

BERMUDA MONETARY AUTHORITY



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QUARTERLY NOTICE

FOURTH QUARTER 2001



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GENERAL COMMENTARY

- **New legislation and restructuring of the Authority**

An amendment to the Insurance Act 1978 formalised Government's decision taken during the second half of 2001 that Bermuda's insurance regulatory function should be merged into the Authority, which would then become the sole regulatory body for the financial services industry in Bermuda. The Supervisor of Insurance, together with his regulatory staff from within the Registry of Companies, subsequently transferred to the Authority effective 1 January 2002. In December 2001 the Bermuda Monetary Authority Amendment (No 2) Act was approved and this came into force on 1 January 2002 also. The amendment provided for various important changes in the governance of the Authority. Key elements include:

- ◆ an increase in the size of the Authority's Board from 7 to 11 members which now includes three executive directors;
- ◆ the creation of a full-time Chairman / Chief Executive Officer role;
- ◆ the appointment of a Deputy Chairman, responsible for chairing a Board sub-committee comprising the non-executive directors charged with certain monitoring functions, including audit, as well as with determining executive remuneration; and
- ◆ the creation of two new Executive Director posts – the Supervisor of Insurance and the Superintendent of Banking, Trust & Investment.

As part of its preparation for these changes, the Authority undertook towards the end of 2001 a major internal restructuring of its operations. Its various regulatory functions have now been allocated to two line Divisions reporting respectively to the Supervisor and to the Superintendent. The line Divisions are supported by: the Legal, Authorisation & Compliance Division, which reports to the Chief Legal Counsel; and the Authority's financial control, IT, and human resources teams which, together with the currency operations unit, report to the Chief Administration Officer.

- **IOSCO Special Project Team**

In November 2001, the Bermuda Monetary Authority, along with 18 other international regulators, participated in the first meeting of a Special Project Team formed by the Technical Committee of the International Organisation of Securities Commissions (IOSCO). The Project Team was formed to explore particular actions that securities regulators might take in view of the events of 11 September 2001 and their aftermath. In particular, the team is looking at practical ways of expanding cooperation and information sharing between securities regulators, law enforcement and other authorities. In parallel the Financial Stability Institute held a meeting of representatives from twenty-six countries, including Bermuda, focusing on mechanisms for improving levels of cooperation between regulatory authorities.

- **Cross Border Supervision**

A further meeting of the Basel Cross-Border Banking Group took place in Basel on 30 November 2001. Topics discussed included the continuing process of international endorsement of the Group's paper on Customer Due Diligence which has now gained acceptance as establishing suitable benchmarks for the banking industry globally. Consideration was also given to the preparation of a further and more specific paper on minimum identification requirements for different types of customer, including in relation to non face-to-face account opening.



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BERMUDA MONEY SUPPLY

(BD\$ millions)	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4
Notes & Coins in Circulation*	71	84	76	76	76	86
Deposit liabilities:						
Banks and Deposit Companies (unconsolidated) §	2,414	2,409	2,459	2,468	2,589	2,663
	2,485	2,493	2,535	2,544	2,665	2,749
Less: Cash at Banks and Deposit Companies	17	28	21	23	49	36
Bermuda Money Supply	2,468	2,465	2,514	2,521	2,616	2,713
% Growth on Previous Period	-2.11%	-0.16%	1.99%	0.24%	3.77%	3.66%
% Growth Year-on-Year	1.56%	1.19%	2.11%	0.00%	5.99%	10.08%
* 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.						
§ Following recent amalgamations within the sector, separate data for the deposit companies are no longer published. The reformatted figures include rounding differences from the series previously published						

BDS DEPOSIT PROFILE – COMBINED BANKS AND DEPOSIT COMPANIES (UNCONSOLIDATED)

(BD\$ millions)	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4
Deposit Liabilities §	2,414	2,409	2,459	2,468	2,589	2,663
Less:						
Loans, Advances and Mortgages	(2,029)	(2,079)	(2,137)	(2,173)	(2,214)	(2,228)
Surplus deposits	385	330	322	295	375	435
Percentage of Deposit Liabilities Lent	84.1%	86.3%	86.9%	88.0%	85.5%	83.7%
§ Following recent amalgamations within the sector, separate data for the deposit companies are no longer published.						



