



BERMUDA MONETARY AUTHORITY

## 2016 Business Plan

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# CEO Introduction

“ The Authority will continue to spearhead projects of national economic significance. ”

**Given the successful conclusion of Bermuda's bid for equivalence with Solvency II, it would be tempting to assume that the Authority will soon have a great deal of spare time on its hands. This will not be the case.**

Securing equivalence was clearly a major achievement, a powerful example of what can be accomplished with a strong, tenacious team that embarked on the road to equivalence in 2010. But equivalence is an interim objective, rather than an end in itself, and it should be viewed in the wider context of our vision and the strategic goals detailed over the following pages.

So other than ensuring that a new commercial insurance regime is being implemented, what else are we planning for 2016?

The Bermuda Monetary Authority cannot rest on its laurels in 2016. There is still a great deal to do in our insurance and reinsurance markets to maintain momentum. The next 12 months will see the launch of the Electronic Statutory Financial Return for captives and Special Purpose Insurers and a review of the supervisory regime for insurance intermediaries and managers.

The Authority is responsible for regulating

not only Bermuda's insurance and reinsurance markets but also its fast-paced financial services sector as a whole. That is why we must keep up the momentum regarding oversight of the other sectors for which we are responsible and you will see references to:

- Basel III and how we have already started transitioning in, on a phased basis, the technical amendments required for full implementation.
- The Alternative Investment Fund Managers Directive (AIFMD) and our target of accepting opt-in licences during the year.
- The Investment Funds Act/Investment Business Act and the proposals we are inviting that will indicate how this initiative should be shaped in the future.
- Corporate Service Providers and the licensing process that will commence in the summer.
- Money service business and the adoption of draft legislation we have proposed.
- The 2018 AML/ATF assessment by the Caribbean Financial Action Task Force and our continued development of the supervisory framework in preparation.

- Banking intervention powers to support the Special Resolution Regime legislation that was recently passed by Parliament.

Additionally, the Authority will continue to spearhead projects of national economic significance, not the least of which is the further development of a financial stability policy initiative for Bermuda.

Working alongside the Government and other stakeholders, our role is to help identify, monitor and advise on policy measures to mitigate systemic risks to Bermuda's financial stability in 2016. This means broadly that, where necessary, we will assist in the formulation of prudent and pragmatic measures to protect and enhance the resilience of Bermuda's financial system.

Risks may be in the form of geopolitical and macrofinancial threats or may reside closer to home and on the balance sheets of regulated entities. Either way, constant vigilance is vital.

Needless to say we would be unable to discharge many of the responsibilities we carry without the trust and support of the public and private sectors of our economy. Strong working relationships with regulators and government agencies outside Bermuda are also important to foster and sustain the

mutual understanding that underpins so much of our international work.

But trust, to coin that timeless piece of wisdom, must be earned, which is why in 2016 we will embark on the development of a target operating model for the Authority. This will involve an analysis of our structure and staffing levels, and provide insight into the costs associated with supervising different elements of the financial services community. The strategy here is not only to optimise resources but also to obtain better intelligence on supervisory costs. This will help us re-gear fee structures with a view to ensuring a more equitable distribution of the regulatory financial burden. Improving transparency, we believe, will help improve our working relationships.

Trust is also vital in the area of enforcement. Increasingly in 2016, we will need to draw down on the level of trust built up through years of accretion and goodwill as we assume a more visible role in enforcement actions. In this regard the Authority must review its approach in light of international views that institutions must be held accountable for the conduct of their business and compliance gaps. Until now, the Authority has chosen to limit publicly disclosed details of enforcement actions to a fairly brief notification in its annual report. But from 2016 onwards, the Authority will publish details of any use of its enforcement powers. Such publicity will be in the form of a press release issued by the Authority following conclusion of any appeal or after expiry of an appeal period. The release will detail the nature of the enforcement action, the size of any penalty, the identity of the entity or person involved and the circumstances of the breach. Details will also be included in the annual report and on the Authority's website.

This increased transparency must be underscored as critical to the reputation of the jurisdiction and is intended to demonstrate to those who rely on our supervisory adjudications that their trust is not misplaced and that Bermuda-

based entities found to be deficient in meeting their obligations run the risk of being required to account publicly for their actions.

