

# 2021 | ANNUAL REPORT





Marcia's contributions to the work of the Bermuda Monetary Authority (BMA) and Bermuda at large cannot be adequately expressed in words. As one of the BMA's longest serving employees, she held various positions within the BMA, but most recently Marcia was a pillar of the local banking community. We will remember her sharp wit and deep intellect, and recall her fondly as our resident BMA historian. This is a great loss to the BMA, her friends, her family and our wider community. Marcia has been a cherished member of the BMA since 1986 and her presence will be deeply missed.



In loving memory of

*Marcia Allwood-Woolridge*

Cherished member of the BMA since 1986

## ABOUT US

The Authority is the sole regulator of the financial services sector in Bermuda. Established by statute in 1969, the Authority supervises, regulates and inspects financial institutions operating within the jurisdiction.

The BMA develops risk-based financial regulations that it applies to the supervision of Bermuda's insurance companies\*, banks, trust companies, investment businesses, investment funds, fund administrators, money service businesses, corporate service providers, digital asset businesses and digital asset issuances. The Authority also regulates the Bermuda Stock Exchange and the Bermuda Credit Union.

In addition, the BMA issues Bermuda's national currency, manages exchange control transactions, assists other authorities in Bermuda with the detection and prevention of financial crime, and advises the Bermuda Government and other public bodies on banking and other financial and monetary matters.

*\*For the purpose of this Annual Report, insurer includes reinsurer and insurance includes reinsurance.*

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## OUR MISSION

To protect and enhance Bermuda's reputation and position as a leading international financial centre, utilising a team of highly skilled professionals acting in the public interest to promote financial stability, safeguard our currency and provide effective and efficient supervision and regulation.

## OUR VALUE PROPOSITION

- **Stability:** A stable environment in which financial services can flourish
- **Predictability:** Certainty about the Authority's regulatory philosophy and how we will apply our brand of supervision
- **Reputation:** Recognition that Bermuda-based entities are regulated to an internationally recognised standard
- **Value for money:** Efficient and effective supervision at a reasonable cost proportionate to risk
- **Adaptability:** A framework of regulations that can be adapted to reflect changes in the local and/or global environment
- **Pragmatism:** The ability to make decisions based on what is right for Bermuda while seeking global recognition for our supervisory regime



**Craig Swan**  
Chief Executive Officer

The 2020 pandemic created what can only be described as a sea change. Disruption rippled around the globe, including to Bermuda's shores. While the BMA did not expect COVID-19, we were prepared for it. This pre-work—the steps laid out in our business continuity plan, a designed and developed hybrid working policy, a digital transformation strategy that was well underway, the agility of our supervisors and the balance of prudence and pragmatism within our regulatory framework—allowed the BMA to pivot, quite literally, overnight.

Our seamless transition to a fully operational “remote BMA” made room, in 2021, for the BMA to focus on its Aspirational Culture Statement:

*We strive for excellence and continual improvement.*

This initiative is the pursuit of being first-class, carrier-grade and best-of-breed; and it demands a sea change, which may be a corporate buzzword globally but, given its origin in *The Tempest*, most aptly suits Bermuda. In 2021, the BMA's sea change started within.

Organisational culture is not self-contained. It is living and breathing, and it must be nurtured. We cannot strive for excellence and continual improvement unless we exist in and contribute to a cultivating, stimulating and championing environment, which is only possible when all voices are heard. In 2022, we continued listening. From the most literal perspective of “environment”, we cemented the flexible working policies we developed over the last few years. We built these policies through comprehensive consultation with staff and management, using industry best practices and mandate fulfilment as the foundation. The outcome

is a bespoke workplace, empowering our people to work in the style under which they can produce the best work product and to continue meeting the demands of our organisation.

A productive workplace, though, is buoyed by wellness. The BMA has always operated under this premise and rose to the continued challenge of furnishing a remote wellness programme during a pandemic that, for Bermuda, intensified in 2021. Over the past year, we have refined our staff wellbeing model, providing virtual opportunities and support that account for our hybrid workplace, the stresses of the current public health situation and traditional wellness considerations.

These internal pursuits succeed through the cross-organisational links we deploy—structurally and procedurally. From the structural perspective, we reviewed and adjusted the organisation's layout, such as amalgamating our Licensing and Authorisations Team into our Supervision (Insurance) Department; and creating a standalone Data Science and Artificial Intelligence (DSAI) Department that is working collaboratively with our Information Technology (IT) Team to focus on Artificial Intelligence (AI) and automating the BMA where applicable. Procedurally in 2021, we made progress on many of our technology/innovation projects, such as our Enterprise Records and Information Management (ERIM) platform, where a vendor was selected, and we began working with departments to design our solution.

Our efforts in this area were not just driven “from the top”. We have seen a grassroots embrace of innovation and technology within the BMA. In 2021, this manifested through the inaugural BMA Tech & Innovation Week, which was ideated, developed and hosted by BMA staff and included a workshop, presentations, panels and a fireside chat. The speakers, who discussed emerging technology and innovation considerations in our industry, were Subject Matter Experts (SME), many of whom reside within the BMA. The external speakers were peer regulators and industry veterans with whom we have long-fostered relationships. These international relationships are anchored to **co-operation, alignment and demonstration** of our framework.

**Co-operation** during the year took the form of pioneering innovations across borders. One example of this is our Memorandum of Understanding (MoU) with the Wyoming Division of Banking (WDOB)—specifically designed to create a framework to establish and supervise

## Chief Executive Officer Message (Continued)

digital asset entities across jurisdictions. The staff exchanges, joint meetings, mutual assistance and exchange of information for which this MoU lays a regulatory bridge, further connecting Bermuda's financial ecosystem globally. In the same innovation vein, we further steeped ourselves into the Global Financial Innovation Network (GFIN) through our election to its Coordination Group, which is responsible for setting GFIN's strategic vision and direction and enabling the global operationalisation of its projects. This pairs well with our participation in GFIN's cross-border testing initiative, where we served as a lead regulator overseeing a metadata management platform's proof-of-concept development process. This proof-of-concept suits our sandbox and industry well as it is a platform that allows regulators to monitor banking and insurance registrants' sustainability management and climate change-related data analysis.