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COMBINED BALANCE SHEETS OF BERMUDA BANKS AND DEPOSIT COMPANIES (CONSOLIDATED)

(BDS millions)	2000 - Q3			2000 - Q4			2001 - Q1		
	Total	BDS	Other	Total	BDS	Other	Total	BDS	Other
ASSETS									
Cash	252	20	232	328	31	297	352	30	322
Deposits	7,056	33	7,023	6,391	33	6,359	5,551	31	5,520
Investments	6,387	26	6,361	6,190	22	6,168	6,222	20	6,202
Loans & Advances	3,283	1,973	1,310	3,709	2,024	1,684	4,548	2,082	2,466
Premises & Equipment	254	206	48	253	204	49	255	201	54
Other Assets	270	69	201	270	77	193	269	40	229
TOTAL ASSETS	17,502	2,327	15,175	17,140	2,392	14,749	17,197	2,404	14,793
LIABILITIES									
Demand Deposits	6,686	865	5,821	6,071	848	5,222	5,990	695	5,295
Savings	701	472	229	718	477	241	740	484	257
Time Deposits	8,369	1,034	7,335	8,710	1,072	7,638	8,612	1,288	7,323
Sub Total - Deposits	15,756	2,371	13,385	15,499	2,396	13,102	15,342	2,467	12,875
Other Liabilities	690	118	572	550	89	461	740	131	609
Sub Total - Liabilities	16,446	2,489	13,957	16,049	2,486	13,563	16,082	2,598	13,484
Capital	1,056	555	501	1,092	515	577	1,115	558	557
TOTAL LIABILITIES AND CAPITAL	17,502	3,044	14,458	17,140	3,001	14,140	17,197	3,156	14,041
ASSETS									
Cash	312	33	279	150	28	122	261	42	219
Deposits	6,496	39	6,457	5,181	48	5,133	6,427	33	6,394
Investments	6,502	17	6,485	6,771	30	6,741	7,163	17	7,146
Loans & Advances	4,084	2,136	1,948	4,429	2,181	2,248	3,626	2,191	1,435
Premises & Equipment	249	194	55	251	195	56	255	197	58
Other Assets	348	50	298	319	50	269	242	65	177
TOTAL ASSETS	17,991	2,469	15,522	17,101	2,532	14,569	17,974	2,545	15,429
LIABILITIES									
Demand Deposits	6,703	908	5,795	5,885	775	5,110	6,307	751	5,556
Savings	795	527	268	1,096	562	534	1,219	607	612
Time Deposits	8,690	1,052	7,637	8,386	1,196	7,190	8,819	1,301	7,518
Sub Total - Deposits	16,188	2,487	13,700	15,367	2,533	12,834	16,344	2,659	13,685
Other Liabilities	679	131	548	590	143	447	482	138	344
Sub Total - Liabilities	16,867	2,618	14,248	15,957	2,676	13,281	16,826	2,797	14,029
Capital	1,124	541	584	1,144	492	652	1,148	464	684
TOTAL LIABILITIES AND CAPITAL	17,991	3,159	14,832	17,101	3,168	13,933	17,974	3,261	14,713

Totals may not add due to rounding



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

(BD\$ millions)	2000 - Q3	2000 - Q4	2001 - Q1	2001 - Q2	2001 - Q3	2001 - Q4
Total Foreign Currency Assets	15,175	14,749	14,793	15,522	14,569	15,429
Less: Other Assets	201	193	229	298	269	177
Less: Foreign Currency Loans to Residents	271	314	253	270	294	348
Net Foreign Currency Assets	14,703	14,242	14,311	14,954	14,006	14,905
Foreign Currency Liabilities	13,957	13,563	13,484	14,248	13,281	14,029
Add: BD\$ Deposits of Non-Residents	113	121	146	167	191	216
Net Foreign Currency Liabilities	14,071	13,684	13,630	14,415	13,472	14,245
Net Foreign Currency Position (consolidated)	632	558	681	539	534	660
Totals may not add due to rounding						



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BALANCE OF PAYMENTS ESTIMATES

