide advice and views from a regulatory or financial services perspective.

Joint Select Committee on Private Bills

The Joint Select Committee on Private Bills met throughout the year to consider applications submitted by individuals and entities seeking to form companies by way of a Private Act or seeking amendments to, or the consolidation of, existing private legislation. The Committee, which includes representatives of both Houses of the Bermuda legislature - the House of Assembly and the Senate - is traditionally chaired by the Deputy Speaker of the House of Assembly, and receives technical advice from representatives of the Ministry of Finance, the Attorney General's Chambers, the Registrar of Companies and the Authority.

Bermuda International Business Association (BIBA) Legislative Change Committee

The BIBA Legislative Change Committee met throughout 2005 to continue to review a wide range of legislative initiatives, including proposals made in the Committee's 2005 report submitted to the Minister of Finance. The 2005 Report covered a variety of topics that relate to amendments to the Companies Act 1981. Legislation introduced in the House based on proposals made in the Committee's 2003 report included the Limited Partnership Amendment Act 2005, the Overseas Partnership Amendment Act 2005 and the Exempted Partnership Amendment Act 2005.

ENFORCEMENT AND PERIMETER POLICING

The Authority's responsibilities with respect to enforcement and perimeter policing as prescribed under various regulatory provisions continued to grow in 2005. Accordingly, during the year it dedicated increased resources and time to this area.

The Enforcement unit continued to be closely involved throughout the year in advising and assisting the Authority's line supervisory departments with enforcement matters. The unit also policed the perimeter to ensure that unauthorised business is not conducted in or from Bermuda. The unit conducted several inquiries into possible breaches of Bermuda's regulatory provisions. These inquiries were typically triggered by initial information provided or requested by overseas regulatory bodies.

As in previous years, during 2005, the Authority remained concerned at the increasing number of incidents in which false Bermuda company names were being used to promote investment products on the Internet. The Enforcement unit liaised closely with the Bermuda Police Service and with regulators overseas in efforts to minimise risks to the public in relation to these incidents. As a means of warning and assisting the public to be vigilant in this regard, a list of suspect names and entities is posted on the Authority's website www.bma.bm.

International Regulatory Co-operation

The Authority continued to liaise closely with relevant foreign regulatory authorities in conducting its supervisory responsibilities during 2005. Such co-operation and liaison is regular and routine as part of the Authority's operations, and involves meetings or ongoing discussions between line supervisors. In addition, regulator-to-regulator co-operation is based on agreed international standards that require agencies to be able to assist each other in their regulatory enquiries by obtaining information and documents pertaining to licensed persons. These powers enable the supervisor to compel regulated entities to provide relevant information in order to assist an overseas regulator with a legitimate need or inquiry. The Authority is able to exercise the compulsory powers under sections 30A to 30D of the BMA Act.

During 2005, there was an increase in the number of requests received from overseas regulators. Assistance was requested in 22 cases, compared to 15 the previous year. The requests were from seven regulatory bodies in six countries.

In 21 of the cases in 2005, the Authority served notices on licensed institutions and passed the information obtained to the requesting authority. In one case the requesting authority was directed to the Ministry of Finance.

The majority of the cases in which the Authority provided specific assistance to foreign regulators involved suspected insider dealing and/or market manipulation, while one case involved questions relating to dealing in restricted securities.

A request from a foreign self-regulatory organisation that was outstanding at the end of 2004 was resolved when the public regulatory authority in the foreign jurisdiction made a formal request on its behalf and the Authority was able to provide the requested information after serving a notice - this case is included in the statistics outlined above. There were no foreign regulatory requests outstanding at the end of the year.

Human Resources

In line with the Authority's continued growth during 2005 in terms of staffing and related requirements, the Human Resources Department was restructured to provide a more complete range of services to the organisation.

This restructuring involved increasing manpower levels within the Department and establishing a dedicated Learning & Development Team.

The Department reports to the Chairman and CEO of the Authority.

POLICIES AND PROCEDURES

The Department reviewed and implemented enhancements to the range of policies and procedures supporting management of human resources within the organisation. As a result, and given the continued growth of its staff complement, the Authority put in place new and enhanced policies related to, among other areas, job descriptions, recruitment, payroll systems and the annual performance

appraisal process. The revised policy framework for human resources management is designed to meet the increasing requirements of the growing organisation while building on efficiencies in the procedures applied to staff terms and conditions of employment.

LEARNING & DEVELOPMENT

Based on the results of the audit of all human resources functions, including training, conducted the previous year, during 2005, the Authority executed a variety of initiatives to support its ongoing commitment to providing professional development of staff at all levels.

In addition to sponsoring local and overseas training courses to build on the talents of staff and their core competencies, development activities assisted team members to enhance skills in a variety of areas, from project management to performance appraisal preparation. The Authority also enhanced its learning and development framework during 2005 to work on the development of a core foundational



training programme. This programme recognises the importance of ensuring that the depth of skills and technical knowledge within the organisation can continue to support its responsibilities and objectives now and in the future.

The Authority also utilised the skills within its Human Resources and Communications Teams to facilitate and develop enhanced internal communications planning activities across all departments.

RECRUITMENT

The Authority enhanced its recruitment strategy further during the year, adopting revised hiring processes and procedures that supported a highly proactive approach to attracting suitably qualified new staff. This approach included using upgraded technology and an improved set of documentation for recruitment and induction processes, as well as introducing new related initiatives, such as the enhanced student intern programme launched during the year. The Authority's efforts in terms of recruitment during 2005 were designed to support its goal of targeting even more effectively appropriately skilled and experienced individuals who can be developed and retained within the organisation for the long-term.

Permanent Staff

A total of 33 new team members joined the Authority's permanent staff during 2005, as follows:

Insurance

Akilah Wilson - Senior Analyst
Suzanne Williams - Principal
Vaniek Van Putten - Assistant
Kayla Roberts - Senior Analyst
Anthony Roberts Jr. - Senior Analyst
Dave Bean - Senior Analyst
Carnell Lambert - Senior Analyst
Terry Pitcher - Principal
Timae Flood - Analyst
Nicole Hypolite - Senior Analysts
Takiyah Tucker - Analyst
Michael Bean - Analyst
Reginald Walker - Analyst

Banking & Trust

Hana Riley - Administrator
Jay Smith - Analyst (Banking)
Archibald Husbands - Senior Analyst (Trust)

Human Resources

Verna Hollis Smith - Assistant Director,
Learning & Development
Deshan Thompson - Senior Administrator, Human Resources
Elizabeth Amyoony - Senior Learning & Development Officer

Information Technology

Nicole Burgess - Analyst/Developer

Legal Services & Enforcement

Neysan Sobhani - Legal Counsel
William Kattan - Director, Legal Services & Enforcement
Sophie Tod - Legal Counsel
Rowena Comber - Senior Legal Administrator
Lucinda Bailey Judd - Administrative Assistant

Representing the Human Resources Department:
Maureen Edness Eddy, Elizabeth Amyoony, Verna Hollis Smith, Deshan Thompson, Josie Richardson

Corporate Services

Maureen Simons - Assistant

Carolyn Brown - Assistant, Currency Operations

Donna Roberts - Administrator, Records

Facilities

Lamonte Grant - Facilities Assistant/Messenger

Policy, Research & Communications

Pat Phillip-Bassett - Assistant Director, Communications

Marcelo Ramella - Senior Research Analyst

Chairman's Office

Oronde Walker - Senior Projects Officer

Investments

Karimah Swan - Assistant

Internal Transfers

Crystal Caesar - Senior Analyst, Banking & Trust

E. Maureen Edness Eddy - Human Resources Officer

Josie Richardson - Learning & Development Officer

Dianne Ingham - Administrator, Financial Operations

The following staff members were promoted or given expanded responsibilities during the year:

Verna Hollis Smith - Assistant Director, Human Resources

Carolyn Brown - Administrator, Currency Operations

Shanna Lespere - Deputy Director, Insurance

Terry Pitcher - Financial Controller

Terry Harvey - Senior Network Analyst

Five persons were recognised by the Authority for their contributions to the organisation with long service awards during 2005:

Ava Maureen Smith

Senior Administrator, Human Resources - 35 years

Jennifer Smith

Senior Administrator, Investments - 10 years

Thomas Webbe

Senior Analyst, Insurance - 5 years

Dianne-Mae Burgess

Senior Analyst, Insurance - 5 years

Shelby Weldon

Deputy Director, Insurance - 5 years

Banking, Trust & Investment

Responsibility for the Authority's regulatory functions under financial services legislation (other than insurance) lies with the Superintendent of Banking, Trust & Investment. These functions are conducted within the Banking, Trust & Investment Department, which during 2005, reported to the Superintendent via the Assistant Director, Banking & Trust and the Assistant Director, Investment. The Banking & Trust Group is responsible for the supervision of Bermuda's banks, deposit companies and trust businesses, as well as of the Credit Union; the Investment Group regulates Bermuda's investment businesses and collective investment schemes, as well as the Bermuda Stock Exchange.

Towards the end of the year, in order to support development of the Authority's broader risk-based supervisory framework across the

banking, trust and investment sectors, the Authority developed plans for restructuring the Department. These plans, to be implemented during 2006, will change the former industry team-based structure to one that takes a multi-disciplinary team approach. The new structure will include two teams - focused respectively on supervising larger financial groups and individual institutions - supported by a central risk assessment unit.

BANKING GROUP

Banks & Deposit Companies Act 1999

The following section (pages 29 to 35) comprises the report required to be made annually by the Authority to the Minister of Finance on its activities, pursuant to section 8(3) of the Banks & Deposit Companies Act 1999 (the Act).

Developments in the Banking Sector

As required by section 8(2) of the Act, the Authority continued to keep under review the operation of the Act, as well as developments in the field of deposit-taking which

Representing the
Banking, Trust & Investment Department:
Jay Smith, Ann Daniels, Tina Woods



appeared relevant to the exercise of its powers and the discharge of its duties. This involved general monitoring of developments in the local marketplace and in the wider group operations of the Bermuda banks, together with international trends in the banking industry and changes in regulatory standards and approaches in other jurisdictions.

The Authority continued to execute its function as the primary supervisor for three of Bermuda's banks, conducting ongoing reviews of each institution's operations and capital adequacy, both solo and on a consolidated group basis. The UK Financial Services Authority (FSA) has ultimate supervisory responsibility for Bank of Bermuda, as part of the HSBC Group. The Authority supervises the Bank of Bermuda sub-group, whilst maintaining a close liaison with the FSA.

Bermuda's banks enjoyed favourable market conditions in 2005. With international interest rates recovering from the exceptionally low levels seen in recent years, the banking sector recorded enhanced margins. There was significant

growth in net interest income, which increased materially as a percentage of net income. Fee income also increased, albeit more slowly. Asset quality remained extremely robust, with very low incidence of loan losses. The aggregate balance sheet of the banking sector grew by some 9% to \$22.4 billion, offsetting the decline seen in 2004.

