

BERMUDA MONETARY AUTHORITY



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THIRD QUARTER 2001



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GENERAL COMMENTARY

- **New banking licence**

Following review by the Bermuda Monetary Authority and the Ministry of Finance, an application by Gibbons Deposit Company Limited for a banking licence was approved. A banking licence was subsequently issued to the newly renamed Capital G Bank Limited on 4 October 2001.

- **New legislation**

The Trusts (Regulation of Trust Business) Act 2001, which will repeal and replace the Trust Companies Act 1991, received the Royal Assent in July 2001. It is expected to come into force in January 2002.

Amendments to the Bermuda Monetary Authority Act 1969 and the Insurance Act 1978 received the Royal Assent in August 2001. In particular, the amendments provide powers for the regulators to obtain information from licensed persons in order to assist foreign regulatory authorities.

- **Cross Border Meeting**

At a meeting of the Working Group on Cross Border Banking in London on 25 September 2001 the final text of the Customer Due Diligence Paper was agreed. The Bermuda Monetary Authority has been closely involved in the work of the Working Group. The Basel Committee on Banking Supervision has subsequently endorsed the paper and circulated it to banks and regulatory authorities worldwide.

- **19th International Symposium on Economic Crime**

The General Manager joined delegates from a wide range of jurisdictions at this year's symposium at Jesus College, Cambridge from 9 to 15 September 2001. Recent developments in international standards as well as in individual national anti-money laundering procedures and approaches were discussed.

- **International Monetary Fund (IMF) Seminar**

The seminar *Workshop on Macroeconomic Statistics for Small Economies with International Financial Centres* was held in Bermuda from 4 to 7 September 2001. The Premier formally opened the event. The Statistics Department and the Bermuda Monetary Authority were joint hosts. There were participants from twelve jurisdictions in addition to Bermuda and the IMF team (Aruba, Bahamas, Bahrain, Barbados, BVI, Cayman Islands, Guernsey, Isle of Man, Jersey, Mauritius, Netherlands Antilles, Turks & Caicos). The agenda included presentations and discussions on System of National Accounts, Balance of Payments and International Investment Position, together with the 2001 Coordinated Portfolio Investment Survey, and their various interrelationships.



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BERMUDA MONEY SUPPLY

(BD\$ millions)

	2000-Q2	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3
Notes & Coins in Circulation*	74	71	84	76	76	76
Demand, Time & Savings Deposits **						
Banks (unconsolidated basis)	1,593	1,555	1,530	1,562	1,974	2,075
Deposit Companies	972	966	973	983	519	541
	2,639	2,592	2,587	2,621	2,569	2,692
Less: Cash at Banks	15	16	28	20	23	48
Less: Deposit Company Balances at Banks	103	107	94	86	25	27
Bermuda Money Supply	2,521	2,469	2,465	2,515	2,521	2,617
% Growth on Previous Period	2.40%	-2.06%	-0.16%	2.03%	0.24%	3.81%
% Growth Year-on-Year	4.35%	1.61%	1.19%	2.15%	0.00%	5.99%

Totals may not add due to rounding

* This table includes the supply of Bermuda dollars only. United States currency is also in circulation in Bermuda but the amount has not been quantified.

** The allocation of deposit liabilities between banks and deposit companies has been affected by the amalgamation of a deposit company into its parent bank during the second quarter of 2001



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BD\$ DEPOSIT PROFILE – COMBINED BANKS AND DEPOSIT COMPANIES (Unconsolidated)

(BD\$ millions)	2000-Q2	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3
Bank Deposit Liabilities *	1,593	1,555	1,530	1,562	1,974	2,075
Deposit Company Deposit Liabilities *	972	966	973	983	519	541
	2,565	2,521	2,503	2,545	2,493	2,616
Less:						
Deposit Company Balances at Banks	(103)	(107)	(94)	(86)	(25)	(27)
Total Deposit Liabilities	2,462	2,414	2,409	2,459	2,468	2,589
Less:						
Bank Loans & Advances	(1,182)	(1,221)	(1,234)	(1,271)	(1,714)	(1,756)
Deposit Company Loans & Mortgages	(810)	(808)	(845)	(866)	(459)	(458)
Total Loans, Advances and Mortgages	(1,992)	(2,029)	(2,079)	(2,137)	(2,173)	(2,214)
SURPLUS DEPOSITS	470	385	330	322	295	375
Percentage of Deposit Liabilities Lent	80.9%	84.1%	86.3%	86.9%	88.0%	85.5%
Totals may not add due to rounding						
* The allocation of deposit liabilities between banks and deposit companies has been affected by the amalgamation of a deposit company into its parent bank during the second quarter of 2001						