**Alignment**, for the BMA, refers to keeping pace with international standards and best practices. In 2021, the BMA showcased its alignment with the European Insurance and Occupational Pensions Authority (EIOPA) and the Group of International Finance Centre Supervisors' (GIFCS) respective standards. During these benchmarking peer evaluations, we invested significant resources to provide evidence of our track record and commitment. Beyond simply keeping pace, though, the BMA set the pace. Over the year, we once again pledged ourselves to develop global regulatory standards, meeting this pledge through our seats on standard-setters' committees, Working Groups (WG) and task forces (most notably as the International Association of Insurance Supervisors (IAIS) Executive Committee (ExCo) Member, Policy Development Committee Vice-Chair, Macroprudential Committee Vice-Chair, Signatories WG Vice-Chair and chair to a number of task forces under the IAIS banner, including the Financial Crime Taskforce), and through participation in bi-lateral meetings and supervisory colleges.

**Demonstration** in 2021, in several instances, was dedicated to data that visualised the Bermuda market's growing significance to policyholders around the world. Through data claims surveys, we identified that Bermuda (re)insurers have paid out roughly \$65 billion, \$400 billion and \$60 billion to policyholders in the United Kingdom, United States and European Union, respectively, since 1997. This global risk supply is vital, particularly given the global protection gap that, as Aon's 2021 *Weather, Climate and Catastrophe Insight* revealed, sits at 62%. The Bermuda market reduces this protection gap and enables global risk diversification, which lowers the cost of buying insurance for those living in catastrophe danger zones, supplies capacity that populations around the world require for retirement, capacitates insurers to meet the promises made to their policyholders and, more generally, fills the role of being a global solutions provider.

While our market's registrants significantly contribute to reducing the protection gap, the gap itself demonstrates an existing opportunity to serve vulnerable communities through innovative solutions. Bermuda has the expertise to accomplish this. In 2021, the BMA further committed to industry's pursuit of these

opportunities by availing its own expertise via its newly developed SME team focusing on innovation and climate change. While this team had been in development for some time, it keeps pace with the findings from our 2020 Climate Change Survey Report, which revealed that climate change has shifted from being considered a niche part of the market to being a high priority for a broad range of companies—with roughly 86% of property and casualty insurers and 71% of life insurers viewing it as both a risk (mainly transition) and opportunity (e.g., extended and new coverage types).

Climate change's intersection with financial services extends well beyond the insurance sector, which is why the aforementioned SME team's panel spans across the BMA's business units. This means that incumbents and the widening array of entrants may fully utilise a framework that is being built to evolve and flex for innovations and Environmental, Social and Governance (ESG) considerations.

This initiative parallels the Authority's sandbox expansion into all regulated sectors, allowing promising innovations to be tested in the market with a chance for broader adoption in Bermuda and abroad. The foundation to accomplishing this, and any other regulatory regime change, is consulting with industry. Last year, we published a consultation paper on the General Regulatory Sandbox Guidance Note and we have since provided a response to industry feedback.

Other framework changes we proposed in 2021 include the Operational Cyber Risk Management Code of Conduct for Banks, Deposit Companies, Corporate Service Providers, Trust Companies, Money Service Businesses, Investment Businesses and Fund Administration Providers; introduction of the concept of Internationally Active Insurance Groups (IAIG); amendments to the Insurance Act 1978 (Insurance Act) and Prudential Standards; enhancements to the investment business regime; enhancements to the Digital Asset Business (DAB) regime; and amendments to the Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) general and sector-specific guidance notes. These are not, in and of themselves, sea changes but rather the regulatory sprints that make sea changes possible.

The BMA's sea change is ongoing. It is continuous transformation and future-proofing. Each year we nimbly shift our initiatives, but the underlying tenet remains the same—prudent pragmatism.

During the year, we undertook numerous resource-intensive projects with this tenet at their core. The flagship: we explored broadening our regulatory and supervisory portfolio to include market conduct oversight. We developed the framework's first two sector-specific codes of conduct, issuing consultation papers on these for banks and deposit companies, as well as insurance entities. Industry feedback has been valuable as we establish the frameworks and propose amending the Bermuda Monetary Authority Act 1969 (BMA Act) to include the conduct of business as a regulatory mandate. This work shores up our prudence, particularly regarding financial services consumer protection.



We had a similar focus on the prevention and detection of financial crime. In addition to updating the AML/ATF guidance notes, we conceptualised, built and delivered the AML/ATF Service Provider Training (SPT) Course. As a deep-dive into Bermuda's AML/ATF regime, the course reinforces and validates service providers' knowledge. With this offering, we saw an additional opportunity. Alongside bolstering AML/ATF compliance in Bermuda, we can use it as a litmus test that buttresses our framework's pragmatism. In other words, service providers who successfully complete the course's advanced track will have access to an advanced track licensing programme for DAB licensing applications.

This allowance for speed to market is an emerging necessity that extends beyond the DAB sector. There is an innovation cloudburst throughout our ecosystem, and the BMA views these products and services—when vetted and supervised effectively—as a positive revolutionary force for financial inclusion and betterment. Therefore, we explored how we could further inject efficiency into our processing times. One tangible result was the introduction of a three-day registration process for Special Purpose Insurers (SPI) intending to issue Catastrophe bonds (Catbonds) or mortgage bonds.