Within the local Bermuda market, the continuing strength of the economy resulted in growing loan demand, much of it property-related. At the same time, greater competition within the banking sector increased the available supply of credit. Bermuda-dollar denominated loans and advances rose by almost 20% during the year. Overall, however, there was very little change in the asset composition of the aggregate balance sheet of Bermuda's banking sector, with 2/3 of total assets continuing to be represented by inter-bank placements and holdings of high quality marketable securities.



Institutions were able to strengthen materially their capital ratios through substantial increases in retained earnings as well as, in one case, the issue of a further \$150 million of subordinated debt. Overall, banks' regulatory capital increased by some 29% during the year and remained well in excess of the minimum ratios imposed by the Authority.

Licensing

The total number of licensed institutions remained unchanged at four banks and one deposit company. No applications for new licences were received during the year.

Legislative Change

At the end of the year Parliament passed the Bank and Deposit Companies Amendment Act 2005, making new provisions that clarify and enable the Minister of Finance to prescribe by regulations the facts and matters reporting auditors and accountants must report to the Authority (i.e. persons who are charged with a statutory duty to report to the Authority). Relevant regulations related to the Act are currently being prepared.

Application of the Act

There were no changes in the Authority's general supervisory approach under the Act. Supervision continued to involve a programme of regular prudential and strategy discussions with senior management, together with off-site analysis and review of prudential data and certain on-site work, conducted both in Bermuda and in significant group operations abroad. The Authority also regularly holds bilateral meetings with members of institutions' Audit Committees, as well as trilateral meetings involving their external auditors.

The objective of on-site work is to gain a more complete understanding of the quality of management and systems and of the internal control environment. Compliance with anti-money laundering requirements and procedures is routinely tested as part of such reviews.

As in 2004, the on-site programme during 2005 focused on compliance issues and progress in addressing recommendations made in previous review visits. Programmes included meetings with internal audit and compliance teams within banks, as well as with members of their Audit Committees. The Authority also conducted specific on-site review work in London.

During 2005, the Authority progressed further its plans for developing a more formalised risk assessment framework which, once fully implemented, will be used to direct and target the annual supervisory programmes set for each bank. The Authority issued to industry for consultation a draft revision of its 1999 paper on measurement of capital under the Act, updated to incorporate new proposals for the appropriate capital treatments for material market risks sustained by institutions. The proposals represent a first stage of amendment to the capital framework for banks, in particular by providing more effectively for the measurement of risk resulting from traded market activity. A second consultative paper published shortly after the end of the year set out the Authority's initial thinking on a number of the discretions and options available within the new Basel regulatory framework for banks (Basel II), and served as one element in assessing, and obtaining industry views on, the approach that can most appropriately be applied in Bermuda. Separately, the Authority continued to conduct meetings with the banks, collectively and on a bilateral basis, to ascertain their plans with respect to preparing for Basel II implementation. This consultative process is ongoing, to ensure that Bermuda can prepare for, and transition to, Basel II on a timely basis.

The Authority also continued to work closely during 2005 with industry sub-committees that report to the Monetary Advisory Committee, the body established by the Authority and the Ministry of Finance as a forum for discussion of current economic, monetary and financial issues. Towards the end of the year the Clearing and Settlement sub-committee initiated a major project for enhancing Bermuda's arrangements for local currency clearing and settlement.

This work is expected to continue throughout 2006. In tandem with the Authority's continued consultation with industry regarding development of new Anti-money Laundering Guidance Notes, a second sub-committee also met to consider the particular issues arising from the application of risk-based customer due diligence requirements by Bermuda's banks. This work will continue in 2006 with a view to establishing consensus on an appropriate common approach to applying risk-based customer due diligence requirements across the industry.

Capital Adequacy

The Authority requires institutions to meet risk asset ratios of 8% solo and 10% on a group consolidated basis. It continued to monitor capital adequacy carefully on the basis of detailed quarterly prudential information reports and ongoing regular discussions with institutions' management. No changes to the Authority's capital requirements were introduced during the year. However, as referenced above, work to amend the capital framework for market risk and to implement Basel II requirements continues.

Liquidity

The Authority did not change its approach to the monitoring of liquidity, as described in previous Reports. The Authority continued to monitor the liquidity of institutions against the framework in its 1999 paper, "The Measurement of Liquidity", and against the mismatch guidelines established for individual institutions.

Large Exposures

Section 38 of the Act requires licensed institutions to report all exposures to a single counterparty or group of connected counterparties where they face a risk of incurring a loss in excess of 10% of capital. In the case of proposed exposures where the risk of loss may exceed 25% of capital, the institution must seek prior consent from the Authority. The Authority has stipulated that, other than in the case of standard inter-bank exposures of less than one year's maturity, it is prepared to grant consent only in very exceptional circumstances, notably those cases where the exposure can clearly be seen as extremely low risk. During 2005, a small number of exceptions were granted, after detailed assessments, which confirmed to the Authority's satisfaction that the associated level of risk in each case was acceptable.

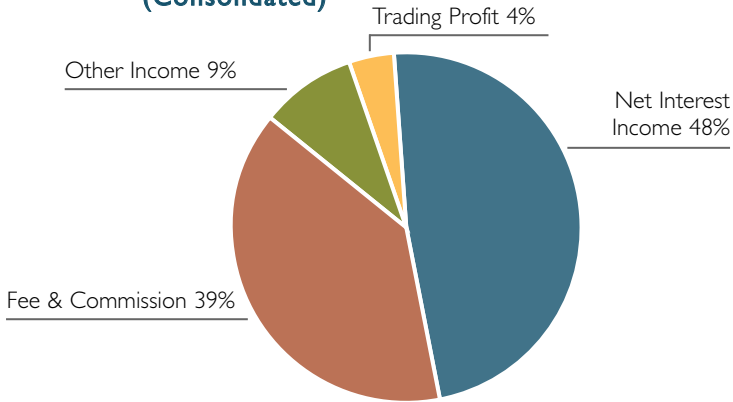
Bermuda Money Supply

Please note that the figures for this table have been updated since publication. For the correct Bermuda Money Supply figures, please refer to the errata sheet on Page 65.

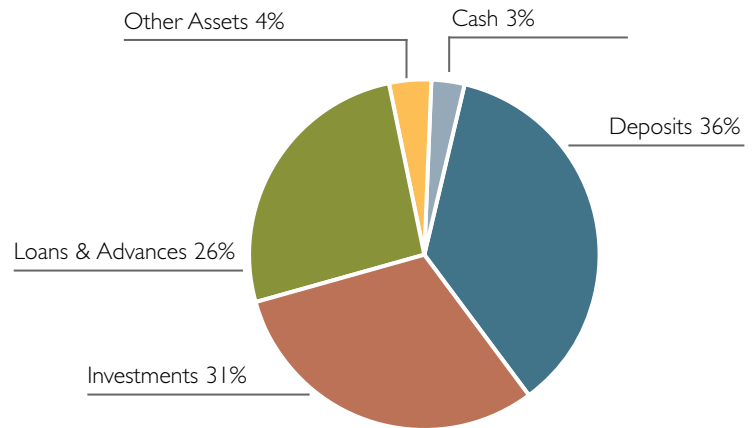
| (BD\$ millions) | 2005 - Q4 | 2005 - Q3 | 2005 - Q2 | 2005 - Q1 | 2004 - Q4 | 2004 - Q3 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Notes & Coins in Circulation* | 93 | 98 | 93 | 93 | 100 | 90 |
| Deposit liabilities: | | | | | | |
| Banks and Deposit Companies (unconsolidated) | 3,362 | 3,510 | 3,562 | 3,579 | 3,558 | 3,544 |
| | 3,455 | 3,609 | 3,655 | 3,672 | 3,658 | 3,635 |
| Less: Cash at Banks and Deposit Companies | 40 | 25 | 28 | 26 | 27 | 23 |
| BD\$ Money Supply | 3,416 | 3,583 | 3,628 | 3,646 | 3,630 | 3,612 |
| % Growth on Previous Period | -4.67% | -1.22% | -0.50% | 0.43% | 0.51% | 1.52% |
| % Growth Year on Year | -5.91% | -0.79% | 1.97% | 5.63% | 10.09% | 12.14% |

*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.

Banks and Deposit Companies Net Income (Consolidated)



Distribution of Total Assets (Consolidated)



Formal Use of Powers

Sections 17 and 18 of the Act enable the Authority to restrict or revoke a licence where that is judged necessary for the protection of depositors or potential depositors. The provisions were not used in 2004.

Sections 25 and 26 of the Act provide for the Authority to review the fitness of all proposed new controllers of licensed institutions. No such notifications were received during the year. Section 27 enables the Authority to object when it concludes that an existing controller is no longer fit and proper; however no such cases occurred in 2005. Section 35 provides, among other things, that licensed institutions must give written notice to the Authority when a person becomes a director or senior executive. As in the past, the Authority was notified of all such new appointments and conducted the appropriate vetting.

Section 36 provides that a person who becomes a significant shareholder in relation to a licensed institution must give written notice of that fact to the Authority. This is triggered when a person, alone or with associates, controls 5% or more of an institution or of another company of which the institution is a subsidiary. The Authority received no such notifications during the year.

Section 39 provides for the Authority to require the commissioning of reports from auditors, accountants or other persons with relevant professional skill on matters relating to the Authority's responsibilities. The Authority did not find it

necessary to utilise this power to deal with particular systems or internal control matters. However, as previously, the power was used routinely during the year for the commissioning of reports to check the accuracy, on a sample basis, of prudential data previously provided to the Authority.

The Authority had no need to make use of its powers under sections 40, 41 and 42 of the Act to require the production of documents, to obtain entry to premises or to appoint persons to investigate an institution.

In addition, the Authority did not need to make use of its formal enforcement powers under sections 43 and 44 of the Act to investigate suspicions of illegal deposit taking.

There were no appeals against decisions of the Authority under the Act during 2005.

International Supervisory Co-operation

The Authority continued to liaise as necessary with overseas agencies in relation to the supervision of individual licensed institutions.