These are all worthy enough objectives, but there is a more far-reaching role awaiting those among the global regulatory and policy-making community who aspire to bring about significant economic change and who recognise that they have a part to play in shaping the change process. What is needed is a financial services sector able to apply its considerable resources and expertise in support of more acceptable levels of growth. What is not needed is a lame financial services sector so mired in layers of complex regulation that it spends more time figuring out how to respond to supervisory edicts than doing what it does best, namely helping troubled economies get back on track.

That might mean encouraging the world's banking sector to stimulate more credit to flow. It may also mean that regulators stop treating the banking sector as convenient whipping boys responsible for the current economic malaise.

The challenge facing industry and regulators around the world is to develop an appropriately-framed dialogue based not on rules but on agreed standards. That does not mean financial services gets a free pass. In fact, industry should always be required to demonstrate a consistently high standard of behaviour and execution. In my view, a better dialogue will pave the way for a better partnership which will in turn provide the common ground necessary for change to take place.

Partnership can mean different things to different people. For me, it involves being open to one another. It means getting feedback on the implications of new regulation and policy for a company's day-to-day business activities before pushing the button to have that regulation enacted in law.

For years now the Authority has operated in close partnership with industry. Has this

philosophy worked? Has our closeness compromised our ability to regulate? In my view, which is evidently shared by rule-making bodies in the US and Europe, our results speak for themselves.

There is a simple but powerful message underlying all of this. The Bermuda paradigm has been shown to work not only for industry and Government but for the greater good of the country as a whole. That it manages to improve on traditional 'rules only' systems of regulation indicates that there is a workable alternative to the imposition of overly complex regulatory constraints.

The fact is that we have forged a winning formula which sustains and underpins a winning financial services industry. We believe this is the way to underpin our future.

Business is always dynamic, often volatile and seldom still. Regulators and regulation must demonstrate value by remaining relevant and by showing a willingness to work with those at the sharp end of this ever changing, constantly challenging environment.

I believe our 2016 business plan will position us to achieve these goals while providing transparency and guidance to the entities we supervise and an example to the world at large.

## **Jeremy Cox**

Chief Executive Officer

# Supervision

## Applying risk-based supervision that meets international standards

The Authority has another full agenda for the year.

Because of the vital gatekeeper role that financial services intermediaries play in the Bermuda market, the Authority will be sharpening its focus on their management.

From Q2-2016, the Authority will consult the relevant parties and begin developing risk-based regimes for Bermuda's insurance and investment managers.

The Authority will also start accepting licence applications for Corporate Service Providers (CSP) from Q2-2016.

In addition to building new regimes, the Authority will ensure that industry is on track to implement the changes that we put through last year, especially Bermuda's commercial (re)insurance Classes 3A, 3B, 4, C, D, E and insurance groups.

Bermuda's captive classes 1, 2, 3, A and B, as well as Special Purpose Insurers (SPIs) will be able to send in detailed filings electronically via an electronic statutory financial return (E-SFR) in 2016.

The Authority will continue to develop its supervisory framework in preparation for the AML/ATF assessment by the Caribbean Financial Action Task Force (CFATF) in 2018, including standardising the collection of AML/ATF information.

Over the past several years, the Authority has built highly skilled in-house talent to conduct thorough analyses of the filings which are sent into the Authority. It is through the meticulous examination of these statistics that it is able to conduct risk-based on-site inspections and supervisory reviews on a regular basis.

## SUMMARY OF SUPERVISORY ACTIVITIES 2016

### Insurance

- Implement enhanced regulatory regime for commercial (re)insurers and continue participation in supervisory colleges
- Build risk-based supervision for insurance managers and review intermediaries regime
- Implement mandatory e-filing for Bermuda's captives and SPIs from 2017

### Banking, asset management and corporate service providers

- Basel III – continue implementation for Bermuda's banks on a phased basis
- Implement Alternative Investment Fund Managers Directive (AIFMD) regime for Bermuda-based investment managers passporting into EU
- Start accepting CSP licence applications from Q2

### Other

- Prepare for AML/ATF Caribbean Financial Action Task Force (CFATF) assessment of Bermuda's performance

## Insurance supervision: implementation of the new commercial regime

Having already built an enhanced regulatory framework for commercial (re)insurers last year, the Authority will now focus on implementing the new regime in 2016. Specifically, this includes engaging with registrants to ensure that all commercial (re)insurers have Head Office operations in Bermuda and are in a position to comply with public disclosure requirements and outsourcing provisions.