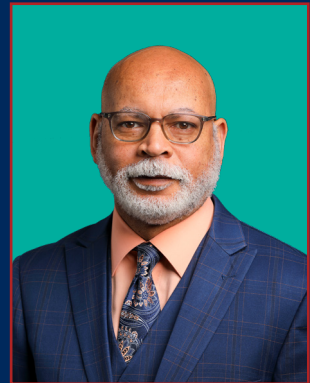
Framework modernisation, speed to market, innovation, expansion into emerging areas, a re-invigorated organisational culture drive, uptake of the technology that facilitates each of these—this defined 2021. We pursued new and powerful avenues across the board. However, the aforementioned headline achievements did not materialise out of thin air. They were earned only in the wake of what came before, under the leadership of the BMA's former Executive Chair, Jeremy Cox. Mr. Cox dedicated two decades to the BMA—over half of which he served as the organisation's leader. During this time, he not only maintained the BMA's reputation globally, he also built on it. On behalf of the Authority, I would like to thank him for leaving us on such solid footing to step confidently into our future work, including successfully seeing out 2021.

We were, indeed, unfettered in achieving our 2021 objectives. It was an "all hands on deck" effort by an excellent team. This is not a historical hiccup or a temporary aberration. It is the BMA's reputation—an unceasing sea change year in and year out.



**Craig Swan**  
Chief Executive Office

## Executive Team (as of 31 December 2021)



**CRAIG SWAN**  
Chief Executive Officer



**SHANNA LESPERE**  
Chief Operating Officer



**MICHAEL BURNS**  
Director, Legal Services and  
Enforcement

## 2021 BUSINESS PLAN MILESTONES COMPLETED

### Insurance

- Legislation introducing the concept of IAIGs passed
- Consulted on enhancements to the insurance code of conduct
- Made adjustments to the Bermuda Solvency Capital Requirements (BSCR), introducing more granular disclosures of the mix and quality of investments
- Performed a Climate Change Exposure Assessment for the commercial insurance sector
- Commenced engagement with the market on the implications of International Financial Reporting Standards (IFRS) 17 and United States Generally Accepted Accounting Principles (GAAP) long-duration contract targeted improvements
- Continued to engage and deepen relationships with EIOPA, the National Association of Insurance Commissioners (NAIC), the Prudential Regulation Authority, the Group of International Insurance Centre Supervisors (GIICS) and other international regulators

### Banking, Trust, Corporate Services and Investment (BTCSI)

- Issued consultation papers on Basel III proposed revisions to (i) the large exposures framework; (ii) the Liquidity Coverage Ratio (LCR); (iii) operational risk; (iv) operational risk principles; and (v) the output floor
- Completed the GIFCS assessment of Bermuda's compliance with the Standard on the Regulation of Trust and Corporate Service Providers (TCSP); the report was published in December 2021
- Issued three consultation papers on proposed enhancements to the investment business regime

### Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF)

- Commenced addressing recommendations coming out of the Mutual Evaluation Report (MER) in coordination with Bermuda's National Anti-Money Laundering Committee (NAMLC)
- Provided considerable support for the work conducted by the Office of NAMLC between September 2020 and April 2021 to refresh the National Anti-Money Laundering/Anti-Terrorist

Financing/Counter-Proliferation Financing (AML/ATF/CPF) Policy. The Authority stands ready to implement required changes upon approval of the revised national policy

- Communicated the results of Bermuda's 2020 Terrorist Financing National Risk Assessment (NRA) to industry
- Provided considerable support throughout NAMLC's Money Laundering NRA exercise, actively participating in the National Threats WG and the National Vulnerabilities WG and executing the sectoral assessments for the following sectors: deposit-taking; securities; regulated insurance; non-regulated insurance; lending; money service business; Bermuda Stock Exchange; Corporate Service Provider (CSP); and trust service provider. The Authority provided detailed reviews and comments on drafts of the report, and supported the articulation of the draft action plan. During the process, the Authority engaged with industry to solicit input and validate results
- Consulted with industry on general and sectoral AML/ATF guidance notes
- Developed and introduced the SPT Course and concurrent streamlining of DAB licence applications submitted by qualified SPT Course graduates

### Other

- Issued a consultation paper on a Cyber Risk Management Code of Conduct for Banks, Deposit Companies, Corporate Service Providers, Money Service Businesses, Investment Businesses and Fund Administration Providers
- Issued a consultation paper on a conduct of business regulatory regime for banks and deposit companies
- Issued the stakeholder letter to responses to the Consultation Paper: Banks and Deposit Companies Act 1999 – Code of Conduct



**Donald Scott**  
Chairman

Over the past year, we have seen that great transformation takes remarkable coordination at all levels of our ecosystem—Bermuda’s financial services industry keeping pace with the world, the BMA evolving in lockstep with industry and our Board of Directors (Board) moving in parallel to the organisation. Every layer synchronised with the next, all the way down to the core.

At the BMA, our core is our people. When I joined the BMA Board in 2019, I knew we had phenomenal staff. A year later, with the onslaught of the pandemic, I witnessed an overnight metamorphosis. More than 200 individuals left the BMA’s offices on Thursday, 19 March 2020. The next morning, at 8:30 a.m., the BMA was fully operational from homes scattered across the island. Since then, with each spike or change in public health guidance, our team demonstrably—and some might say incredibly—rose to the challenge.

A Ministry of Finance (MoF) survey validated this, with c-suite across all regulated sectors awarding the BMA high marks on our performance during the pandemic. This feat was not a miracle. It was operational foresight, design and preparation that had been years in the making. Yes, COVID-19 expedited our digital transformation and hybrid working transition but, because of the framework and roadmap that senior management had put in place, it was an accelerated—rather than a fragmented—transition.