(BDS) MILLIONS	1998	1999	2000	2001	2000	2000	2000	2000	2001	2001	2001	2001
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CURRENT ACCOUNT												
PAYMENTS												
Merchandise(Imports)	629	712	719	720	178	187	170	184	183	183	163	191
Shipping & Other Transportation	101	108	114	113	30	30	28	26	26	31	29	27
Travel	222	212	216	216	30	53	79	54	32	47	81	56
Investment Income	61	56	68	69	15	18	19	16	16	19	16	18
Profess. Man. & Tech. Service	59	77	97	106	22	24	25	26	26	26	27	27
Other Goods Services & Income	211	220	243	284	55	59	66	63	68	73	69	74
Current Transfers	109	164	181	203	39	46	47	49	49	50	51	53
	1392	1549	1638	1711	369	417	434	418	400	429	436	446
RECEIPTS												
Merchandise(Exports)	33	51	51	36	11	20	8	12	9	9	6	12
Shipping & Other Transportation	16	20	26	29	6	11	5	4	9	7	8	5
Travel	481	483	434	350	47	164	154	69	36	131	128	55
Investment Income	188	208	232	315	68	54	49	61	159	63	44	49
Profess. Man. & Tech. Service	759	912	967	986	224	227	260	256	228	232	265	261
Other Goods Services & Income	123	120	123	124	32	28	31	32	33	26	31	34
Current Transfers	15	15	14	16	4	3	3	4	4	4	4	4
	1615	1809	1847	1856	392	507	510	438	478	472	486	420
NET BALANCE												
Merchandise (Trade)	(596)	(661)	(668)	(684)	(167)	(167)	(162)	(172)	(174)	(174)	(157)	(179)
Shipping & Other Transportation	(85)	(88)	(88)	(84)	(24)	(19)	(23)	(22)	(17)	(24)	(21)	(22)
Travel	259	271	218	134	17	111	75	15	4	84	47	(1)
Investment Income	127	152	164	246	53	36	30	45	143	44	28	31
Profess. Man. & Tech. Service	700	835	870	880	202	203	235	230	202	206	238	234
Other Goods Services & Income	(88)	(100)	(120)	(160)	(23)	(31)	(35)	(31)	(35)	(47)	(38)	(40)
Current Transfers	(94)	(149)	(167)	(187)	(35)	(43)	(44)	(45)	(45)	(46)	(47)	(49)
Current A/C Surplus/Deficit	223	260	209	145	23	90	76	20	78	43	50	(26)
CAPITAL & FINANCIAL ACCOUNT												
CAPITAL ACCOUNT												
	0	0	2	0	0	0	1	1	0	0	0	0
FINANCIAL ACCOUNT												
Net Long Term Investment	(109)	(173)	(119)	(127)	(28)	(35)	(26)	(30)	(127)	(1)	2	(1)
Net Short Term Investment	(230)	11	(40)	29	(27)	(12)	9	(10)	102	(4)	(27)	(42)
of which : Authorised Dealers	(229)	33	(41)	26	(42)	(10)	7	4	95	(5)	(27)	(37)
: BMA	(1)	(22)	1	3	15	(2)	2	(14)	7	1	0	(5)
Capital & Financial A/C Balance	(339)	(162)	(157)	(98)	(55)	(47)	(16)	(39)	(25)	(5)	(25)	(43)
BALANCING ITEM	116	(98)	(52)	(47)	32	(43)	(60)	19	(53)	(38)	(25)	69
Totals may not add due to rounding												



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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 2000 and 2001 have been revised in light of the findings of *International Companies 2000*, 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. The **merchandise (imports)** payments and **travel** receipts for the first to third quarters of 2002 have been revised by the Government Statistics Department, which notes that these figures may be subject to further revision.

Current Account

Provisional estimates for the fourth quarter of 2001 recorded a deficit on **current account** of \$26 million, representing a significant deterioration from the outcome in the corresponding quarter of 2000. Overall, the current account surplus for the year is estimated to have declined by some 30% as compared to 2000.

- **Payments**
Payments in the fourth quarter of 2001 grew by \$28 million compared to the fourth quarter of 2000, with increases in both **merchandise (imports)** and payments for services.
- **Receipts**
Receipts in the fourth quarter of 2001 decreased by \$18 million compared to the fourth quarter of 2000, reflecting declines in **travel** receipts as well as **investment income**.

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 \$43 million in the fourth quarter of 2001 resulting from: -

- **net long term investment** outflow of \$1 million; and
- **net short term investment** outflow of \$42 million, attributable to an increase of \$37 million and of \$5 million in the external holdings of the authorised dealers and of the Bermuda Monetary Authority respectively.

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 AND PERMITS STATISTICS

APPLICATIONS APPROVED SUMMARY

	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4
Exempted Companies (Bermuda companies exempted from the 60% Bermudian ownership requirement)	391	376	341	321	261	308
Exempted Partnerships (partnerships established in Bermuda to carry on business in or from within Bermuda)	35	25	27	23	19	26
Overseas Partnerships (overseas partnerships applying for permits to carry on business in or from within Bermuda)	1	3	5	5	0	1
Overseas Companies Permit (overseas companies applying for permits to carry on business in or from within Bermuda)	13	25	18	15	5	20
Unit Trusts	2	1	1	2	41	7
Continuation Companies (companies from other jurisdictions continuing into Bermuda as exempted companies)	12	6	6	6	3	4
Unlimited Liability Companies	0	0	0	0	3	0
Local Companies	51	38	60	57	44	41
Total Applications Approved	505	474	458	429	376	407

Detailed statistics may be accessed on the Authority's website www.bma.bm



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COLLECTIVE INVESTMENT SCHEMES STATISTICS

	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4
Mutual Funds	559	596	644	622	656	675
Sub-Funds	281	285	294	333	331	377
Umbrella Funds	57	57	57	54	49	49
Sub-Funds	145	145	144	133	127	127
Feeder-Funds	61	67	70	72	71	73
Total Mutual Funds	1,103	1,150	1,209	1,214	1,234	1,301
Unit Trusts	80	80	82	81	82	83
Umbrella Trusts	11	11	11	10	9	9
Sub-Trusts	19	19	19	19	24	27
Feeder Trusts	2	2	2	1	1	1
Total Unit Trusts	112	112	114	111	116	120
TOTAL *	1,215	1,262	1,323	1,325	1,350	1,421
TOTAL NET ASSET VALUE (IN BILLIONS)	\$42.79	\$46.03	\$48.17	\$47.16	\$49.45	\$55.99

* The series has been adjusted to remove a number of schemes liquidated in earlier periods but which had continued to be reflected in the published statistics.