The Authority maintained its membership in key international bodies, such as the Offshore Group of Banking Supervisors (OGBS) and the Basel Cross Border Banking Group, thereby enabling it to remain very much involved in global discussions of issues regarding banking supervisory policy and practice. During the year the OGBS, which continues to represent actively the interests of quality offshore financial centres, was particularly focused on the matter of risk-based KYC/du

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

| (BD\$ Millions) | 2005 - Q4 | | | 2005 - Q3 | | | 2005 - Q2 | | |
|--------------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Total | BD\$ | Other | Total | BD\$ | Other | Total | BD\$ | Other |
| Assets | | | | | | | | | |
| Cash | 803 | 42 | 761 | 440 | 42 | 398 | 481 | 48 | 433 |
| Deposits | 7,941 | 41 | 7,900 | 6,235 | 39 | 6,195 | 5,674 | 32 | 5,642 |
| Investments | 6,936 | 7 | 6,929 | 6,827 | 6 | 6,821 | 6,760 | 6 | 6,754 |
| Loans & Advances | 5,890 | 3,350 | 2,540 | 5,596 | 3,232 | 2,363 | 5,505 | 3,030 | 2,476 |
| Premises & Equipment | 357 | 308 | 49 | 361 | 314 | 47 | 359 | 309 | 51 |
| Other Assets | 444 | 52 | 392 | 328 | 43 | 285 | 301 | 36 | 265 |
| Total Assets | 22,371 | 3,801 | 18,570 | 19,786 | 3,677 | 16,109 | 19,082 | 3,461 | 15,621 |
| Liabilities | | | | | | | | | |
| Demand Deposits | 9,549 | 755 | 8,794 | 8,188 | 795 | 7,393 | 7,907 | 817 | 7,090 |
| Savings | 2,077 | 1,253 | 824 | 2,129 | 1,339 | 790 | 2,146 | 1,389 | 757 |
| Time Deposits | 7,960 | 1,378 | 6,582 | 6,922 | 1,381 | 5,541 | 6,610 | 1,365 | 5,245 |
| Sub Total - Deposits | 19,586 | 3,386 | 16,200 | 17,239 | 3,515 | 13,724 | 16,662 | 3,571 | 13,091 |
| Other Liabilities | 783 | 234 | 549 | 623 | 135 | 487 | 557 | 130 | 426 |
| Sub Total - Liabilities | 20,368 | 3,620 | 16,748 | 17,862 | 3,650 | 14,212 | 17,219 | 3,702 | 13,517 |
| Capital | 2,002 | 614 | 1,388 | 1,924 | 626 | 1,299 | 1,863 | 626 | 1,237 |
| Total Liabilities and Capital | 22,371 | 4,234 | 18,137 | 19,786 | 4,276 | 15,510 | 19,082 | 4,328 | 14,754 |

| (BD\$ Millions) | 2005 - Q1 | | | 2004 - Q4 | | | 2004 - Q3 | | |
|--------------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Total | BD\$ | Other | Total | BD\$ | Other | Total | BD\$ | Other |
| Assets | | | | | | | | | |
| Cash | 627 | 90 | 537 | 387 | 100 | 288 | 486 | 84 | 403 |
| Deposits | 8,775 | 22 | 8,753 | 7,224 | 34 | 7,190 | 7,598 | 98 | 7,500 |
| Investments | 6,854 | 16 | 6,838 | 6,731 | 13 | 6,717 | 8,456 | 18 | 8,438 |
| Loans & Advances | 5,622 | 2,878 | 2,744 | 5,497 | 2,810 | 2,688 | 5,326 | 2,714 | 2,613 |
| Premises & Equipment | 341 | 286 | 55 | 335 | 281 | 55 | 332 | 274 | 58 |
| Other Assets | 332 | 47 | 285 | 313 | 29 | 284 | 263 | 23 | 241 |
| Total Assets | 22,551 | 3,340 | 19,211 | 20,487 | 3,266 | 17,221 | 22,461 | 3,209 | 19,252 |
| Liabilities | | | | | | | | | |
| Demand Deposits | 10,398 | 836 | 9,562 | 8,437 | 830 | 7,608 | 10,943 | 823 | 10,120 |
| Savings | 2,211 | 1,411 | 800 | 2,239 | 1,389 | 850 | 2,165 | 1,348 | 817 |
| Time Deposits | 7,726 | 1,319 | 6,407 | 7,600 | 1,337 | 6,262 | 7,016 | 1,321 | 5,695 |
| Sub Total - Deposits | 20,335 | 3,565 | 16,770 | 18,276 | 3,556 | 14,720 | 20,123 | 3,491 | 16,632 |
| Other Liabilities | 600 | 117 | 483 | 663 | 106 | 557 | 919 | 227 | 692 |
| Sub Total - Liabilities | 20,935 | 3,682 | 17,253 | 18,940 | 3,662 | 15,278 | 21,042 | 3,718 | 17,324 |
| Capital | 1,616 | 626 | 990 | 1,549 | 533 | 1,016 | 1,420 | 587 | 833 |
| Total Liabilities and Capital | 22,551 | 4,308 | 18,243 | 20,489 | 4,195 | 16,294 | 22,462 | 4,305 | 18,157 |

Totals may not add due to rounding

Combined Banks and Deposit Companies Foreign Currency Position (Consolidated)

| (BD\$ millions) | 2005 - Q4 | 2005 - Q3 | 2005 - Q2 | 2005 - Q1 | 2004 - Q4 | 2004 - Q3 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Foreign Currency Assets | 18,570 | 16,109 | 15,621 | 19,211 | 17,221 | 19,252 |
| Less: Other Assets | 392 | 285 | 265 | 285 | 284 | 241 |
| Less: Foreign Currency Loans to Residents | 1,154 | 1,086 | 995 | 917 | 850 | 753 |
| Net Foreign Currency Assets | 17,024 | 14,739 | 14,361 | 18,009 | 16,087 | 18,257 |
| Foreign Currency Liabilities | 16,748 | 14,212 | 13,517 | 17,253 | 15,278 | 17,324 |
| Add: BD\$ Deposits of Non-Residents | 117 | 117 | 124 | 117 | 142 | 161 |
| Net Foreign Currency Liabilities | 16,865 | 14,328 | 13,641 | 17,370 | 15,420 | 17,485 |
| Net Foreign Currency Position (consolidated) | 159 | 411 | 720 | 640 | 667 | 772 |

Totals may not add due to rounding

diligence practices, and helped to clarify the acceptable parameters of such programmes. The Authority actively participated in the OGBS deliberations on this issue.

TRUST GROUP

Trusts (Regulation of Trust Business) Act 2001

The following section (pages 35 to 36) comprises the report required to be made annually by the Authority to the Minister of Finance on the carrying out of its functions under the Trusts (Regulation of Trust Business) Act 2001 (the Act), pursuant to section 5 of the Act.

Developments in the Trust Sector

Bermuda's trust sector had another very positive year with continued growth being achieved in both the number of trusts under trusteeship and total assets under administration. In aggregate, licensed undertakings once again generated increases in revenues and in net income during 2005. Recruiting staff remained a challenge during the year. The number of full-time staff employed in the licensed sector fell, reflecting in part the continuing very strong competition for staff from the rest of the financial services industry. As a result some licensed undertakings faced the challenge of operating without a full complement of staff while seeking to ensure that service levels were maintained.

The Authority continued to evaluate developments in the sector through its ongoing supervision of each licensed undertaking and via routine liaison with industry bodies, such as STEP (Bermuda) Branch and the Bermuda Association of Licensed Trustees.

As the first full year of application for the Trustee Amendment Act 2004, and the Trust (Special Provisions) Act 2004, 2005 proved to be a period of settled adjustment to the legislation. The Authority conducted its routine supervisory responsibilities under the Act, as well as continuing to provide guidance on the Act and the supervisory approach under it, cooperating with industry bodies in a number of seminars and presentations on the new regulatory framework and its detailed implications for compliance and trust officers.

Licensing

The Authority received two applications for unlimited trust licences during the year. After scrutiny, both applications were approved. No applications were received for a limited trust licence. No trust licences were surrendered. Accordingly, there were 33 unlimited licences in operation at the end of the year.

Legislative Change

The Trusts (Regulation of Trust Business) Amendment Act 2005 was enacted at the end of the year, in tandem with similar legislation applying to deposit taking institutions and investment businesses. This new legislation, for which applicable Regulations are currently being developed, also provides for the Minister of Finance to prescribe by regulations the facts and matters that auditors and reporting accountants must report to the Authority (i.e. auditors and accountants who are charged with a statutory duty to report to the Authority).

Ongoing Supervision

The Authority's supervisory approach with regard to licensed undertakings remained as described in last year's Report. This was the second year of implementation of the Authority's on-site compliance programme, which proceeded smoothly and successfully. Overall, industry has been very cooperative and their feedback on the programme has been positive, with many firms confirming that it has added value from their own perspective.

The Authority conducted 11 prudential meetings and 12 on-site review visits during 2005. The focus of the standard on-site work conducted continued to be on high-level controls, together with new business take-on procedures and anti-money laundering controls. In each case, the Authority provided written feedback reports to undertakings, identifying any specific concerns or weaknesses and making recommendations as to remedial action or areas in which their policies or practices may need enhancement.

Private Trust Companies

The Authority approved 19 private trust companies for incorporation during 2005. As in previous years, in each case the Authority conducted the relevant checks to satisfy itself that the business to be conducted was strictly limited and appropriate for exemption from licensing under the Act. The Authority continued to monitor the timely receipt of the required trust exemption certifications from newly incorporated private trust companies.

Formal Use of Powers

Sections 15, 16, 17, 20 and 23 of the Act provide powers to restrict a licence, to revoke a licence, to petition the Court to wind up a company, to give directions to protect the interests of clients and to petition the Court to transfer trusts to a new trustee. There was no need to make use of any of these provisions during the year.

Sections 25 and 26 provide powers for the Authority to object to a new or existing controller or to increased control by an existing controller. The Authority received proposals for new shareholder controllers from three licensed undertakings during 2005. In each case, the Authority was able to give non-objection after a detailed review of the proposals. Licensed undertakings continued to notify the Authority, in accordance with section 34 of the Act, of all changes in controllers and officers.

In accordance with the new arrangements agreed with the industry for the conduct of the Authority's on-site review programme, routine use was made during the year of the powers in sections 36 and 37 of the Act to obtain information and reports and to obtain production of documents. Sections 38 and 39 provide powers for the Authority to gain right of entry to premises and for the appointment of inspectors. During the year the Authority decided to use its powers under section 39 of the Act to investigate certain aspects of the business of one licensed undertaking. This matter remained ongoing at the end of 2005.

No matters were submitted under section 29 of the Act for appeal to the relevant tribunal.

The BIU Members' Credit Union Co-op Society (The Credit Union)

The Authority undertakes certain supervisory functions delegated to it by the Minister of Finance under the Credit Unions Act 1982 (the 1982 Act). As is usual, the Authority held regular meetings with the Board and Management of the Credit Union and also with its auditors. The Authority also completed during the year its review of the existing regulatory framework applied to the Credit Union, and forwarded to the

Statistical Annexe Collective Investment Schemes Statistics

| | 2005 - Q4 | 2005 - Q3 | 2005 - Q2 | 2005 - Q1 | 2004 Year End |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| Mutual Funds | 846 | 836 | 849 | 836 | 809 |
| Umbrella Funds | 62 | 60 | 67 | 64 | 70 |
| Sub-Funds | 315 | 328 | 405 | 378 | 354 |
| Segregated Account Companies | 55 | 49 | 45 | 38 | 29 |
| Segregated Accounts | 331 | 290 | 247 | 177 | 159 |
| Total | 1,609 | 1,563 | 1,613 | 1,493 | 1,421 |
| Unit Trusts | 105 | 101 | 105 | 100 | 96 |
| Umbrella Trusts | 114 | 71 | 81 | 74 | 72 |
| Sub-Trusts | 215 | 211 | 227 | 180 | 166 |
| Total | 434 | 383 | 413 | 354 | 334 |
| Total Portfolios | 2,043 | 1,946 | 2,026 | 1,847 | 1,755 |
| Total Number of Schemes | 1,182 | 1,117 | 1,147 | 1,112 | 1,076 |
| Total Net Asset Value (In Billions) | \$187.53 | \$180.01 | \$178.58 | \$166.50 | \$158.18 |

Minister of Finance a number of proposals for amendments to the present framework, recognising that market conditions have changed considerably since the current provisions were introduced. The Minister of Finance indicated during the year that the matter of amendments to the 1982 Act is on Bermuda's legislative agenda for 2006.