In 2021, the Board paralleled this unimpeded drive towards digitisation at all levels, further developing its own technological capacity. The objective was to further enhance and secure collaboration while reducing the carbon footprint. Over the year, we reconfigured our processes, devices and skills; and, while ever-expanding capabilities will create ongoing opportunities for further upgrades, we have completed the groundwork. We have also already begun to reap the rewards—augmented engagement that reaches far beyond the virtual board room walls.

The Board has always valued the open and regular discourse it maintains with senior management. In 2021, we increased our dialogue with the BMA’s SMEs. This “Know Your Sector” initiative

is yet another avenue where the Board maintained alignment with the organisation because, as emerging areas continued to blur the traditional financial services perimeter, the Board kept pace. This was enabled due to the fact that the BMA’s expertise is booming—much to the credit of our Human Resources Department’s drive for recruitment, retention and learning and development. Our staff members are SMEs in financial services’ furthest reaches. They have staked a claim as leading industry voices and contributors to international standard-setters. We develop thought leaders at the BMA.

Additionally, this initiative created a space where SMEs give the Board a clear sightline into each sector’s evolving technical niches and the Board brings its expertise, adding to the BMA’s richness of perspective. This sets the tone from the top for cultural evolution that prioritises engagement, knowledge-sharing and continuous learning and underscores the BMA’s governance proposition: a proactive approach that leads to resilience.

Over the past year, the world learned the true value of such resilience, with the pandemic popularising it among boards globally. A recent McKinsey & Company study revealed that, in 2019, less than half of boards had corporate resilience on their agenda. This number was turned on its head over the past two years, rising to the top of most boards’ agendas. The BMA’s Board was ahead of the curve on this, partly due to its future-proofing mindset of employing fresh perspectives.

These fresh perspectives have served us well in the past. Craig Swan is not, after all, the first BMA leader to be welcomed into his new role as Deputy Chief Executive Officer (DCEO) by a global emergency. Jeremy Cox took up the mantle of DCEO in 2007 and, as he prepared to step into the role of Chief Executive Officer (CEO), the Great Recession unfolded. Through Mr. Cox’s leadership, the BMA not only withstood this trial by fire, it flourished, earning Solvency II equivalence, pioneering DAB regulation and supervision, and maintaining the BMA’s reputation as a world-class financial services regulatory authority.

Mr. Cox’s departure as Executive Chair also transitioned the BMA from executive governance to non-executive governance. In 2021,

## ABOUT THE BOARD

(as of December 2021)

Under the BMA Act, the functions of the Board are to manage the affairs and business of the BMA and to determine the policy objectives and strategy of the Authority.

For the first three quarters of 2021, the Board consisted of an Executive Chairman and ten non-executive directors appointed by the Minister of Finance (Minister) from various sectors of industry. With effect as of 1 October 2021, the Authority transitioned to a non-executive Chairman of the Board. The CEO of the Authority was also appointed as an Executive Director by the Minister, with concurrent effect.

To enhance independence, directors are appointed for terms up to five years. Board conflicts are strictly managed in accordance with the BMA Act. The Minister appoints the Chairman of the Board, who also chairs the Non-Executive Directors Committee (NEDC).

### Chairman Message (Continued)

alongside Mr. Swan's shift from DCEO to CEO, I moved from my role as Deputy Chair to Chair and Tracy Tepper stepped into the Deputy Chair seat. Additionally, we brought in Tammy Richardson-Augustus as a new Board Director. A talented and vibrant Bermudian with immense leadership capabilities, Mrs. Richardson-Augustus has already stepped up, accepting the role of Legislative & Policy Committee Chair going forward.

It is these transitions, and the individuals who make them, that parallel the Board's work to the wider organisation, its mission and value proposition. Over the course of another tumultuous year, we once again defined this work with the essential elements of good governance: transparency, independence, accountability, responsibility and fairness—elements that have and will continue to underscore the Board's agenda.



**Donald Scott**  
Chairman



**DONALD SCOTT**  
Chairman



**TRACY TEPPER**  
Deputy Chair  
Director, Lombard Odier Trust  
(Bermuda) Limited (retired)



**CRAIG SWAN**  
CEO & Executive Director



**PHILIP BUTTERFIELD**  
Chairman, HSBC Bank of  
Bermuda (retired)



**ROBIN MASTERS**  
Treasurer & Chief Investment  
Officer, ACE Limited (retired)



**SHARON BEESLEY**  
CEO, Beesmont Law Limited



**MICHAEL LEVEROCK**  
President, Leverock Advisors &  
Associates



**TAMMY RICHARDSON-AUGUSTUS**  
Partner, Appleby (Bermuda) Limited



**WALTER A. BELL**  
Chairman, Swiss Re America Holdings  
Corporation (retired)



**FRANCINE MASON**  
Partner, Rawlinson & Hunter



**KAREL VAN HULLE**  
Professor at KU Leuven and Goethe  
University Frankfurt, Member of the Public  
Interest Oversight Board

## BOARD COMMITTEES

(as of 31 December 2021)

### NON-EXECUTIVE DIRECTORS

**Donald Scott** (Chair)  
**Tracy Tepper** (Deputy Chair)  
Sharon Beesley  
Walter Bell  
Philip Butterfield  
Michael Leverock  
Francine Mason  
Robin Masters  
Tammy Richardson-Augustus  
Karel Van Hulle

- Ensures the Authority is discharging its functions in accordance with the policy objectives and strategy determined by the Board
- Oversees the Authority's internal financial controls
- Determines the remuneration and other terms of service of the Authority's CEO

### AUDIT & RISK MANAGEMENT

**Tracy Tepper** (Chair)  
Michael Leverock  
Francine Mason  
Robin Masters

- Monitors (i) the Authority's accounting and financial reporting process, including its internal accounting and financial controls, and (ii) the integrity of the Authority's financial statements
- Retains and oversees the independent auditors of the Authority's financial statements and determines their remuneration
- Oversees the Authority's risk management process
- Provides the Board with the results of its monitoring and recommendations, as well as additional information about significant financial matters that require the Board's attention
- Oversees the Authority's internal audit function

