

BERMUDA MONETARY AUTHORITY



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QUARTERLY NOTICE

FIRST QUARTER 2002



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GENERAL COMMENTARY

- **Restructuring of the Authority**

The changes to the Authority's senior corporate governance and to its organisational structure, as set out in detail in the Quarterly Notice for Fourth Quarter 2001, came into effect, as intended, on 1 January 2002. The changes reflected in part the legal transfer to the Authority of responsibility for insurance supervision. As of that date the Supervisor of Insurance and his staff moved over to form the Insurance Division of the Authority.

- **Trust legislation**

The Trusts (Regulation of Trust Business) Act 2002 came into effect on 25 January 2002. This repealed the Trust Companies Act 1991 and provides the Authority with full licensing, supervision and enforcement powers in respect of persons carrying on trust business in or from within Bermuda. On its introduction, the Authority issued licences to trust companies licensed under the previous Act.

- **COSRA (Council of Securities Regulators of the Americas)**

The Superintendent of Banking, Trust & Investment attended the Annual Meeting of COSRA held in Trinidad from 19-21 February 2002, marking the Authority's admittance as a member. The group now comprises 31 regulatory bodies from 27 countries in North, Central and South America, including the Caribbean.

- **Basel Cross-Border Group**

The Superintendent of Banking, Trust & Investment attended a meeting of the Cross-Border Group held in Miami on 19-20 March 2002. Agenda topics included the FATF (Financial Action Task Force) review of its 40 recommendations, terrorist financing, cross-border electronic banking and customer due diligence.

- **Regulators Forum**

The Chairman and the Superintendent of Banking, Trust & Investment attended a meeting of the Regulators Forum (comprising representatives of the UK Government and of the Overseas Territories) held in Miami on 22 March 2002 at which progress on implementation of the KPMG Report was reviewed and discussed. Preparation for the forthcoming reviews by the IMF of financial regulation in the major offshore centres (including Bermuda) was also discussed.



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BERMUDA MONEY SUPPLY

(BD\$ millions)	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4	2002-Q1
Notes & Coins in Circulation *	84	76	76	76	86	79
Deposit liabilities:						
Banks and Deposit Companies (unconsolidated) §	2,409	2,459	2,468	2,589	2,659	2,744
	2,493	2,535	2,544	2,665	2,745	2,823
Less: Cash at Banks and Deposit Companies	28	21	23	49	36	28
Bermuda Money Supply	2,465	2,514	2,521	2,616	2,709	2,795
% Growth on Previous Period	-0.16%	1.99%	0.24%	3.77%	3.56%	3.17%
% Growth Year-on-Year	1.19%	2.11%	0.00%	5.99%	9.90%	11.18%

* 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 figure for unconsolidated deposit liabilities for 2001-Q4 has been amended from that previously reported

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

(BD\$ millions)	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4	2002-Q1
Deposit Liabilities §	2,409	2,459	2,468	2,589	2,659	2,744
Less:						
Loans, Advances and Mortgages	(2,079)	(2,137)	(2,173)	(2,214)	(2,228)	(2,246)
Surplus deposits	330	322	295	375	431	498
Percentage of Deposit Liabilities Lent	86.3%	86.9%	88.0%	85.5%	83.8%	81.9%

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

(BD\$ millions)	2000 - Q4	2001 - Q1	2001 - Q2	2001 - Q3	2001 - Q4	2002 - Q1
Total Foreign Currency Assets	14,749	14,793	15,522	14,569	15,429	14,979
Less: Other Assets	193	229	298	269	177	189
Less: Foreign Currency Loans to Residents	314	253	270	294	348	389
Net Foreign Currency Assets	14,242	14,311	14,954	14,006	14,905	14,401
Foreign Currency Liabilities	13,563	13,484	14,248	13,281	14,029	13,468
Add: BD\$ Deposits of Non-Residents	121	146	167	191	216	266
Net Foreign Currency Liabilities	13,684	13,630	14,415	13,472	14,245	13,734
Net Foreign Currency Position (consolidated)	558	681	539	534	660	666
Totals may not add due to rounding						



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BALANCE OF PAYMENTS ESTIMATES