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**COMBINED BANKS AND DEPOSIT COMPANIES FOREIGN CURRENCY POSITION
(CONSOLIDATED)**

(BD\$ millions)	2000 - Q2	2000 - Q3	2000 - Q4	2001 - Q1	2001 - Q2	2001 - Q3
Total Foreign Currency Assets	14,136	15,175	14,749	14,793	15,522	14,569
Less: Other Assets	245	201	193	229	298	269
Less: Foreign Currency Loans to Residents	280	271	314	253	270	294
Net Foreign Currency Assets	13,611	14,703	14,242	14,311	14,954	14,006
Foreign Currency Liabilities	12,877	13,957	13,563	13,484	14,248	13,281
Add: BD\$ Deposits of Non-Residents	96	113	121	146	167	191
Net Foreign Currency Liabilities	12,973	14,071	13,684	13,630	14,415	13,472
Net Foreign Currency Position (consolidated)	638	632	558	681	539	534



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BALANCE OF PAYMENTS ESTIMATES

BDS MILLIONS	1998	1999	2000	2001 YTD	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3
CURRENT ACCOUNT											
PAYMENTS											
Merchandise(Imports)	629	712	719	582	178	187	170	184	200	202	180
Shipping & Other Transportation	101	108	114	86	30	30	28	26	26	31	29
Travel	222	212	216	160	30	53	79	54	32	47	81
Investment Income	61	56	64	48	14	17	18	15	15	18	15
Profess. Man. & Tech. Service	59	77	93	76	21	23	24	25	25	25	26
Other Goods Services & Income	211	220	233	201	52	57	63	61	65	70	66
Current Transfers	109	164	174	144	37	44	46	47	47	48	49
	1392	1549	1613	1297	362	411	428	412	410	441	446
RECEIPTS											
Merchandise(Exports)	33	51	51	24	11	20	8	12	9	9	6
Shipping & Other Transportation	16	20	26	24	6	11	5	4	9	7	8
Travel	481	483	434	305	47	164	154	69	37	136	132
Investment Income	188	208	232	266	68	54	49	61	159	63	44
Profess. Man. & Tech. Service	759	912	930	699	216	218	250	246	221	223	255
Other Goods Services & Income	123	120	123	90	32	28	31	32	33	26	31
Current Transfers	15	15	14	12	4	3	3	4	4	4	4
	1615	1809	1810	1420	384	498	500	428	472	468	480
NET BALANCE											
Merchandise (Trade)	(596)	(661)	(668)	(558)	(167)	(167)	(162)	(172)	(191)	(193)	(174)
Shipping & Other Transportation	(85)	(88)	(88)	(62)	(24)	(19)	(23)	(22)	(17)	(24)	(21)
Travel	259	271	218	145	17	111	75	15	5	89	51
Investment Income	127	152	168	218	54	37	31	46	144	45	29
Profess. Man. & Tech. Service	700	835	837	623	195	195	226	221	196	198	229
Other Goods Services & Income	(88)	(100)	(110)	(111)	(20)	(29)	(32)	(29)	(32)	(44)	(35)
Current Transfers	(94)	(149)	(160)	(132)	(33)	(41)	(43)	(43)	(43)	(44)	(45)
Current A/C Surplus/Deficit	223	260	197	123	22	87	72	16	62	27	34
CAPITAL & FINANCIAL ACCOUNT											
CAPITAL ACCOUNT											
	0	0	2	0	0	0	1	1	0	0	0
FINANCIAL ACCOUNT											
Net Long Term Investment	(109)	(173)	(119)	(126)	(28)	(35)	(26)	(30)	(127)	(1)	2
Net Short Term Investment	(230)	11	(40)	71	(27)	(12)	9	(10)	102	(4)	(27)
of which : Authorised Dealers	(229)	33	(41)	63	(42)	(10)	7	4	95	(5)	(27)
: BMA	(1)	(22)	1	8	15	(2)	2	(14)	7	1	0
Capital & Financial A/C Balance	(339)	(162)	(157)	(55)	(55)	(47)	(16)	(39)	(25)	(5)	(25)
BALANCING ITEM	116	(98)	(40)	(68)	33	(40)	(56)	23	(37)	(22)	(9)