### INVESTMENT

**Robin Masters** (Chair)  
Philip Butterfield

- Ensures prudent investment of the Authority's portfolio of assets in accordance with the requirements of the BMA Act and the investment policy guidelines that are established by the Board

### HUMAN CAPITAL

**Donald Scott** (Chair)  
Walter Bell  
Michael Leverock  
Tracy Tepper

- Approves the Authority's overall compensation framework as well as the individual remuneration levels for directors and above
- Makes recommendations to the NEDC on the terms and conditions of the CEO's employment
- Oversees succession planning
- Oversees Human Resources policy and programme development and implementation

### CORPORATE GOVERNANCE & ETHICS

**Michael Leverock** (Chair)  
Sharon Beesley  
Walter Bell  
Donald Scott

- Develops, implements and monitors effective corporate governance principles, policies and procedures
- Oversees all policies and programmes to ensure that the Authority's Board, management and staff carry out their functions in an ethical manner and apply policies that meet corporate governance best practice standards

### LEGISLATIVE & POLICY

**Sharon Beesley** (Chair)  
Karel Van Hulle  
Donald Scott  
Tammy Richardson-Augustus

- Reviews legislative and regulatory priorities as established by the Board, and oversees the agenda for the development of legislation related to financial services regulation
- Reviews proposed changes to primary and subsidiary legislation administered by the Authority and submitted by management
- Makes recommendations to the Board on regulatory policy

# Community Matters



## COMMUNITY MATTERS

With the global pandemic stretching into its second straight year, the BMA's move to a hybrid work environment was solidified and saw a continuation of our "volunteer from home" focus. Opportunities in this space took several forms, including participating in virtual denim days for the Bermuda Heart Foundation, Bermuda Diabetes Association and the Women's Resource Centre. The BMA also participated in Tomorrow's Voices' 8th annual Autism Rocks Socks Fundraiser. Hailed as the "Home Edition" of this yearly event, staff were encouraged to wear colourful or mismatched socks, post pictures on social media and donate to celebrate Autism Awareness Month. These virtual fundraisers continued to allow the BMA an alternative method of spreading awareness about important causes and giving back to our community. Whether before or during the pandemic, the BMA's charitable mission remained focused, flexing to the community's needs and identifying alternative methods for supporting our island's charities.

## Service Spotlights

### Donna Mae Arorash Receptionist

Donna Mae actively participated in a number of running races throughout the year to raise money for a variety of Bermuda charities. Races included:

- Virtual 10k PALS Step-A-Thon, 28 February – Donna Mae raised money in honour of Darnell Wynn and for the PALS charity
- You Go Girl 5k Team Race, 6 June – monies raised were donated to the Women's Resource Centre
- PartnerRe Women's 5k, 3 October – monies raised were donated to various female-related charitable causes
- Virtual Hamilton Rotary Club 5k Walk/Run, 11 November – monies raised were donated towards fighting kidney disease
- AXA XL Man on the Run 5k, 14 November – each year, a group of Donna Mae's friends dress up to direct traffic and cheer on the runners. The race raises money for the Equal Access Fund and prevention and early detection programmes for men
- Jingle Bell Hybrid 5k, 12 December – monies raised were donated to the Bermuda Red Cross

*"Several years ago, my sister-in-law and I organised a walking group called 'The Sista Circle'. Each Saturday and Sunday, I map out a six to seven mile walking route for the ladies to keep fit. We also have social events and incorporate some charity walks into our routes to help raise funds for the cause."*





### Athea Jackson

Senior Analyst, Supervision - Insurance

This past Christmas, Athea volunteered with Gina Spence Productions (Charity #856) and took part in its Christmas Community Outreach programme. Athea had heard of the great things that Gina Spence Productions did for the community and wanted to get involved.

Although Christmas is widely advertised as a magical time for children, this is, unfortunately, not the reality for many of Bermuda's families. Therefore, as part of the Christmas Community Outreach, Athea volunteered by sorting, packing and labelling toy hampers for children. In addition, Athea volunteered at the drive-through distribution held at the T.N. Tatem middle school. Her role was to greet everyone that attended the drive-through and ensure their names were crossed off the list after receiving their gift. This supported charity organisers to identify the families that did not receive a hamper and use alternate methods to reach them.

*"The value that Gina Spence Productions brings to our community is indescribable. Not only do they gift toy hampers to children at Christmas, but they also distribute school uniforms, pharmaceutical gift boxes and medical gift cards for the seniors in our community. Additionally, Gina Spence Productions provides support to those families that have lost loved ones through gun violence.*

*I am grateful that I had the opportunity to work with the amazing people at Gina Spence Productions.*

*Giving back to the community is incredibly rewarding, and I encourage everyone to find a way to give back in these trying times. Every act, whether big or small, makes a difference!"*



### Donald Treanor

Assistant Director, Supervision - Actuarial Services

Donald has been donating his time to the Bermuda Fencing Federation (BFF) for 10 years, training fencers for overseas tournaments in locations such as the United States, United Kingdom and Croatia.

More recently, Donald has helped coach a junior fencer who attended his first tournament in March 2022. Donald will also represent Bermuda when he participates in the London Commonwealth Fencing Championships in August 2022.

Interest in this sport is growing based on increased participation throughout the 2021 training season. In addition, the team attending the Commonwealth Fencing Championships in August 2022 is the largest to represent Bermuda in the history of the island's participation.