INVESTMENT GROUP

Investment Business Act 2003

The following section (pages 37 to 41) comprises the report that the Authority is required to provide annually to the Minister of Finance regarding the execution of its functions under the Investment Business Act 2003 (the Act), pursuant to section 8(3) of the Act.

Developments in the Investment Sector

The strengthening trend in international markets in 2005 helped the investment sector to record growth in business and revenues. As in the last few years, however, some smaller firms continued to generate inadequate returns, in some cases having to inject further capital in order to maintain the stipulated levels.

Overall, the aggregate total assets of licensed investment providers (excluding banks and overseas entities) amounted to some \$3 billion at the end of 2005, compared to a figure of \$2.7 billion at the end of the previous year. The aggregate capital of the licensed sector grew to \$830 million at the end of 2005. Licensed investment providers also held a total of more than \$46 billion of assets under management as at the end of 2005.

Application of the Act

With the remaining sections of the Act being introduced during the second half of the previous year, 2005 saw the completion of a smooth transition to the new provisions. Client Money Regulations under the Act came into force in March 2005. The Authority also progressed work to develop remaining planned Regulations under the Act, with respect to Cold Calling and the recognition of Investment Exchanges, as well as a draft Order providing further clarification with respect to carrying on investment business in or from Bermuda. Consultation on all of these matters continued through the end of the year, with a view to implementing the new provisions in 2006.

Towards the end of the year, the Authority also initiated consultations with the investment business sector regarding a number of proposed developments in the capital adequacy framework. The proposed changes relate to those firms holding or trading material securities portfolios as principal, as well as those for which consolidated group supervision is relevant. The changes will mark an important development of the Authority's framework for capital adequacy, however they will apply only to the small number of firms and groups for which they are appropriate. The present fixed capital tests applying to almost all firms licensed under the Act will continue to apply in most cases.

The Act currently provides that licensed investment businesses must, among other things, maintain minimum net assets as directed by the Authority. Generally, the level of minimum net assets applied by the Authority varies according to whether the licensed investment entity is conducting business as a principal, agent or otherwise. However, under the Statement of Principles issued under the Act in March 2004, the Authority explains that in certain circumstances it may require an investment provider to maintain higher levels of assets, for example if it holds material principal positions or conducts substantive non-investment business. Such tests have in the past been applied on an ad hoc basis. The intention now is to provide a standard risk-based approach that can be applied in appropriate cases.

The Statement of Principles also explains the circumstances in which the Authority may undertake consolidated supervision of Bermuda-based investment businesses. In practice, the Authority has not to date developed and applied consolidated capital tests to investment businesses, other than for business conducted within banking groups. However, the Authority now proposes to develop appropriate methodologies for applying consolidated supervision in appropriate cases, including the incorporation of the new risk-based methodologies for calculating capital. As with banks, this new framework means that, for relevant firms, capital would be monitored on both a solo and a consolidated basis.

The details of the proposed enhanced capital adequacy calculation that is to apply to investment businesses will also reflect the outcome of a number of other proposals currently being discussed with Bermuda's banks and deposit companies, in preparation for implementation of the Basel II framework.

Licensing

There were 52 licences in issue at the end of 2004. Three applications remained outstanding at that time, one of which was subsequently withdrawn. The remaining two applications were approved along with two applications received during the year. A further two applications were received during the year and remained outstanding at the end of 2005. Three existing licences were surrendered during the year. As a result, a total of 53 licences were in issue at the end of 2005.

Formal Use of Powers

Under section 17(4) of the Act, the Authority may, on an application made by an investment provider, vary or remove any limitation imposed on the scope of a licence. There were no such applications made during the year.

Under sections 20, 21 and 23 the Authority may restrict or revoke a licence. The Authority was not required to use these powers during 2005. Similarly, it was not necessary to give directions under section 24 in the case of any licences that were surrendered.

Under section 28, persons intending to become shareholder controllers of licensed providers are required to serve notice on the Authority, which has a power to object to the proposal. The Authority received no such notices during the year. There was no need to use the power in section 30 to object to an existing controller or the power in section 32 to restrict shares or seek an order for their sale.

During the year, investment providers gave notice to the Authority of changes in controllers and officers, as required by section 43 of the Act and the Authority conducted appropriate vetting of such persons.

The Authority continued to receive from investment providers on a voluntary basis the regular information and reports necessary for the conduct of its supervision. Consequently, no use was made of the formal powers in sections 45, 46 and 47 of the Act to obtain information and reports, to require the production of documents, and to gain entry to premises. Similarly, there was no need to have recourse to the powers in section 49 to investigate an investment provider. However, as recorded in last year's report, an investigation under section 19 of the 1998 Act was initiated during 2003. This investigation was concluded in 2005 with certain remedial action being agreed between the Authority and the relevant parties, designed to strengthen controls over the investment business concerned.

The Authority was not required to use its powers under sections 50 and 51 of the Act with respect to perimeter policing and obtaining a warrant to enter and search premises.

No use was made in 2005 of the powers in Chapter 6 of the Act to publish a statement of public censure or in Chapter 7 to take protective measures.

There was no use of the various powers contained in Part IV of the Act relating to stock exchanges and clearing houses during the year.

Legislative Change

At the end of the year, Parliament passed the Investment Business Amendment Act 2005. This legislation made new provisions that clarify the reporting obligations of auditors and reporting accountants (i.e. auditors and accountants who are charged with a statutory duty to report to the Authority). The provisions allow the Minister of Finance to prescribe by regulations the facts and matters that auditors and reporting accountants must report to the Authority. Relevant Regulations related to the Act are currently being prepared.

Ongoing Supervision

During the year, the Authority conducted six prudential meetings with institutions, in addition to a larger number of ad hoc meetings to discuss specific issues or concerns. It also completed 11 on-site reviews of licensed providers. As is normally the case for our ongoing routine supervision within the Authority's regulatory programmes, all the on-site visits included specific testing of the entity's compliance with anti-money laundering obligations and procedures. For each on-site review, the Authority provided a detailed report to the firm on its findings, including any specific recommendations for remedial action.

BERMUDA STOCK EXCHANGE (BSX)

The improvement in market conditions during the year promoted an increase in trading volumes on the BSX. New listings maintained a steady pace, with 33 new securities listed in 2005. There were 26 subsequent issues made in the securities of issuers already listed. This brought a total of 363 securities listed on the BSX, including 292 offshore investment funds. At the end of 2005, total market capitalisation (excluding mutual funds) exceeded \$325 billion, significantly higher than the \$100 billion recorded in 2004.

During the year, domestic equity securities with an aggregate value of over \$74 million changed hands, an increase of around 20% over the level achieved in 2004. International crossings recorded lower levels of business during the year, with a total of 571 million shares being transacted representing an aggregate value of \$29.3 billion.

Bermuda Stock Exchange Volume 2005

Bermuda Dollar

| Months | Share Volume | Share \$ Volume |
|--------------|------------------|-------------------|
| January | 295,974 | 9,164,241 |
| February | 172,532 | 2,810,074 |
| March | 455,510 | 8,299,556 |
| April | 107,125 | 3,654,158 |
| May | 145,063 | 2,883,970 |
| June | 140,371 | 4,548,907 |
| July | 178,874 | 4,302,825 |
| August | 331,953 | 9,551,708 |
| September | 173,037 | 5,029,117 |
| October | 113,009 | 3,962,916 |
| November | 202,501 | 3,502,660 |
| December | 662,926 | 16,356,257 |
| Total | 2,978,875 | 74,006,389 |

The Authority continued to supervise the BSX and to oversee its activities, with particular regard to the BSX's status as a recognised investment exchange under of Part IV of the Act. It conducted regular prudential meetings with BSX senior management, focusing on operational, performance and strategic issues, in addition to matters regarding the surveillance of trading activity.

The Authority completed consultation during the year on draft Regulations to be introduced under section 67 of the Act, which currently would apply only to the BSX. The Regulations would make detailed provision for the specific requirements and standards to be satisfied by an investment exchange qualifying for a recognition order under the Act. The Authority expects the Regulations to be finalised and introduced during 2006.

The BSX recorded two significant milestones during the year, achieving official international approvals and recognition as a Designated Investment Exchange by the Financial Services Authority in the UK, and as an Approved Stock Exchange by the Australian tax authorities.

International Regulatory Co-operation

The Authority liaised as necessary with overseas agencies in relation to the supervision of individual licensed institutions.

In addition, the Authority was able to maintain its monitoring and active participation in discussions regarding ongoing developments in international standards for investment business regulation. This was made possible primarily through membership of the International Organisation of Securities Commissions (IOSCO) and its related regional body, the Council of Securities Regulators of the Americas (COSRA). IOSCO continued to focus significant work and attention during the year on the issue of enhancing effective regulator-to-regulator assistance and eliminating obstacles to proper co-operation. In particular, IOSCO is promoting adherence to a Multilateral Memorandum of Understanding (MMOU). Where members can meet the required standard of co-operation they may apply to become signatories to the MMOU. Since Bermuda has already achieved a high degree of compliance with the principles for information exchange and co-operation, the Authority submitted an application to become a signatory. Discussions with IOSCO in this regard are ongoing.

Collective Investment Schemes

220 new collective investment schemes (CIS) were classified during 2005. As in the past, these were overwhelmingly targeted towards institutional/sophisticated investors. At the end of the year, there were 2,043 different investment portfolios operating within Bermuda's 1,182 classified schemes, increases of some 16.4% and 10% respectively from 2004 year-end levels.

The aggregate net asset value of Bermuda's classified schemes continued to increase strongly, reaching in excess of \$187 billion at the end of 2005, almost 20% above the 2004 level. Much of this growth was driven by the continued popularity of hedge fund related products.

A full list of schemes classified under Bermuda's CIS Regulations can be found on the Authority's website: www.bma.bm.

The use of Segregated Accounts Companies (SACs) continues among scheme promoters. During 2005, 20 Bermuda SAC vehicles were classified as collective investment schemes with 98 individual segregated accounts, as compared to 29 SAC vehicles and 153 individual segregated accounts in 2004.

The Authority dealt with 861 requests for amendments to approved service providers or for material changes to scheme offering documents during the year:

In a significant regulatory development during the year, the Ministry of Finance, after consultation with the Authority, introduced a new exemption from Bermuda's existing CIS Regulations for certain collective investment schemes. Under the Authority's (Collective Investment Scheme Classification) Amendment Regulations 2005, certain non-retail funds offered exclusively to sophisticated investors can seek exemption from classification under the Regulations. Those funds must, however, be registered by the Authority and have to meet certain criteria, including appointing an auditor; appointing a recognised fund administrator and retaining a local representative in Bermuda.