As a result of the regime change, the Authority's supervisory toolkit has been upgraded for 2016. Bermuda's insurance groups, Class 4, 3B and 3A general business and Class C, D and E Long-Term (re)insurers are all being required to participate in a mandatory Economic Balance Sheet (EBS) trial run to test both their, and the Authority's, preparedness to operate under the new regime.

The Authority will also continue to participate in supervisory colleges and engage with other regulators, particularly regarding group supervision.

In 2016, the Authority will build a risk-based supervisory regime for insurance managers, including a change in Bermuda's insurance legislation and the introduction of a new Insurance Managers' Code of Conduct. Consultation on this important change to Bermuda's insurance sector will commence in Q2-2016.

## Banking, payment services and corporate service providers: ensuring liquidity and stability

In 2016, the Authority will continue to transition to Basel III reporting standards for Bermuda's banks. Basel III adoption became effective last year with a phase-in period for capital requirements commencing in 2016 with full implementation by 2019.

A quantitative impact study will begin in 2016, designed to gather intelligence from the banks about their short-term liquidity ratio and net stable funding return.

In 2016, the Authority will draft legislation to form the legal basis for a regulatory framework (including the types of activities permitted to be carried out) for Bermuda's money service businesses.

It will also be a watershed year for the implementation of a CSP regime in Bermuda. A CSP Corporate Governance Policy was issued in Q1-2016 and the Authority is working towards start receiving CSP licence applications in late Q2, as all CSPs must have applications submitted by 1st July 2016.

## Asset management: opportunities ahead

The Authority will finalise development of the legislative regime for assessment by the European Securities and Markets Authority (ESMA) to enable passporting Bermuda fund managers into the EU.

In 2016, the Authority will continue the consultation process regarding amendments to the Investment Business Act and Investment Funds Act with a view to revising the legislation in 2017.

	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>INSURANCE</b>								
<b>Implementation of new commercial (re)insurance regime</b>								
Filings to include Trial Run of Economic Balance Sheet and changes to Bermuda Solvency Capital Return and Statutory Financial Return	●	→						
<b>Electronic Statutory Financial Return (E-SFR)</b>								
E-SFR system released following successful trial run and industry testing	●							
E-SFR mandatory for Class 1, 2, 3, A and B captives and Special Purpose Insurers (SPIs) for the financial year ending on or after 31st December 2016.				●				
<b>Insurance intermediaries</b>								
Review current regime and develop proposals for an enhanced framework				●				
<b>Insurance managers</b>								
Develop amendments to current regime, issue consultation paper	●							
<b>Basel III</b>								
Implementation on a transitional basis								
<b>Corporate Service Provider Regime</b>								
Licensing and regime implementation	●							
<b>Alternative Investment Fund Managers Directive (AIFMD)</b>								
Finalise legislative regime and manage European Securities and Markets Authority (ESMA) passporting assessment	●							
<b>Investment Funds Act/Investment Business Act</b>								
Continue with framework review started in 2015, focus on observance levels			●					
<b>Money Services Business</b>								
Finalise and lay legislation in Parliament				●				
<b>2018 Caribbean Financial Action Task Force (CFATF) Review</b>								
Prepare for 2018 CFATF review, including revision of guidance notes and Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) sectoral assessments					→			
<b>Financial Stability</b>								
Continued work with partners to develop and implement a financial stability framework for Bermuda, including new banking intervention powers being put into legislation					→			

## Financial Stability

The objective of the Authority's financial stability framework is to promote confidence in Bermuda's financial system. In 2016 the Authority plans to play an increasing role in promoting financial stability through its own activities and through its work with other stakeholders in Bermuda and internationally.