*"I've been volunteering at the BFF for my entire time on the island. During that time, we have helped a number of students complete the Duke of Edinburgh Programme using fencing as one of their activity options.*

*It is important to note that respect for oneself and one's opponent is one of the cornerstones of fencing. Therefore, it gives me great satisfaction to see students using their time fencing to become more well-rounded individuals and to see them travel to represent Bermuda internationally."*

Photos in order of respective spotlight listings.



**Omar Shakir**

Senior Officer, Supervision – BTCSI

Pembroke Hamilton Club (PHC) has always had a strong relationship with the community. Its core values are driven by community-focused events, providing support to families, building confidence in young people and encouraging academic improvement. PHC is a low-cost option for kids interested in playing football, providing them with a safe space to grow and be inspired.

Omar has been an avid football player and fan of his childhood team, PHC, since the age of seven, when the youngest age group to play was Under 11s. After a few years, Omar qualified for the team and committed himself to the club, participating in various ways throughout the years.

*“PHC has always been committed to supporting the community and encouraging its players in the same manner. Consequently, I (and many others) have a lifelong commitment to PHC and our community, from being a youth and senior player, youth and senior team coach, club member and volunteer, and currently, the Chairperson of PHC’s Technical Development Committee, which oversees all facets of the club’s youth football programme ranging from Under 5s through Under 17s.*

*Additionally, I contribute to PHC by leading teams through specific projects and efforts relating to charitable donations and marketing campaigns.”*



Middle row, second from left



First on left



# Regulatory Developments



## ANTI-MONEY LAUNDERING/ ANTI-TERRORIST FINANCING (AML/ATF)

In 2021, the Authority continued to address the recommendations arising from the successful Mutual Evaluation Report (MER) published by the Caribbean Financial Action Task Force (CFATF) on 17 January 2020. In keeping with the Financial Action Task Force (FATF) assessment methodology, Bermuda will present its first Follow-Up Report (FUR) to the CFATF Plenary in May 2022. The Authority is on track with all assigned recommendations, covering a range of topics, and continues to work with Bermuda's NAMLC to prepare and present Bermuda's FUR for consideration at Plenary. The bill reflecting the BMA's proposals to address legislative and regulatory matters, including the MER's recommendations and changes in FATF standards, was passed by Parliament and the Senate in February.

Work has continued throughout the year on refreshing guidance notes. In 2021, the Authority completed a public consultation on the general AML/ATF guidance notes for regulated financial institutions and the sectoral AML/ATF guidance notes for the securities, corporate service provider, trust, DAB and Money Service Business (MSB) sectors, respectively. Industry's feedback will be appropriately incorporated into the respective guidance notes and responded to through stakeholder letters. The Authority anticipates the publication of the final guidance notes in early 2022.

The Authority continues to focus on innovation; therefore, one of the AML/ATF Department's ongoing priorities is to enhance effectiveness by becoming an ever more data-driven regulator. In 2021, further work was completed to refine the data visualisation tool underpinning BMA's risk models. This allows the supervisory team to review both sectoral data and each underlying entity's data over time, highlighting trends and risks. Work also commenced to (1) revamp the data collection and analysis approach related to the annual independent audit of AML/ATF activities required by all registrants and (2) update the BMA's AML/ATF data calls to refine the specific information obtained that supports the Authority's risk modelling.

As a key member of NAMLC, the Authority provided significant support to all NAMLC initiatives throughout the year. The major NAMLC project in 2021 was the refresh of the Money Laundering NRA. The Authority actively participated throughout the assessment in the National Threats WG and the National Vulnerabilities WG, and executed the sectoral assessments for deposit-taking; securities; regulated insurance; non-regulated insurance; lending; MSB; Bermuda Stock Exchange (BSX); CSP; and trust service providers. Additionally, the Authority provided detailed reviews and comments on the report's various drafts and supported the articulation of the draft action plan. In the second half of the year, work commenced on the DAB sector assessment using the module for this sector created by the

World Bank. Following training sessions with the World Bank, work continues with this exercise in conjunction with NAMLC. The Authority also supported the work conducted by NAMLC between September 2020 and April 2021 to refresh the National AML/ATF/CPF Policy.

In 2021, the Authority launched the SPT initiative to provide enhanced training to service providers (e.g., lawyers, compliance consultants) supporting licensing applications for DABs, together with an "Advanced Track" review of AML/ATF policies and procedures for relevant licence applications. The training has taken the form of recorded instruction and case studies. The Advanced Track Licensing Programme refines the BMA's approach to what is required of licence applications received from persons who have successfully completed the registration/certification process.

The Authority has supported a range of beneficial ownership initiatives in various forums throughout the year. Collaboration was extended with the Registrar of Companies (RoC) to progress Bermuda's commitment to a public beneficial ownership register. The Authority also provided a resource to lead the CFATF Risk Trends and Methods Group project on "Vulnerabilities in the Concealment of Beneficial Ownership Information". The project started in February 2021, and the CFATF Plenary accepted the final report on 3 December. Further to the Authority's work with the CFATF, it supported the FATF Policy Development Group's project to review and enhance Recommendation 24 (R24). The R24 work is now complete, following an additional inter-sessional meeting in January and finalisation of the R24 changes at the FATF February 2022 Plenary.

The Authority fulfilled the Chair of the IAIS Financial Crime Task Force throughout 2021. Under the BMA's chairmanship, the revised application paper on Combating Money Laundering and Terrorist Financing was approved by the IAIS ExCo on 10 December. In addition, the Authority represented the IAIS (an observer organisation to FATF) at various FATF Plenary and related meetings.