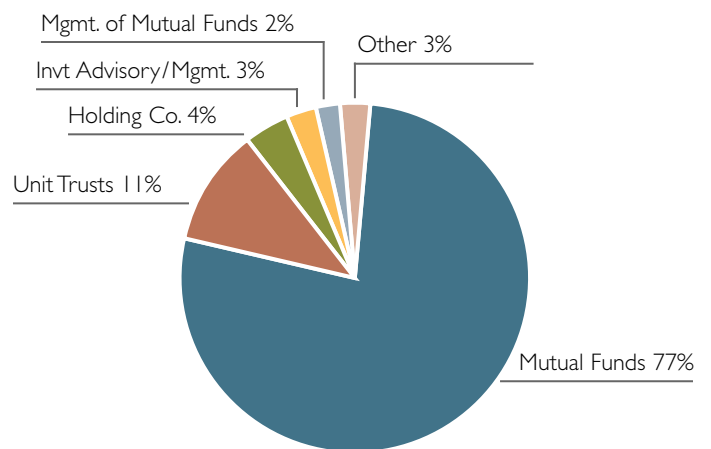
Such exempted funds are regarded as being out of scope for the purposes of the European Union Savings Directive (EUSD), specifically where Swiss paying agents are involved.

Preparatory work and consultation with industry continued during the year with respect to the proposed new Collective Investment Schemes Act. The Authority completed first stage consultations and began drafting the provisions for the new legislation. A bill is being prepared for further industry consultation before it is laid before Parliament later in 2006. In parallel, the Authority is also drafting Regulations under the new Act, intended to supersede the (Collective Investment Scheme Classification) Regulations 1998 currently in use.

Investment Service Entities

The Investment Department reviewed a total of 1,268 applications in respect of investment or related financial service business during 2005. This represented an increase of 27% over the level seen in 2004. A breakdown of these applications is shown below:

Investment Services Applications Reviewed 2005



Insurance

The Insurance Department is responsible for the supervision, regulation and inspection of Bermuda's insurance companies and for the licensing of all insurance brokers, agents, managers and salesmen under the Insurance Act 1978 (the Act) and related provisions. The Department reports to the Supervisor of Insurance.

Developments in the Insurance Sector

Bermuda's insurance sector continues to show growth across key market indicators. Results for the end of 2004 show aggregate total assets increased by 22.9% to \$290.1 billion compared to \$235.9 billion in 2003 (underwriting results are compiled from Statutory Financial Returns filed with the Authority).

While formation rates slowed somewhat during 2005, Bermuda remains the leading jurisdiction for captives, with 28% of global captive registrations. As in previous years captives continue to represent a significant proportion of the licensed insurance entities in Bermuda, writing \$16.6 billion in gross premiums in 2004, an increase of 10% over the previous

year. Also consistent with overall market trends in recent years, Bermuda's commercial reinsurance market continues to write the largest portion of premiums written in the sector. In 2004, \$78.6 billion in gross premiums was written through Bermuda's commercial insurers and reinsurers accounting for 82.5% of the total gross premium results for the year.

Bermuda remains an attractive domicile for the market, as a total of 75 new insurance companies were incorporated during 2005, compared to 77 in 2004. It is also clear that the market continues to have a high level of confidence in Bermuda, as demonstrated by the wave of 11 new Class 4 insurers and reinsurers established in the jurisdiction towards the end of 2005, representing an influx of approximately \$5 billion of new capital, in the aftermath of Hurricane Katrina and the other major storms of the year. Interest in long-term (life) insurers also remained strong with 10 new companies being incorporated during the year.

Indeed, in the wake of devastating natural and man-made disasters such as Hurricane Katrina and 9/11, the critical role



of the global reinsurance market and Bermuda's crucial role within that market is underscored. This fact was reinforced again during 2005. The global insurers and reinsurers sector suffered significant natural catastrophic losses during the year - the range is projected to be as wide as \$60 billion up to \$100 billion. Catastrophe modelling that did not include the potential for such a major loss and the volume of ancillary claims for business interruption, mould damage, etc. led to a number of reinsurers having their credit outlook revised from stable to negative. However, this development was largely mitigated by new capital being raised rapidly in the market, and with the expectation of an increase in premium rates in 2006, fears of a capacity shortage have largely been allayed. Since mid-September 2005, the global reinsurance sector has raised almost US\$22 billion in capital (both existing firms and new entrants to the market) with the bulk of that money being raised by Bermuda-domiciled entities.

Approach to Insurance Supervision

The past year has seen the Authority building on continuing initiatives to enhance the insurance regulatory framework, to reflect changing international standards and its own assessment of required changes in Bermuda's supervision of the industry.

This activity forms the two-stage approach initiated in 2004 to develop the framework subsequent to Bermuda's self-assessment against the International Association of Insurance Supervisors (IAIS) 28 Insurance Core Principles (2003) and the results of the International Monetary Fund review of the Bermuda framework, published in 2005. During the year the Authority continued to build on strengths and address supervisory areas requiring development in order to maintain a sound framework. It is noteworthy that while there have been no fundamental changes to Bermuda's risk-based supervisory approach, all enhancements are in concert with the Authority's philosophical approach to regulation of the sophisticated market.

The Authority continued to apply the new provisions in the Insurance Amendment Act 2004 successfully during 2005. The Act provides statutory backing and detailed written guidance for various matters that had already been conducted as best practice within the existing regulatory framework. The 15 Guidance Notes related to the Act, which the Authority published at the beginning of 2005, have also been effective in providing industry with direction on a range of regulatory processes. The Authority took into account ongoing feedback from industry as it made minor revisions to the original Guidance Notes prior to the end of the year. The Authority intends to issue additional Guidance Notes as warranted, in line with further technical amendments to the Act being proposed for 2006.

The Authority also successfully implemented its new Supervisory Model and risk-based framework for routine supervision of insurers during the year. This internal rating tool was highly useful in terms of promoting the Authority's effectiveness in assessing and monitoring risk within registered insurers. The Model has enabled the Authority to determine the risk profile of insurers and allocate its supervisory resources in an even more efficient manner. The Model incorporates a more substantive on-site programme, with visits being scheduled and conducted within higher risk licensed entities from the beginning of the year.

There was also a significant increase in staffing levels and restructuring of the Authority's Insurance Department in 2005. The Department was restructured to create two focused teams, one dedicated to prudential reviews including on-and off-site work, and the other responsible for licensing and authorisation of regulatory requests for Bermuda registered insurers and reinsurers. This new structure was designed to anticipate and address changes in international insurance regulation, and more particularly reinsurance supervision.

Along with the separate but symbiotic responsibilities of the two teams within the Department, primary responsibility for vetting new insurance incorporations will rest with the Licensing and Authorisations Unit. There is likely to be further delineation within that process, based on the overall aforementioned risk-based framework and Supervisory Model, and captive supervision will also come under the direct purview of the Licensing and Authorisations Team.

Licensing

Bermuda's insurance licensing process is detailed and thorough, and the Authority uses a broad range of resources both internally and externally in order to verify that entities applying for a license meet its highly specific quality tests. When reviewing applications the Authority assesses, among other requirements, whether both the entity and the individuals seeking to manage it are fit and proper to conduct the proposed business and the roles associated with it. During 2005, there were a total of 106 new insurer applications made for incorporation. Of these, the Authority approved 75 applications, and 25 applications were denied. In these cases the problem was generally attributable to applications where information provided was deemed insufficient for approval by the Department and the Insurance Advisory Committee. This implies generally that there may have been concerns about the adequacy of financial resources and/or the viability of the insurance programme. It is most unusual for concerns to arise on proposed beneficial ownership per se. Two applications were withdrawn during the year and four applications still required further review at the year-end. In addition, there were 17 applications for licences from insurance brokers, insurance agents and insurance managers. One of these applications was denied.

As required by the Act, the Authority maintains a register giving details of each licensed insurer. This is available for inspection by members of the public at the Authority's offices.

APPLICATION OF THE ACT

a) Timeliness of Reporting

An important element of companies' statutory responsibility relates to their obligation to file an annual audited financial return with the Authority. The Insurance Department has enhanced its monitoring of the timeliness of the filing of statutory financial returns (SFRs).

b) Solvency Margin Maintenance

The Authority requires insurers to maintain strict minimum solvency margins, which vary according to the class of the insurer; (which, in turn, is determined by the nature and risk of the business to be conducted). For example, for Class 4 companies, representing entities writing property/catastrophe and excess liability coverages, a minimum capital and surplus of \$100 million is required.

It is noteworthy that, despite the scale of Bermuda's insurance sector, the incidence of insolvency remains very low. This reflects the very cautious approach taken to new incorporations and the willingness of the authorities to intervene at an early stage when potential solvency problems appear.

During 2005, the Authority did, however, begin preliminary consultations with government and industry with respect to reviewing current solvency requirements under the Insurance Act, specifically for Class 4 insurers, against the backdrop of the very significant catastrophic losses the industry experienced during the year. The potential raising of solvency requirements for Class 4 companies would only be implemented in order to reflect more accurately the level of risk assumed by those companies. In addition, and related to this area, the Authority has been actively considering the issue of the EU Solvency II initiative and its possible implications. This proposed new framework, currently due to be implemented in 2009, will seek to set a standard for assessing risk based on the overall solvency of a reinsurer/insurer, and will require a high level of transparency from companies.

Market Statistics by Company Type For the Year ended 31st December, 2004

| Company Type | No. of Co's | Gross Premiums | Net Premiums | Total Assets | Cap. and Surplus |
|---|--------------|-----------------------|-----------------------|------------------------|------------------------|
| Captives | | | | | |
| Association Captive | 116 | 2,757,478,990 | 2,213,863,287 | 13,991,412,727 | 4,570,307,909 |
| Captive writing 3rd party | 170 | 5,711,276,404 | 4,376,584,699 | 26,685,477,898 | 11,074,778,643 |
| Group Captive | 118 | 1,516,061,906 | 1,196,745,521 | 4,298,240,012 | 1,582,252,454 |
| Health Care Captive | 63 | 630,061,890 | 540,586,420 | 2,384,086,329 | 595,331,441 |
| Rent-A-Captive | 68 | 1,743,708,500 | 765,315,557 | 2,689,647,603 | 859,387,336 |
| Single-Parent Captive | 344 | 4,293,859,041 | 3,272,982,088 | 15,285,043,660 | 7,791,146,431 |
| Sub-Total | 879 | 16,652,446,731 | 12,366,077,572 | 65,333,908,229 | 26,473,204,214 |
| Professional Insurers/Reinsurers | | | | | |
| Affiliated Reinsurer | 71 | 5,856,698,098 | 4,378,788,060 | 29,556,040,376 | 11,987,813,030 |
| Class 4 Insurer/Reinsurer | 29 | 28,608,405,536 | 26,167,136,953 | 89,942,098,966 | 35,598,369,207 |
| Professional Insurer/Reinsurer | 321 | 44,210,427,756 | 40,022,749,980 | 105,318,519,196 | 32,632,860,592 |
| Sub-Total | 421 | 78,675,531,390 | 70,568,674,993 | 224,816,658,538 | 80,219,042,829 |
| Total | 1,300 | 95,327,978,121 | 82,934,752,565 | 290,150,566,767 | 106,692,247,043 |

These numbers only reflect companies that filed a statutory financial return in 2005.