The key elements of Bermuda's financial stability framework are: (i) sound microprudential regulation and supervision; (ii) the Deposit Insurance Scheme; (iii) macroprudential surveillance; and (iv) a robust framework for resolving a failing bank.

- (i) The Authority has primary responsibility for microprudential regulation and supervision. It undertakes this task by ensuring that financial institutions allocate sufficient and appropriate resources to the development and application of prudent regulation and supervision to meet international standards. In 2016 the Authority will continue to implement the Basel III framework for banks.
- (ii) The Deposit Insurance Scheme (DIS) is currently being introduced in Bermuda. The BMA, through its role on the Board of the Bermuda Deposit Insurance Corporation, will continue to support the development and implementation of the DIS and the DIS Fund.
- (iii) Macroprudential surveillance involves the identification and assessment by the Authority of risks and vulnerabilities that could threaten Bermuda's financial stability and the development of policies to mitigate these threats. The Authority will continue to strengthen its internal processes for identifying risks and vulnerabilities in 2016. It will also actively engage with other stakeholders in Bermuda through its support of the work of the Financial Policy Council which was formed in 2015 to oversee financial stability in Bermuda.
- (iv) The Special Resolution Regime (SRR) for Bermuda's banks was enacted in February 2016. It empowers Bermudian authorities to take swift and decisive action in the event of a failure of a Bermuda bank that gives rise to systemic risk. In 2016 the Authority will establish a Banking Liaison Panel to develop a Code of Practice for the use of the resolution tools and develop the relevant subordinate Rules, Regulations and Codes.

## Anti-Money Laundering / Anti-Terrorist Financing

The Authority will continue to strengthen its Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) framework in 2016 in line with international standards established

by the Financial Action Task Force (FATF) and the 2013 National Risk Assessment conducted in Bermuda. In undertaking this work the Authority will engage with the National Anti-Money Laundering Committee (NAMLC), the Financial Intelligence Agency (FIA), and other stakeholders in Bermuda.

Preparation for the assessment of Bermuda's AML/ATF framework by the Caribbean Financial Action Task Force (CFATF) planned for early 2018 will also guide the Authority's work in this area in 2016. The 4th Round Mutual Evaluation by the CFATF will involve an assessment of Bermuda's technical and effective compliance with the FTA recommendations.

A key priority for the Authority will be to monitor areas of highest AML/ATF risk. In line with recent global measures to combat terrorist financing the Authority will be actively involved as a key participant in NAMLC in undertaking a focussed assessment of terrorist financing risks in Bermuda. The Authority will also update its assessment of AML risk in the financial sector. Updated Guidance Notes for Regulation Financial Institutions based on legislative changes which came into effect in January 2016 will be produced after consultation with industry and other stakeholders. More generally, the Authority will continue to promote industry focus on AML/ATF through outreach sessions with the management, compliance officers and money-laundering reporting officers across Bermuda's financial services sector.

## Enforcement

As in previous years, the Authority will continue to use its enforcement powers judiciously with the underlying purpose of ensuring an effective and appropriate level of supervision over the conduct of the institutions under our regulatory remit. In 2015, the Authority imposed penalties on three licensees which breached either the terms of their licences or good governance (one of which is currently on appeal). The Authority imposed conditions and took other regulatory action in a number of other instances.

This focus will continue in 2016, along with a heightened level of attention to both AML compliance and Sanctions compliance. The Authority will also begin to consider the personal responsibility of Directors and officers for serious breaches of compliance by the institutions they manage.

The Authority did not add enforcement powers to the Funds legislation in 2015, in light of the Authority's initiative to incorporate the AIFMD regime in Bermuda law. Those powers will, however, be submitted to Parliament in 2016.

# International Developments

The Authority will increase its international engagement efforts in 2016 – building key relationships, trust and mutual respect where it counts most, among peer regulators.

Although the two international (re)insurance equivalence and qualified jurisdiction exercises are now successfully completed, the Authority will continue to interact with its counterparts in the European Union, including the European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA) and in the US, the Federal Insurance Office (FIO) and the National Association of Insurance Commissioners (NAIC), regarding future initiatives.

