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PRESS RELEASE

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THE BERMUDA MONETARY AUTHORITY PUBLISHES 2008 ANNUAL REPORT

**Report highlights the Authority's successful work on key issues including:
Managing the impact of the financial crisis on Bermuda's financial sector;
Progress towards achieving mutual recognition status for Bermuda; and
The introduction of new anti-money laundering standards.**

The Bermuda Monetary Authority today published its 2008 Annual Report, highlighting further successful development of the organisation and its responsibilities as Bermuda's financial services regulator.

The Report shows that the Authority made significant progress toward enhancing the regulatory framework for Bermuda's financial services industry during a very challenging year. This involved the introduction of key regulatory policy initiatives which have strengthened the standards and the quality of Bermuda's risk-based regulatory framework.

Matthew Elderfield, CEO of the Authority said, "2008 was a challenging year for all financial regulators. The global financial crisis meant that during the year we actively managed the impact of the crisis on Bermuda's financial sector, while at the same time pursuing a regulatory agenda designed to establish the Authority as a leading risk-based financial services regulator."

Managing the Financial Crisis

As the crisis deepened throughout 2008 the Authority's objective was to maintain the stability of Bermuda's financial markets. The Authority actively monitored all sectors within Bermuda financial industry and worked closely with market participants and international regulators to manage the impact of the growing crisis on Bermuda's financial markets.

Highlights include:

- a review of capital levels of Bermuda's banks, which showed that the all the banks met the Authority's capital and liquidity standards, and, as a precautionary measure, led to the Authority requiring banks to hold an additional capital buffer to withstand a severe economic downturn
- restructuring negotiations with challenged financial guaranty companies, which were the most impacted within the insurance market
- specialised market surveys and stress testing being conducted across all sectors
- enhanced supervisory monitoring of the most impacted sectors and challenged firms in order to assess risks or potential threats proactively

The Authority also remained engaged in the international debates on regulatory change which emerged as a result of the crisis. This activity took place primarily through an increased level of participation with international standard setting bodies, such as the International Association of Insurance Supervisors.



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Mutual Recognition Preparations

The Authority maintained focus on its goal of developing a leading international regulatory framework for the insurance sector by completing a number of initiatives in preparation for mutual recognition assessments with other important international markets.

Mr. Elderfield said, “The work completed this year demonstrates that Bermuda is keeping pace with international developments, such as Europe’s Solvency II directive. Due to the considerable amount of work accomplished thus far, we are confident that Bermuda’s framework ultimately will receive a favourable assessment.”

Highlights include:

- introduction of a new risk-based approach for Bermuda largest commercial insurers, including a sophisticated assessment of catastrophe risk
- development of an internal models framework for determining regulatory capital levels for insurers
- development of group supervision proposals

New Anti-Money Laundering Standards

The Authority worked with the Ministries of Justice and Finance to complete a major enhancement to Bermuda’s anti-money laundering and anti-terrorism financing (AML/ATF) provisions. A suite of legislation was drafted and subsequently enacted that strengthened the jurisdiction’s AML/ATF standards in line with the Financial Action Task Force’s 40+9 recommendations, the international standard for AML/ATF regulations.

Mr. Elderfield said, “As a result of these significant changes in Bermuda’s AML regime, the Authority now has broader responsibilities and powers for monitoring and enforcing compliance with the new standards. We increased our resources in this area and now have a dedicated AML review team who will focus on monitoring companies’ compliance with the new standards going forward.”

Key Business Plan Milestones

The Report also highlights the Authority’s 2008 Business Plan milestones, which were met during the year and include: the reclassification of the Class 3 sector within the insurance market to further refine supervision of that group of insurers; industry consultation on enhancements to the corporate registration process; the unveiling of the design of Bermuda’s new bank note series; and a review of the Authority’s supervisory process.

Considerable work was also completed on preparations for implementing the Basel II Accord, the new international capital standard for banks. This work included: industry consultation on Pillars 1 and 2 and a new reporting framework for banks; publishing of final rules and guidance relating to Pillars 1 and 2; and development of a consultation paper on the Authority’s approach to Pillar 3 of the Accord. The Authority successfully implemented Basel II as of January 1st 2009.

Mr. Elderfield said, “It has been a year of many changes and challenges which I’m pleased to say that the Authority has managed successfully. As we celebrate the Authority’s 40th anniversary this year, it is clear that we could not have accomplished the impressive results from 2008 without the dedicated efforts of our staff, the support of the Board of Directors and our colleagues in Government, and the very good working relationship we have with industry. The Authority is proud to continue its tradition of serving Bermuda to the highest standard.”



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A copy of the Annual Report is available on the Authority's website: www.bma.bm.

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