Market Statistics by Domicile of Beneficial Owner/s For the Year ended 31st December, 2004

| Company Type | No. of Co's | Gross Premiums | Net Premiums | Total Assets | Cap. and Surplus |
|---|--------------|-----------------------|-----------------------|------------------------|------------------------|
| Captives | | | | | |
| Africa/Middle East | 4 | 186,752,922 | 74,076,190 | 286,461,075 | 113,634,517 |
| Asia | 26 | 233,767,643 | 170,217,729 | 579,252,047 | 353,293,003 |
| Australia/New Zealand | 6 | 29,035,135 | 23,688,089 | 50,429,787 | 14,165,860 |
| Bermuda | 49 | 615,628,186 | 518,503,265 | 1,867,486,088 | 832,242,888 |
| Caribbean/Latin America | 25 | 137,956,275 | 4,253,075 | 638,684,963 | 308,244,429 |
| Europe | 128 | 2,874,001,803 | 2,170,968,384 | 11,364,293,134 | 5,930,761,332 |
| North America | 641 | 12,575,304,767 | 9,404,370,840 | 50,547,301,135 | 18,920,862,185 |
| Sub-Total | 879 | 16,652,446,731 | 12,366,077,572 | 65,333,908,229 | 26,473,204,214 |
| Professional Insurers/Reinsurers | | | | | |
| Africa/Middle East | 6 | 443,803,325 | 412,273,320 | 878,965,957 | 20,412,836 |
| Asia | 14 | 223,687,748 | 207,978,503 | 1,115,737,591 | 651,019,667 |
| Australia/New Zealand | 2 | 217,431,039 | 212,886,168 | 498,020,153 | 90,217,527 |
| Bermuda | 72 | 24,829,284,098 | 22,595,354,647 | 86,174,600,645 | 31,889,094,733 |
| Caribbean/Latin America | 14 | 454,754,064 | 452,671,972 | 4,996,532,516 | 2,265,440,818 |
| Europe | 72 | 4,490,147,494 | 3,449,774,444 | 22,988,179,156 | 6,342,708,866 |
| North America | 241 | 48,016,423,622 | 43,237,735,939 | 108,164,622,520 | 38,960,148,382 |
| Sub-Total | 421 | 78,675,531,390 | 70,568,674,993 | 224,816,658,538 | 80,219,042,829 |
| Total | 1,300 | 95,327,978,121 | 82,934,752,565 | 290,150,566,767 | 106,692,247,043 |

These numbers only reflect companies that filed a statutory financial return in 2005.

Therefore, the Authority anticipates re-evaluating the solvency margin regime for Bermuda's Class 4 companies while monitoring further developments on Solvency II during 2006.

Ongoing Supervision

The Authority continued to conduct prudential meetings with company management during the year as part of its routine supervisory responsibilities, in order to maintain a detailed understanding of industry developments as well as to discuss specific corporate issues. Any problems identified via the on-site programme and off-site assessments, or based on other relevant information collected, were addressed efficiently through extended reviews, with information being provided voluntarily by the entities concerned. Consequently during

2005, there was no need to use statutory powers to obtain required information or to use the Authority's formal intervention powers under the Act.

The Authority remained vigilant and promptly conducted any enquiries needed with respect to unauthorised entities claiming to conduct regulated business in Bermuda. There were very few incidents of this nature during 2005, however, in order to protect policyholders and the jurisdiction the Authority maintained the warning list of such suspect companies, which is included on its website www.bma.bm.

Mesheiah Crockwell, Dave Bean, Susan Kovacs, Vaniek VanPutten

The Authority began work on a new IT workflow project during the year to facilitate supervision and provide an even higher level of customer service to the insurance industry. Among other key benefits that will result from this project, the new systems being implemented will enable companies to submit applications for regulatory requests and view the status of their applications online. The new systems will also facilitate the production of more timely statistical reports relating to the insurance market, and feature enhanced disaster recovery components to minimise the impact and duration of incidents that may lead to business interruption.

International Developments

The Authority remained fully engaged in regulatory developments from the global perspective during 2005 via its membership and active involvement with national and international standard setting bodies such as the IAIS and the National Association of Insurance Commissioners.

The Authority actively participated in IAIS technical committees and provided input to a variety of guidance papers produced by that standard setting organisation during the year. Bermuda maintained its membership in the IAIS Reinsurance Committee, the Reinsurance Transparency Group and the Reinsurance Mutual Recognition Working Group. The IAIS continued its focus on examining the regulation of captives during 2005, and in particular the applicability of the Insurance Core Principles for regulating the sector. Accordingly, the Authority continued its active participation in the Captive Issues Working Group. The Group completed drafting a background paper designed to increase IAIS members' understanding about the captive industry and issues relevant to regulating the sector. This included the position that due to the nature of captives, the vast majority of which write no third party risk since the company's owner is also its only policyholder, it would be inappropriate to regulate them in a similar way to commercial insurers.



The paper also seeks to clarify the various types of captives and states that application of the Insurance Core Principles should not take place in a vacuum but with recognition of the specific nature of the insurance company, and that steps should be taken to ensure that applying international standards does not hinder or thwart the efficiency of the market.

The Authority also actively participated in discussions at the IAIS regarding the status of finite reinsurance and the potential of abuse. Bermuda provided input to the IAIS guidance paper on finite reinsurance published in 2004, and the Authority will continue to monitor developments in this area and any possible regulatory implications for the Bermuda market.

Ongoing regulatory developments in Europe, particularly with respect to the EU Reinsurance Directive and Solvency II initiative, continued to require close monitoring during 2005. The Reinsurance Directive is designed to create in effect a

'regulatory passport' that will allow insurers and reinsurers to operate anywhere in the EU with statutory reporting obligations to the 'home' regulator only. This development is a natural consequence of the opening of markets for foreign investment and the sometimes simultaneous creation of international groups and conglomerates. When a branch or subsidiary office is established co-operation and appropriate information exchange between host and home regulator is essential to achieve effective regulation of the entity.

The Authority continued monitoring these and other issues related to implementation of the Directive during the year.

Another initiative of significant interest to the Authority was the ongoing development by the International Accounting Standards Board (IASB) of international financial reporting standards under which EU countries are to produce their consolidated financial results. These new standards are also to converge with those established by the US Financial

Kayla Roberts, Shelby Weldon,
Carnell Lambert, Andrea Wade



Market Statistics by Class of Insurer For the Year ended 31st December, 2004

| Class of Insurer | No. of Co's | Gross Premiums | Net Premiums | Total Assets | Cap. and Surplus |
|------------------|--------------|-----------------------|-----------------------|------------------------|------------------------|
| Class 1 | 354 | 4,088,661,663 | 3,046,439,461 | 15,042,627,319 | 7,785,256,862 |
| Class 2 | 377 | 5,770,590,329 | 4,588,982,018 | 33,657,257,849 | 13,048,060,829 |
| Class 3 | 469 | 35,808,642,925 | 28,080,516,465 | 122,471,814,944 | 42,011,068,834 |
| Class 4 | 29 | 28,608,405,536 | 26,167,136,953 | 89,942,098,966 | 35,598,369,207 |
| Long-Term | 71 | 21,051,677,668 | 21,051,677,668 | 29,036,767,689 | 8,249,491,311 |
| Total | 1,300 | 95,327,978,121 | 82,934,752,565 | 290,150,566,767 | 106,692,247,043 |

These numbers only reflect companies that filed a statutory financial return in 2005.

Explanatory Notes:

- a) Class 1 - a single-parent captive insuring the risks of its owners or affiliates of the owners.
- b) Class 2 - (a) a multi-owner captive insuring the risks of its owners or affiliates of the owners;
(b) a single-parent and multi-owner captive: (i) insuring the risks related to or arising out of the business or operations of the owners and affiliates, and/or (ii) deriving up to 20% of its net premiums from unrelated risks.
- c) Class 3 - Insurers and reinsurers not included in Class 1, 2 or 4, such as:
 - i) Reinsurers writing 3rd party business;
 - ii) Insurers writing direct policies with 3rd party individuals;
 - iii) A single-parent, group, association, or joint venture captives where more than 20% of net premiums written arises from risks which are unrelated to the business of the
 - iv) Finite reinsurers and rent-a-captives.
- d) Class 4 - Insurers and reinsurers capitalised at a minimum of \$100 million underwriting excess liability and/or property catastrophe reinsurance risk.
- e) Long-Term Insurers - Insurers writing long-term (or life) business.

Class of Insurer Incorporated

| Class of Insurer | 2005 | % | 2004 | % |
|---------------------|-----------|------------|-----------|------------|
| Class 1 | 12 | 16 | 28 | 36 |
| Class 2 | 10 | 13 | 12 | 16 |
| Class 3 | 31 | 42 | 24 | 32 |
| Class 3 & Long-Term | 1 | 1 | 1 | 1 |
| Class 4 | 11 | 15 | 1 | 1 |
| Class 4 & Long-Term | 0 | 0 | 0 | 0 |
| Long-Term | 10 | 13 | 11 | 14 |
| Grand Total | 75 | 100 | 77 | 100 |

Analysis of all International Insurers Registered

| Class of Insurer | 2005 | % | 2004 | % |
|--------------------|--------------|------------|--------------|------------|
| Class 1 | 363 | 26 | 374 | 27 |
| Class 2 | 403 | 28 | 415 | 29 |
| Class 3 | 441 | 31 | 422 | 30 |
| Class 4 | 30 | 2 | 21 | 2 |
| Long-term | 84 | 6 | 76 | 5 |
| Composites | 100 | 7 | 102 | 7 |
| Grand Total | 1,421 | 100 | 1,410 | 100 |

Explanatory Note:

Statistics prepared in previous years represented an analysis of all international companies incorporated for the purpose of conducting insurance business and included those insurers that had not yet made application to the Authority to be registered under the Insurance Act 1978 ("Act"). In contrast, the preceding list represents only those international companies registered by the Authority to conduct insurance business.

Accounting Standards Board (FASB). This is considered to be an important priority and the implications for insurance supervision globally are significant; convergence of the two standards is contemplated for sometime in 2010.

In addition, a variety of issues related to insurance will have considerable influence on the future of insurance regulation and how it responds to change. These issues include the movement towards a global solvency regime - the EU Solvency II being a regional example - and the development of the above mentioned international accounting standards in a climate of high catastrophic insurance losses,

sky-rocketing energy prices and corporate downsizing. The Authority continues to play an active role in addressing the challenges of the dynamic regulatory environment on an international level.