(BDS) MILLIONS	1999	2000	2001	2002	2001	2001	2001	2001	2002
				YTD	Q1	Q2	Q3	Q4	Q1
CURRENT ACCOUNT									
PAYMENTS									
Merchandise(Imports)	712	719	720	187	183	183	163	191	187
Shipping & Other Transportation	108	114	113	27	26	31	29	27	27
Travel	212	216	216	33	32	47	81	56	33
Investment Income	56	68	69	17	16	19	16	18	17
Profess. Man. & Tech. Service	77	97	106	28	26	26	27	27	28
Other Goods Services & Income	220	243	284	76	68	73	69	74	76
Current Transfers	164	181	203	52	49	50	51	53	52
	1549	1638	1711	420	400	429	436	446	420
RECEIPTS									
Merchandise(Exports)	51	51	36	12	9	9	6	12	12
Shipping & Other Transportation	20	26	29	7	9	7	8	5	7
Travel	483	434	350	40	36	131	128	55	40
Investment Income	208	232	315	49	159	63	44	49	49
Profess. Man. & Tech. Service	912	967	986	233	228	232	265	261	233
Other Goods Services & Income	120	123	124	32	33	26	31	34	32
Current Transfers	15	14	16	4	4	4	4	4	4
	1809	1847	1856	377	478	472	486	420	377
NET BALANCE									
Merchandise (Trade)	(661)	(668)	(684)	(175)	(174)	(174)	(157)	(179)	(175)
Shipping & Other Transportation	(88)	(88)	(84)	(20)	(17)	(24)	(21)	(22)	(20)
Travel	271	218	134	7	4	84	47	(1)	7
Investment Income	152	164	246	32	143	44	28	31	32
Profess. Man. & Tech. Service	835	870	880	205	202	206	238	234	205
Other Goods Services & Income	(100)	(120)	(160)	(44)	(35)	(47)	(38)	(40)	(44)
Current Transfers	(149)	(167)	(187)	(48)	(45)	(46)	(47)	(49)	(48)
Current A/C Surplus/Deficit	260	209	145	(43)	78	43	50	(26)	(43)
CAPITAL & FINANCIAL ACCOUNT									
CAPITAL ACCOUNT									
	0	2	0	0	0	0	0	0	0
FINANCIAL ACCOUNT									
Net Long Term Investment	(173)	(119)	(127)	(2)	(127)	(1)	2	(1)	(2)
Net Short Term Investment	11	(40)	29	(1)	102	(4)	(27)	(42)	(1)
of which : Authorised Dealers	33	(41)	26	(9)	95	(5)	(27)	(37)	(9)
: BMA	(22)	1	3	8	7	1	0	(5)	8
Capital & Financial A/C Balance	(162)	(157)	(98)	3	(25)	(5)	(25)	(43)	(3)
BALANCING ITEM	(98)	(52)	(47)	46	(53)	(38)	(25)	69	46
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)** for 2001 and 2002 are based on preliminary data and are subject to revision.

Current Account

Provisional estimates for the first quarter of 2002 recorded a deficit on **current account** of \$43 million.

- **Payments**
Payments in the first quarter of 2002 increased by \$20 million compared to the first quarter of 2001.
- **Receipts**
Receipts in the first quarter of 2002 decreased by \$101 million compared to the first quarter of 2001. However, the change is almost entirely accounted for by the fact that the first quarter of 2001 recorded the realisation of exceptional pension fund profits on overseas investments.

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 \$3 million in the first quarter of 2002 resulting from: -

- **net long term investment** outflow of \$2 million; and
- **net short term investment** outflow of \$1 million, attributable to an increase of \$9 million and a decrease of \$8 million in the external holdings of authorised dealers and 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-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4	2002-Q1
Exempted Companies (Bermuda companies exempted from the 60% Bermudian ownership requirement)	376	341	321	261	308	283
Exempted Partnerships (partnerships established in Bermuda to carry on business in or from within Bermuda)	25	27	23	19	26	7
Overseas Partnerships (overseas partnerships applying for permits to carry on business in or from within Bermuda)	3	5	5	0	1	3
Overseas Companies (overseas companies applying for permits to carry on business in or from within Bermuda)	25	18	15	5	20	11
Unit Trusts	1	1	2	41	7	14
Continuation Companies (companies from other jurisdictions continuing into Bermuda as exempted companies)	6	6	6	3	4	4
Unlimited Liability Companies	0	0	0	3	0	0
Local Companies	38	60	57	44	41	50
Total Applications Approved	474	458	429	376	407	372

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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ADDITIONS TO THE INSURANCE REGISTER

	2002-Q1
Class 1	5
Single-parent captive insuring only risks of its owners or affiliates of the owners	
Class 2	6
(a) a multi-owner captive insuring 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 percent of its net premiums from unrelated risks	
Class 3	7
Insurers not included in Class 1, 2 or 4, such as	
i) Reinsurers writing third party business;	
ii) Insurers writing direct policies with third party individuals;	
iii) Single parent, group, association, or joint venture captives where more than 20% of their net premiums written arises from risks which are unrelated to the business of the owners;	
iv) Finite reinsurers and rent-a-captives	
Class 4	0
Insurers and reinsurers capitalised at a minimum of \$100 million underwriting direct excess liability and/or property catastrophe reinsurance risk	
Long-Term Insurers	1
Insurers writing long-term (or life) business	
Composites	1
Insurers writing combination of long-term (or life) business and Class 1, 2, 3 or 4 business	
Total additions during quarter	20



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COLLECTIVE INVESTMENT SCHEMES STATISTICS

	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001- Q4	2002-Q1
Mutual Funds	596	644	622	656	675	666
Sub-Funds	285	294	333	331	377	442
Umbrella Funds	57	57	54	49	49	39
Sub-Funds	145	144	133	127	127	125
Feeder-Funds	67	70	72	71	73	85
Total Mutual Funds	1,150	1,209	1,214	1,234	1,301	1,357
Unit Trusts	80	82	81	82	83	95
Umbrella Trusts	11	11	10	9	9	6
Sub-Trusts	19	19	19	24	27	19
Feeder Trusts	2	2	1	1	1	0
Total Unit Trusts	112	114	111	116	120	120
TOTAL *	1,262	1,323	1,325	1,350	1,421	1,477
TOTAL NET ASSET VALUE (IN BILLIONS)	\$46.03	\$48.17	\$47.16	\$49.45	\$55.99	\$60.28

* 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.