### Conduct of Business

As a part of its multi-year corporate strategy, the Authority is establishing a business conduct regulatory regime to enhance financial services customer protection in Bermuda. The regime aims to promote fair and equitable treatment of financial services customers in Bermuda. The work to establish this business conduct regulatory regime began in 2020, including a consultation paper in December 2020, and continued throughout 2021. In September 2021, the Authority issued a follow-up consultation paper requesting comments on a proposal to revise the Insurance Code of Conduct (Code) by renaming a section "Section 8 – Conduct of Business" to house the additional requirements that were set out in the 2020 consultation paper

under this section. The Authority has finalised the amendments to section 8. The amended Code will be issued following the amendment of the BMA Act to provide the Authority with a clear regulatory mandate over the conduct of business. Additionally, in September 2021, the Authority issued a consultation paper requesting comments on a proposal and draft for a Code of Conduct: Conduct of Business Regulatory Regime for Banks and Deposit Companies.

## BANKING, TRUST, CORPORATE SERVICES AND INVESTMENT (BTCSI)

### Banking

Due to the COVID-19 pandemic in 2020, the Basel Committee on Banking Supervision (BCBS) delayed the introduction of new Basel III standards, finalised in December 2017, from 1 January 2022 to 1 January 2023. Consistent with the BCBS, the Authority also delayed the introduction of the latest Basel III amendments to remain fully aligned with the BCBS timetable. For 2021, there were no changes to the capital and/or liquidity frameworks, which are currently compliant with all BCBS standards and implementation timelines. Nevertheless, in preparation for the implementation of the final Basel III standards, the Authority published five consultation papers with four related to the new standards:

- Revised standardised approach for operational risk
- Revised large exposure framework
- Revised operational risk principles
- The output floor

As part of the Authority's periodic review of existing standards, a consultation paper was also issued related to the outflow treatments for specific financial counterparties within the Liquidity Coverage Ratio (LCR) framework. These consultation papers were issued in late 2021, with the comment period to close 31 March 2022.

In light of the macroeconomic impacts of COVID-19, the Authority introduced enhanced reporting to monitor the impact of the pandemic in April 2020. This included weekly reports on specific liquidity-related metrics as well as ad-hoc reporting on credit exposures and potential credit losses. Based on an analysis of the trends observed, together with the regular supervisory programme, the Authority did not identify issues requiring additional mitigating actions. As a result of the trends' satisfactory risk nature, the Authority decreased the frequency of COVID-19 reports from weekly to monthly in 2021.

The reporting requirement will form part of the regular quarterly and semi-annual submission, beginning in 2022.

The Authority's Supervisory Review and Evaluation Process (SREP), which combines the Capital Assessment and Risk Profile (CARP) process with the on-site review process, is on a two-year cycle. In 2021, two banks were subject to the SREP process. As part of this process, the Authority issued revised capital requirements for these respective institutions based on the results of the on-site examination, the CARP document and desk-based assessments.

Other actions taken by the Authority in 2021 included:

- Approval of one new physical branch pursuant to the Bermuda Monetary Authority (Financial Institutions) (Control) Regulations 1994
- Non-objection to an increased control as per section 25 of the Banks and Deposit Companies Act 1999 (BDCA)
- Non-objection to a shareholder controller change pursuant to section 25 of the BDCA
- Non-objections for three material outsourcing arrangements as per the Authority's outsourcing guidance, which became effective in May 2020
- Approval of an application for a banking licence under section 13(1) of the BDCA

### Trust and Corporate Service Providers (TCSP)

In December 2021, Bermuda concluded its peer evaluation by the GIFCS. The peer evaluation focused on assessing Bermuda's compliance with the Standard on the Regulation of Trust and Corporate Service Providers. Bermuda's evaluation report was presented at the GIFCS's plenary meeting in November 2021 and published in December 2021.

### Investment Business

As part of a key strategic initiative, the Authority proposed a series of enhancements to its regulatory and supervisory programme for investment businesses in Bermuda in 2021 to support the modernisation of that sector and ongoing compliance with international standards and best practices. Primary among those changes was the expansion of the framework's scope to introduce new classes of registered persons and new investment activities. In support of this, a draft bill encapsulating these changes was tabled in the House of Assembly in December 2021. Furthermore, the Authority issued a series of consultation papers in 2021 in support of this key initiative, namely:

- Proposed Enhancement to the Investment Business Regime (issued in June 2021)
- Proposed Enhancement to the Investment Business Regime: Regulation and Rules (issued in September 2021)
- Rules and Guidance on Net Asset and Liquidity Requirements, Statutory Return Rules and the Statement of Principles (issued in October 2021)

The Authority anticipates that the updates to the investment business regime will come into force in 2022.

## Fund Administration Provider Business

Presently, there are 23 licensed fund administration business providers in Bermuda. The Authority continued its ongoing supervision of these entities throughout 2021 in accordance with the provisions of the Fund Administration Provider Business Act 2019.

## FINANCIAL STABILITY AND RESEARCH

The Authority's financial stability and research work encompassed five key categories as in years past.

### Macroprudential Surveillance and Systemic Risk Monitoring

This work continues to focus on reviewing activities in the various financial sectors under the BMA's mandate, performing surveillance of Bermuda's financial economy and the real economy, inputting the surveillance actions' results into the BMA's regulatory and supervisory efforts, and providing data and analysis to the public domain. In many instances, this data and analysis are included in BMA publications, such as the Quarterly Banking Digest, the Bermuda Insurance Property and Casualty Market – Catastrophe Risk and Stress Testing Analysis Report, the Catastrophe Risk Modelling Report, Bermuda's Coordinated Portfolio Investment Survey Report, and the Macroprudential Risk – Annual Statutory Filings Report. Further, macroprudential surveillance work carried out by the BMA was presented to and discussed during Bermuda's Financial Policy Council (FPC) meetings.