International Statistical Updates

As in previous years, the Authority organised Bermuda's submission to the International Monetary Fund's (IMF) annual Coordinated Portfolio Investment Survey (CPIS). The survey measures investment in equities and debt securities by participating jurisdictions.

The Authority undertakes the collection and collation of data from Bermuda's banks, government and a representative sample of insurance companies and collective investment schemes (CIS). The Authority extrapolates the data received from the insurance and CIS sample over the entire population of each sector, based on aggregate statistics taken from regulatory returns received during the year being surveyed. The Authority collects all data on a "voluntary, best efforts" basis in accordance with the directions of the Ministry of Finance.

During 2005, the Authority received returns from all of the banks and all but one of the insurance companies surveyed, reflecting the fairly satisfactory response rate achieved the previous year; co-operation by collective investment schemes was again less complete. The Authority submitted the Bermuda data to the IMF in January 2006 for inclusion in the 2004 CPIS. Total cross-border assets held by Bermuda entities at end of 2004 were reported at \$309.6 billion, up 22% from the figure of \$253.9 billion for the previous year. The complete results of the survey are posted on the IMF website.

The Authority was represented once again at the annual IMF CPIS workshop for Small Economies with International Financial Centres ('SEIFiCs'). The 2005 workshop, took place in Gibraltar in May. The workshops provide participants with the opportunity to exchange views and experiences, and also to discuss the various methodologies used by jurisdictions with respect to data collection and collation. (Bermuda was the only SEIFiC to take part in the original 1997 CPIS.)

The Authority also continues to collate and produce quarterly reports on locational banking data for submission to the Bank for International Settlements (BIS). Our 2005 report showed that at the end of the year Bermuda's banks had aggregate cross-border claims of US\$13.5 billion and total cross-border liabilities of US\$12.2 billion (from US\$10.4 billion and US\$9.1 billion respectively a year earlier). The BIS statistics continue to be useful as one of several tools the Authority uses to monitor the debt securities portion of the banks' CPIS returns.

BALANCE OF PAYMENTS

During 2005, the responsibility for compiling Bermuda's balance of payments estimates officially moved from the Authority to the Bermuda Government Department of Statistics. This transfer of responsibility is a logical result of the introduction of the Statistics Act 2002, which provides that one of the duties of the Chief Statistician is: "to collect, compile, collate, analyse, abstract and publish statistical information relating to the commercial, industrial, social, financial, economic and general activities and conditions of the people of Bermuda".

The Authority maintained responsibility for compiling the data for the first two quarters of 2005, while assisting the Department of Statistics in preparing for a smooth transition. The Department of Statistics took over the preparation of the estimates for the third quarter of 2005 and subsequent periods.

The Authority wishes to take this opportunity to express publicly its appreciation to all those persons and businesses that have provided data for these estimates over the years. Such co-operation by the private sector is vital, and the Authority hopes very much that all concerned will facilitate the work of the Department of Statistics by continuing to respond in a timely manner to requests for information.

Bermuda Monetary Authority

31 Reid Street
Hamilton HM 12
Bermuda

Cheryl-Ann Lister CFA, MBA
Chairman and CEO

28 April, 2006

The Hon. Paula A. Cox, JP MP
Minister of Finance
Ministry of Finance
Hamilton

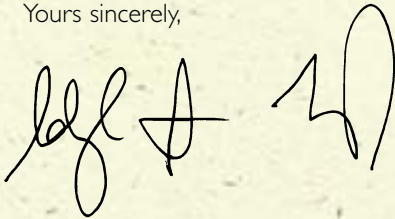
Dear Minister:

In accordance with section 28(1) of the Bermuda Monetary Authority Act 1969 I have the honour to submit to you a report of the operations of the Authority for the year 2005 together with the annual statement of accounts certified by the Auditor.

This document also contains the reports for the year 2005 which the Authority is required to make to you pursuant to:

- section 8(3) of the Banks & Deposit Companies Act 1999;
- section 8(3) of the Investment Business Act 2003; and
- section 5 of the Trusts (Regulation of Trust Business) Act 2001.

Yours sincerely,



Bermuda Monetary Authority

31 Reid Street
Hamilton HM 12
Bermuda

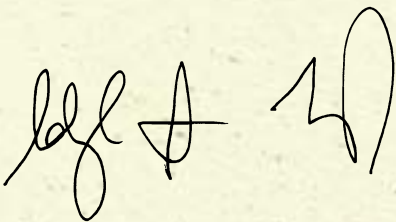
28 April, 2006

The accompanying financial statements of the Bermuda Monetary Authority have been prepared by management in accordance with accounting principles generally accepted in Bermuda and Canada. Management is responsible for ensuring the integrity and objectivity of the data contained in these financial statements and that all information in the annual report is consistent with the financial statements.

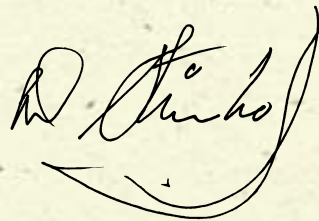
In support of its responsibility, management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded, and that the operations are carried out effectively.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board approves the Authority's financial statements. The Audit Committee of the Board reviews the annual financial statements and recommends their approval to the Board of Directors. In conducting its review, the Audit Committee meets with management and the Authority's external auditor, the Auditor General.

The Auditor General has audited these financial statements and his report is presented herein.



Cheryl-Ann Lister, CFA, MBA
Chairman & CEO



Robert D. Steinhoff, FCA
Deputy Chairman

Auditor's Report



Office of the Auditor General
Victoria Hall
11 Victoria Street
Hamilton HM 11, Bermuda

Tel. (441) 296 3148

Fax. (441) 295 3849

E-mail. auditbda@gov.bm

Website. www.oagbermuda.gov.bm

AUDITOR'S REPORT

To the Board of Directors

I have audited the balance sheet of the Bermuda Monetary Authority as at December 31, 2005 and the statements of earnings, general reserve and cash flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Bermuda Monetary Authority as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

A handwritten signature in black ink, appearing to read 'L. T. Dennis'.

Hamilton, Bermuda
March 6th, 2006

Larry T. Dennis, C.A.
Auditor General

BERMUDA MONETARY AUTHORITY

BALANCE SHEET AS AT DECEMBER 31, 2005

(In thousands of dollars)

2005

2004

ASSETS

Investment Income Earning Assets

| | | |
|---------------------------|----------------|--------|
| Cash and cash equivalents | 30,509 | 20,219 |
| Term deposits (Note 4) | 24,956 | 25,000 |
| Investments (Note 5) | 65,400 | 50,079 |
| | 120,865 | 95,298 |

Other Assets

| | | |
|--|----------------|---------|
| Accounts receivable and accrued interest | 1,621 | 1,483 |
| Stock of notes and coins for circulation | 1,236 | 1,034 |
| Stock of numismatic items | 569 | 402 |
| Prepaid expenses | 125 | 252 |
| Capital assets (Note 6) | 28,553 | 32,937 |
| | 32,104 | 36,108 |
| | 152,969 | 131,406 |

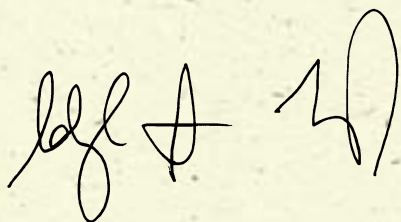
LIABILITIES, CAPITAL AND RESERVE

Liabilities

| | | |
|--|----------------|---------|
| Notes and coins in circulation | 113,698 | 99,927 |
| Accounts payable and accrued liabilities | 1,425 | 1,228 |
| Due to the Consolidated Fund of the Government of Bermuda (Note 7) | 1,722 | 1,594 |
| | 116,845 | 102,749 |

Capital and Reserve

| | | |
|------------------------------------|----------------|---------|
| Capital | | |
| Authorised: \$30,000,000 | | |
| Subscribed and fully paid (Note 8) | 10,600 | 10,600 |
| General Reserve (Note 9) | 25,524 | 18,057 |
| | 36,124 | 28,657 |
| | 152,969 | 131,406 |



Cheryl-Ann Lister, CFA, MBA
Chairman & CEO



Robert D. Steinhoff, FCA
Deputy Chairman

The accompanying notes are an integral part of these financial statements.

BERMUDA MONETARY AUTHORITY

STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 2005

| (In thousands of dollars) | 2005 | 2004 |
|---|---------------|-------------|
| REVENUES | | |
| Supervisory & licensing fees (Note 10) | 13,407 | 10,067 |
| Investment income (Note 11) | 4,310 | 4,705 |
| Incorporation fees, vault commission and other income | 3,237 | 497 |
| Rental Income | 2,536 | 85 |
| Net sales of special coins | 106 | 60 |
| | 23,596 | 15,414 |
| EXPENSES | | |
| Salaries and employee benefits | 8,824 | 7,714 |
| General expenses (Note 12) | 3,381 | 2,416 |
| Amortisation of capital assets | 1,275 | 881 |
| Professional fees | 627 | 842 |
| Circulation note and coin expenses | 300 | 373 |
| | 14,407 | 12,226 |
| NET EARNINGS FOR THE YEAR | 9,189 | 3,188 |

BERMUDA MONETARY AUTHORITY

STATEMENT OF GENERAL RESERVE FOR THE YEAR ENDED DECEMBER 31, 2005

| (In thousands of dollars) | 2005 | 2004 |
|--|----------------|-------------|
| BALANCE, BEGINNING OF YEAR | 18,057 | 16,463 |
| Net earnings for the year | 9,189 | 3,188 |
| Distribution payable to the Consolidated Fund (Note 7) | (1,722) | (1,594) |
| BALANCE, END OF YEAR | 25,524 | 18,057 |

The accompanying notes are an integral part of these financial statements.

BERMUDA MONETARY AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005

| (In thousands of dollars) | 2005 | 2004 |
|--|-----------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net earnings for the year | 9,189 | 3,188 |
| Adjustment to convert earnings to a cash basis: | | |
| Amortisation of capital assets | 1,275 | 881 |
| Amortisation of discounts on investments | (18) | (17) |
| Adjustment to building purchase price for rent not received | - | (85) |
| (Gain) Loss on disposal of capital assets | (2,484) | 13 |
| Loss on sale of investments | 227 | 252 |
| | 8,189 | 4,232 |
| Changes in non-cash working capital: | | |
| Accounts receivable and accrued interest | (138) | (479) |
| Stock of notes and coins for circulation | (202) | 241 |
| Stock of numismatic items | (167) | (93) |
| Prepaid expenses | 127 | (161) |
| Notes and coins in circulation | 13,771 | 5,870 |
| Accounts payable and accrued liabilities | 197 | 294 |
| | 21,777 | 9,904 |
| FUNDS PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of capital assets | (152) | (29,540) |
| Purchase of investments and term deposits | (33,892) | (32,407) |
| Proceeds from sale of capital assets | 5,745 | - |
| Proceeds from sale and maturity of investments | 18,406 | 46,058 |
| | (9,893) | (15,889) |
| FUNDS USED IN INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Distribution to the Consolidated Fund of the Government of Bermuda | (1,594) | (1,125) |
| | 10,290 | (7,110) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | |
| | 20,219 | 27,329 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | | |
| | 30,509 | 20,219 |

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

BERMUDA MONETARY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

1. THE BERMUDA MONETARY AUTHORITY ACT 1969

The Bermuda Monetary Authority ("the Authority") was established by an Act of the Legislature, its objects and powers being set out in the Bermuda Monetary Authority Act 1969, as amended.