As part of its engagement efforts, the Authority will conduct workshops and offer training to fellow regulators when requested. For example, professionals from the Authority will share information and techniques with supervisors from overseas on how Bermuda supervises captives and SPIs.

The Authority will participate in numerous meetings of the International Association of Insurance Supervisors (IAIS) throughout the year in order to influence the development of the insurance core principles (ICPs), particularly around reinsurance and the development of capital standards.

Finally, the Authority will remain engaged with the Financial Stability Board (FSB), International Organisation of Securities Commissions (IOSCO), the Group of International Finance Centre Supervisors (GIFCS), the Group of International Insurance Centre Supervisors (GIICS) and Financial Stability Institute (FSI) conducting training and participating in workshops which facilitate greater understanding of regulatory standards internationally.

## INTERNATIONAL ENGAGEMENT HIGHLIGHTS: 2016 INTERNATIONAL COOPERATION

- ***International Association of Insurance Supervisors (IAIS)*** – The Authority participates in numerous IAIS committees including: **Financial Stability and Technical Committee; Supervisory Forum; Insurance Groups Working Group; Capital, Solvency and Field Testing Working Group; Financial Crime Task Force, Reinsurance Task Force (ReTF)** – Chair IAIS ReTF, in charge of reviewing Insurance Core Principle (ICP 13); **Signatories Working Group; Macroprudential Policy and Surveillance Working Group; Self-Assessment and Peer Review (SAPR) Expert Group (ICPs 13 and 24) and Index-based Insurance Working Group — ONGOING**
- **National Association of Insurance Commissioners (NAIC) National Meetings** – Continue to take part in NAIC National meetings and monitor NAIC developments of relevance to the Authority — **ONGOING**
- **Financial Stability Institute (FSI)** – Continue engagement as FSI trainer at global and regional seminars — **ONGOING**
- **Financial Stability Board (FSB) Regional Consultative Group for the Americas (RCGA)** – Continue to take an active part in FSB RCGA — **ONGOING**
- **Shadow Banking** – Continue participation in FSB Shadow Banking monitoring exercise — **Q3-Q4**
- **Regulatory Oversight Committee of the Legal Entity Identifier Initiative (ROC LEI)** – Continue to be an observer at ROC LEI — **ONGOING**
- **Coordinated Portfolio Investment Survey (CPIS)** – Continue taking part in CPIS, under the leadership of the International Monetary Fund — **Q3**
- **International Locational Banking Statistics** - Continue to participate in International Locational Banking Statistics, under the leadership of the Bank for International Settlements (BIS) — **ONGOING**

# Resourcing and Technology

## Resourcing

The Authority's overarching objective in 2016 is to cultivate a highly-skilled professional team through rewarding first-rate performance, leadership development, and engaging employees with its strategy and vision.

To achieve this, succession planning will be formalised by identifying and developing future leaders, and introducing mentoring and coaching programmes to support leadership development. To assess the levels of progress in these areas, senior leadership will conduct regular reviews of management development plans and ensure resources are aligned with strategic priorities.

With the Authority's mandate to continue building on Bermuda's regulatory framework and to keep abreast of evolving international standards, emphasis will be placed on broadening employees' technical expertise. To ensure existing intellectual capacity remains strong, the Authority will strengthen the performance of its overall workforce.

To achieve this, the Authority will embed technical assessments in its official performance management reviews for the Supervision and Licensing & Authorisations departments.

The Authority's Learning and Development programme will continue to engage both local and international experts to deliver Bermuda-based training sessions to ensure that teams remain knowledgeable and proficient with emerging market and industry topics. A pilot seminar launched in late 2015 – focused on reinsurance and facilitated by members of the Society of Actuaries – received positive feedback and will serve as a model in 2016 to cover timely and crucial industry initiatives, including the Alternative Investment Fund

Managers Directive, compliance issues in insurance and asset management, the Foreign Account Tax Compliance Act and anti-money laundering awareness.

The Authority will continue to focus on recruiting specialised, technically-skilled regulatory professionals while developing the bench-strength of its existing base of experienced professionals to ensure robust and consistent performance across the organisation.