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BALANCE OF PAYMENTS COMMENTARY

Introduction

The balance of payments figures are, to a large extent, based on estimated and historical data; they should therefore be interpreted with a suitable degree of caution. The estimates for **professional, managerial and technical services** receipts for 1999 and 2000 have been revised in light of the findings of *International Companies 1999*, a study conducted by Dr. Brian Archer as a consultant to the Ministry of Finance. Certain **current account** payment categories that have a relationship with the professional, managerial and technical services receipts have been revised also.

Current Account

Provisional estimates for the third quarter of 2001 recorded a surplus on **current account** of \$34 million, down from the surplus of \$72 million seen in the third quarter of 2000.

- **Payments**

Payments in the third quarter of 2001 increased by \$18 million compared to the third quarter of 2000.

- **Receipts**

Receipts in the third quarter of 2001 decreased by \$20 million compared to the third quarter of 2000.

Capital and Financial Account

The **capital and financial account**, which comprises **capital** transfers, **long term investment** and **short term investment**, recorded an estimated net outflow of \$25 million in the third quarter of 2001 resulting from: -

- **net long term investment** inflow of \$2 million; and
- **net short term investment** outflow of \$27 million attributable to an increase in the external holdings of authorised dealers.

Note

Where Bermudian exempted companies do not carry on business in Bermuda, their financial flows (other than direct purchases of goods and services from, and their capital account transactions with, Bermuda residents) are excluded from these estimates.



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COMPANIES PARTNERSHIPS & PERMITS STATISTICS

APPLICATIONS APPROVED SUMMARY

	2000-Q2	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3
Exempted Companies (Bermuda companies exempted from the 60% Bermudian ownership requirement)	492	391	376	341	321	261
Exempted Partnerships (partnerships established in Bermuda to carry on business in or from within Bermuda)	40	35	25	27	23	19
Overseas Partnerships (overseas partnerships applying for permits to carry on business in or from within Bermuda)	1	1	3	5	5	0
Overseas Companies Permit (overseas companies applying for permits to carry on business in or from within Bermuda)	12	13	25	18	15	5
Unit Trusts	1	2	1	1	2	41
Continuation Companies (companies from other jurisdictions continuing into Bermuda as exempted companies)	7	12	6	6	6	3
Unlimited Liability Companies	0	0	0	0	0	3
Local Companies	67	51	38	60	57	44
Total Applications Approved	620	505	474	458	429	376

Statistics for earlier periods have been revised to reflect more recent data.
Detailed statistics may be accessed on the Authority's website www.bma.bm



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COLLECTIVE INVESTMENT SCHEMES STATISTICS

	2000-Q2	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3
Mutual Funds	630	651	688	736	714	748
Sub-Funds	263	281	285	294	333	331
Umbrella Funds	88	88	88	88	85	80
Sub-Funds	178	185	185	184	173	167
Feeder-Funds	63	70	76	79	81	80
Total Mutual Funds	1,222	1,275	1,322	1,381	1,386	1,406
Unit Trusts	85	86	86	88	87	88
Umbrella Trusts	11	11	11	11	10	9
Sub-Trusts	19	19	19	19	19	24
Feeder Trusts	2	2	2	2	1	1
Total Unit Trusts	117	118	118	120	117	122
TOTAL	1,339	1,393	1,440	1,501	1,503	1,528
TOTAL NET ASSET VALUE (IN BILLIONS)	\$39.10	\$42.79	\$46.03	\$48.17	\$47.16	\$49.45