The primary responsibilities of the Authority are: -

- Acting as issuing authority for Bermuda dollar notes and coins;
- the supervision, regulation and inspection of all financial institutions operating in or from within Bermuda;
- the promotion of the financial stability and soundness of financial institutions;
- the supervision, regulation and approval of the issue of financial instruments by financial institutions or by residents;
- the fostering of close relations between financial institutions and between the financial institutions and Government;
- assisting with the detection and prevention of financial crime;
- the management of exchange control and the regulation of transactions in foreign currency or gold on behalf of the Government; and
- the provision of advice and assistance to the Government and public bodies on banking and other financial and monetary matters.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with generally accepted accounting principles in Bermuda and Canada. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues earned and expenses incurred during the year. Actual results could differ from these estimates.

(a) Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Bermuda dollars at the year-end exchange rates. Revenues and expenses are translated at the exchange rates in effect at the transaction dates. Realised and unrealised exchange gains and losses are included in investment income.

(b) Investments

Investments comprise long term investments in fixed income securities. The Authority's intention is to hold the securities until maturity. The securities are carried at cost or amortised cost.

(c) Cash & Cash Equivalents

Cash and deposits, including repurchase agreements and demand deposits with maturity of ninety days or less, are considered equivalent to cash.

(d) **Stock of Notes and Coins for Circulation**

The stock of notes and coins for circulation is stated at cost on a "first in, first out" basis.

(e) **Stock of Numismatic Items**

Numismatic items consist of commemorative coins and circulation notes and coins for resale. The stock of numismatic items is stated at the lower of cost on a "first in, first out" basis and net realisable value.

(f) **Capital Assets and Amortisation**

Capital assets are stated at cost less accumulated amortisation. Amortisation is charged using the straight-line method at an annual rate of 2.5% for building and 25% for all other assets excluding land. In the year of acquisition, a half-year amortisation is taken.

Renovations that occurred in Jardine House and 31 Reid Street during the current year are being amortised over the remaining lease terms of these premises.

(g) **Notes and Coins in Circulation**

The balance of notes and coins in circulation does not include the face value of commemorative coins sold, as the Authority does not expect any significant redemption of these coins.

(h) **Museum Items**

Museum items have been capitalised at a nominal amount of \$1,000 and are included in the stock of numismatic items. All new additions to museum items are expensed during the year of purchase.

(i) **Revenue recognition**

The Authority recognises revenue as it is earned.

(j) **Financial Instruments**

The fair values of investments as disclosed in Note 5 are based on year-end quoted market prices.

The fair values of other financial assets and liabilities approximate their carrying amounts as they are generally due on demand or otherwise earn interest at market interest rates.

3. EMPLOYEE BENEFITS

(a) Pension Plan

The Authority has a defined contribution plan administered by BF&M Life for the majority of its employees. Employee contributions to the plan are 5% of gross salary matched by the Authority. These contributions represent the total liability of the Authority and are recognised on a current basis. The Authority's contributions to the Plan during the year were \$272,186 (2004 - \$237,763).

The Public Service Superannuation Fund administered by the Government of Bermuda covers the remainder of the Authority's employees. Contributions of 5% of gross salary are required from both the employee and the Authority. These contributions represent the total liability of the Authority and have been included in salaries and employee benefits. The Authority's contributions to the Plan during the year were \$45,324 (2004 - \$ 40,891).

(b) Other Benefits

Other employee benefits include maternity leave, sick leave, vacation days and pre-retirement leave. These benefits are unfunded.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as of December 31, 2005 is \$125,184 (2004 - \$81,639) and is included in accounts payable and accrued liabilities.

Employees under the Public Service Superannuation Fund are entitled to pre-retirement leave based upon their years of service at the time of retirement. The pre-retirement leave accumulates and vests and a liability is accrued each year. During the year, pre-retirement leave benefits of \$11,490 (2004 - \$3,917) were paid. The liability as at December 31, 2005 has been determined to be \$174,351 (2004 - \$100,000) and is included within accounts payable and accrued liabilities.

4. TERM DEPOSITS

Maturities and effective yields of term deposits are as follows:

| (In thousands of dollars) | 2005 | | | 2004 |
|------------------------------|------------------|--------------|--------|--------|
| | Less Than 1 Year | 1 to 5 Years | Total | Total |
| Bermuda Dollar Term Deposits | 14,956 | 10,000 | 24,956 | 25,000 |
| Average effective yield | 4.67% | 3.25% | 4.10% | 5.41% |

Average effective yield is based on book values and contractual interest rates.

5. INVESTMENTS

The investment portfolio includes fixed income securities denominated in U.S. dollars. The market value of the portfolio of fixed income securities is \$64.9 million (2004 - \$50.4 million).

An analysis of the investment portfolio by maturity and average effective yields is as follows:

| (In thousands of dollars) | 2005 | | | 2004 |
|----------------------------------|--------------|-----------|--------|--------|
| | 1 to 5 Years | > 5 Years | Total | Total |
| US Government Agencies | 18,961 | 41,418 | 60,379 | 50,079 |
| Supranational bank | - | 5,021 | 5,051 | - |
| Total Investments | 18,961 | 46,439 | 65,400 | 50,079 |
| Weighted average effective yield | 4.54% | 4.72% | 4.64% | 4.64% |

Weighted average effective yields are based on book values adjusted for amortisation of premiums and discounts.

Certain US Government Agencies have the right to call their debt issues without penalty. As a result, the actual maturity dates for these issues may differ from the contractual maturity dates.

The Authority is exposed to a concentration of credit risk as 74.5% (2004 - 70.3%) of its income earning assets are in US Government and US Government Agency securities.

6. CAPITAL ASSETS

| (In thousands of dollars) | 2005 | | | 2004 |
|-------------------------------|--------|--------------------------|----------------|----------------|
| | Cost | Accumulated Amortisation | Net Book Value | Net Book Value |
| Land | 4,000 | - | 4,000 | 5,000 |
| Building | 25,010 | 1,155 | 23,855 | 26,886 |
| Furniture & fixtures | 1,556 | 1,185 | 371 | 575 |
| Computer equipment & software | 1,007 | 680 | 327 | 476 |
| | 31,573 | 3,020 | 28,553 | 32,937 |

During 2005 the Authority sold a building for \$5.7 million resulting in a gain of \$2.5 million which is included in Incorporation fees, vault commissions and other income.

7. DUE TO THE CONSOLIDATED FUND OF THE GOVERNMENT OF BERMUDA

In accordance with Section 8 (3) of the Bermuda Monetary Authority Act 1969, earnings in the amount of \$1,722,000 (2004 - \$1,594,000) will be payable to the Consolidated Fund of the Government of Bermuda. This amount is non-interest bearing and payable by May 31, 2006.

8. SUBSCRIBED AND FULLY PAID CAPITAL

The Authority's authorised capital of \$30,000,000 can be subscribed at such times and in such amounts as the Board, with the approval of the Minister of Finance, may require.

9. GENERAL RESERVE

A general reserve of \$25,524,000 (2004 - \$18,057,000) has been established in accordance with Section 8 of the Bermuda Monetary Authority Act 1969.

The Minister of Finance granted approval for \$7,467,000 (2004 - \$1,594,000) of net earnings to be transferred to the general reserve account.

10. SUPERVISORY & LICENSING FEES

| (In thousands of dollars) | 2005 | 2004 |
|----------------------------------|---------------|-------------|
| Insurance Fees | 8,869 | 5,541 |
| Bank and deposit company fees | 4,036 | 4,052 |
| Trust company fees | 335 | 311 |
| Investment business licence fees | 167 | 163 |
| | 13,407 | 10,067 |

11. INVESTMENT INCOME

| (In thousands of dollars) | 2005 | 2004 |
|---------------------------------------|--------------|-------------|
| Interest on investments | 2,677 | 3,196 |
| Interest on term deposits | 1,295 | 1,533 |
| Interest on cash and cash equivalents | 646 | 243 |
| Foreign exchange loss | (81) | (15) |
| Loss on sale of investments | (227) | (252) |
| | 4,310 | 4,705 |

12. GENERAL EXPENSES

| (In thousands of dollars) | 2005 | 2004 |
|---|--------------|-------------|
| Premises and general office expenses | 2,340 | 1,552 |
| Communication and computer expenses | 572 | 461 |
| Conferences, seminars, education and training | 469 | 403 |
| | 3,381 | 2,416 |

13. LEASE COMMITMENTS

The Authority has entered into operating leases for office premises that expire on December 31, 2006. The minimum annual lease payments pursuant to these leases is \$898,899 in 2006. In addition, the leases provide for payment by the Authority of its share of general occupancy costs of \$149,452 in 2006.

In 2004, the Authority purchased a building that is currently occupied by the existing third party tenants from the date of the building acquisition. The Authority assumed the operating leases of these three tenants and they will expire either on December 31, 2006 or December 31, 2007. The minimum annual lease payments and maintenance fees pursuant to these leases are as follows:

| (In thousands of dollars) | 2006 | 2007 | Total |
|----------------------------------|-------------|-------------|--------------|
| Lease receipts | 2,277 | 373 | 2,650 |
| Maintenance fees | 321 | 53 | 374 |
| | 2,598 | 426 | 3,024 |

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

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Errata

Bermuda Money Supply – Pages 12 & 32

The correct Bermuda Money Supply figures are shown below:

| (BD\$ millions) | 2005 - Q4 | 2005 - Q3 | 2005 - Q2 | 2005 - Q1 | 2004 - Q4 | 2004 - Q3 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Notes & Coins in Circulation* | 114 | 98 | 99 | 93 | 100 | 90 |
| Deposit liabilities: | | | | | | |
| Banks and Deposit Companies (unconsolidated) | 3,362 | 3,510 | 3,562 | 3,579 | 3,558 | 3,544 |
| | 3,476 | 3,609 | 3,662 | 3,672 | 3,658 | 3,635 |
| Less: Cash at Banks and Deposit Companies | 40 | 25 | 28 | 26 | 27 | 23 |
| BD\$ Money Supply | 3,437 | 3,583 | 3,634 | 3,646 | 3,630 | 3,612 |
| % Growth on Previous Period | -4.10% | -1.39% | -0.33% | 0.43% | 0.51% | 1.52% |
| % Growth Year on Year | -5.34% | -0.79% | 2.15% | 5.63% | 10.09% | 12.14% |

*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.