## Technology

In today's regulatory environment, information technology is vital to ensuring the Authority is efficient, compliant, and nimble in responding to industry and market changes. The quality of the Authority's technology systems impact both internal teams' operations and service to external stakeholders. Efforts will continue to improve technology systems in order to ensure the organisation meets the highest international standards.

The Authority has a relatively new network structure in place and in late 2015 launched an aggressive five-year IT strategy designed to address critical business needs.

In 2016, the IT strategy will enable and support operational efficiency, data management and security. In addition, IT infrastructure will continue to be enhanced in order to improve stability, consistency and network performance.

Like other organisations, we continue to integrate best practice frameworks to ensure the protection of the Authority's information systems. As part of our comprehensive information security strategy for 2016, we have included mandatory security training for all employees.

# BMA Management Team *as at January 2016*

## Jeremy Cox - Chief Executive Officer

### Supervision

**Craig Swan**  
Managing Director, Supervision

**Andrew Gibbs**  
Director, Insurance

**Marcia Woolridge-Allwood**  
Director, Banking, Trust,  
Corporate Services & Investment

**David Theaker**  
Chief Actuary, Actuarial Services

**Leanne Alami-Merrouni**  
Assistant Director,  
Banking, Trust, Corporate Services  
& Investment

**Collin Anderson**  
Assistant Director, Insurance

**Tamara Anfossi**  
Assistant Director,  
Banking, Trust, Corporate Services  
& Investment

**Laila Burke**  
Assistant Director, Insurance

**Eric Donkoh**  
Assistant Director, Insurance

**Timae Flood**  
Assistant Director, Insurance

**Gerald Gakundi**  
Assistant Director, Insurance

**Ricardo Garcia**  
Assistant Director,  
Actuarial Services, Property & Casualty

**Graham Lamb**  
Assistant Director, Insurance

**David Lawler**  
Assistant Director, Insurance

**Lee Maximchuk**  
Assistant Director, Insurance

**Martin Marangi**  
Assistant Director, Insurance

**Richard May**  
Assistant Director,  
Actuarial Services, Long-Term

**Moses Muoki**  
Assistant Director, Insurance

### Jeferino dos Santos

Assistant Director,  
Actuarial Services, Property & Casualty

**Edmund Robinson**  
Analytics Specialist

**Gina Smith**  
Assistant Director,  
Actuarial Services, Property & Casualty

**Gary Thomas**  
Assistant Director,  
Actuarial Services, Long-Term

**Donald Treanor**  
Assistant Director,  
Actuarial Services, Property & Casualty

**Christopher Tribley**  
Assistant Director,  
Banking, Trust, Corporate Services  
& Investment

### Licensing & Authorisations

**Shelby Weldon**  
Director

**Leslie Robinson**  
Assistant Director,  
Corporate Authorisations

**Melissa Morton**  
Assistant Director, Authorisations

**Akilah Wilson**  
Assistant Director, Licensing

### Policy, Legal & Enforcement

**Shauna MacKenzie**  
Director

**Thomas Galloway**  
Deputy Director, Enforcement

**Marcelo Ramella**  
Deputy Director, Policy & Research

**Ifor Hughes**  
Assistant Director, Policy

**Leo Mucheriwa**  
Assistant Director, Research

### Yvette Pierre

Assistant Director, Policy

**Dina Wilson**  
Assistant Director, Legal Services

### Operations

**Shanna Lespere**  
Chief Operating Officer

**Sheridan Smith**  
Director, Management Services

**Amanda Outerbridge**  
Deputy Director,  
Head of Communications

**Terry Pitcher**  
Deputy Director,  
Head of Finance & Currency Operations

**Mesheiah Crockwell**  
Deputy Director,  
Head of Human Resources

**Michael Albouy**  
Assistant Director, IT

**Michael Bean**  
HR Manager

**Julie Dill**  
Assistant Director, Human Resources

**Adrian Mendoza**  
Financial Controller

**Tiffany Sousa**  
Assistant Director, Human Resources

### Financial Stability & AML

**George Pickering**  
Senior Advisor

**Kevin Dolan**  
Assistant Director

### Organisational Development

**Verna Hollis-Smith**  
Assistant Director



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