### International Engagement

BMA staff maintained its active participation in and contribution to:

- Financial Stability Board (FSB)
  - Regional Consultative Group for the Americas (RCGA)
  - RCGA Non-Bank Financial Intermediation WG (which the BMA continues to Co-Chair)
- Bank of International Settlements (BIS)
  - Financial Stability Institute
- IAIS
  - Macroprudential committee and WG roles:
    - Macroprudential Committee (where the BMA maintains its role as Vice-Chair)
    - Macroprudential Monitoring WG
    - Macroprudential Supervision WG

- Resolution WG
  - Implementation assessment work is underway concerning the IAIS Holistic Framework for Systemic Risk in the Insurance Sector
- Organisation for Economic Co-operation and Development (OECD)
  - Insurance and Private Pensions Committee's 2020 Global Insurance Market Trends Report
- Credit rating agencies
  - Concerning sovereign and financial firms' ratings developments

### Recovery and Resolution

In 2021, the BMA further developed Bermuda's recovery and resolution framework, particularly in relation to the insurance sector. As a result, dialogue with the international insurance industry progressed regarding the regulatory framework for recovery planning. Additionally, as a member of the IAIS Resolution WG's drafting team, the Authority contributed to ongoing IAIS work on recovery and resolution.

### Financial Policy Council (FPC)

Throughout 2021, the Authority continued with its dual role as a member of the FPC and FPC Secretariat. The BMA's CEO actively participated in the four 2021 FPC meetings, two of which were arranged in a virtual format and two in a hybrid format (i.e., some members took part in person while others conducted meetings remotely). FPC meetings focused on reviewing key risks to Bermuda's financial stability, discussing vulnerabilities and contributing solutions to address these. The 2021 key topics of interest for the FPC were Bermuda's Economic Recovery Plan and the development of Bermuda as a global digital finance hub.

### Research Resource

The Financial Stability and Research Department carried out various in-house research projects in 2021 and represented Bermuda in domestic and international research initiatives. These included:

- International Monetary Fund (IMF): providing detailed work for the IMF's balance of payments and securities held as foreign exchange reserves
- BIS: compiling quarterly locational banking statistics data for the BIS
- OECD: compiling OECD insurance statistics
- Bermuda Department of Statistics: aggregating the economic activity survey data and continuing the development of an economic database
- GIICS: organising and coordinating workshops on data analytics and research and climate change risk (BMA staff also participated in these workshops)

- IAIS: co-authoring the 2021 Special Edition of the IAIS Global Insurance Market Report “The impact of climate change on the financial stability of the insurance sector”

## DIGITAL ASSET BUSINESS

### Digital Asset Business Act 2018 - Head Office Guidance 2021

The Head Office Guidance came into effect in May 2021. It aimed to provide further clarity on the factors taken into consideration for determining compliance with the head office requirements by applying the proportionality principle.

### Frequently Asked Questions (FAQ) 2021

The FAQs were updated to include key details on the application and supervision processes for DAB applicants. Supplemental details were provided on the various licence classes, including key features, restrictions and documentation requirements. Additional information was provided on how to apply for an exemption or modification to a specific requirement under the legislation. The FAQs also highlighted the difference between the DAB and Digital Asset Issuance (DAI) regimes for those seeking additional clarity on which regime they may fall into regarding regulatory capture.

### Digital Asset Business Act 2018 - Statement of Principles

The updated statement of principles came into effect in May 2021, reflecting the introduction of a new Class T licence.

### DAB Licence Application Process - Information Bulletin

The information bulletin has been amended to set out the application process. The information and documentation required to apply for a licence should now be submitted through the appropriate application form.

### Digital Asset Business Act 2018 - Product Due Diligence Guidance

This guidance, which should be read in conjunction with the relevant provisions of the Digital Asset Business Code of Practice, was developed to set out specific guidance as it pertains to the due diligence required to be carried out by DABs for the purposes of the introduction of a new (or material modification to an existing) product or service.

### Digital Asset Business Act 2018 – Code of Practice

The updated Digital Asset Business Code of Practice came into effect in May 2021. Two new sections were introduced; the first one highlights the disclosure requirements applicable to DABs conducting their business over the internet, whereas the second set lays out the level of due diligence required to be carried out by DABs prior to introducing a new (or materially modifying an existing) product or service.

### Digital Asset Business Act 2018 - Material Change Notification Form

This form was developed to set out the minimum information required to be submitted to the Authority by a DAB prior to effecting a material change to its business, as per section 22 of the Digital Asset Business Act 2018 (DABA).

### Application Forms – Digital Asset Business Act 2018 and Digital Asset Issuance Act 2020

The Supervision (Financial Technology) Department has developed the following forms; they aim to structure the licensing process further: (1) DAB Class F Application Form; (2) DAB Class M Application Form; (3) DAB Class T Application Form; (4) DAI Application Form; and (5) DAI Exemption Form.

### The BMA Consults on amendments to the DAB framework

In November 2021, the Authority published a consultation paper on proposed amendments to DABA along with enhancements to certain DAB rules to provide further clarity to certain sections and make other changes intended to facilitate more effective administration of DABA.

The proposed amendments include:

- Introduction of new DAB activity and related definitions for digital asset lending and digital asset repurchase transactions
- Introduction of an exemption for certain entities licensed under the Investment Business Act 2003
- Change in approach to the exemptions procedure
- Clarification regarding administrative penalties
- Clarification regarding the cyber return reporting requirement for Class M and Class T licence holders
- Enhancement to the disclosure requirements for DAB entities pertaining to the type and nature of class they are holding, including the activities they are allowed to carry out thereunder

## International Developments

- The BMA has joined the GFIN's Co-ordination Group to help shape the mission and vision of the 60+ member network, as well as influence the digital transformation of financial services across borders
- The BMA has signed a digital asset MoU with the WDOB. The MoU creates a framework under which the BMA and the WDOB can co-operate to facilitate the establishment of digital asset entities across jurisdictions and their effective supervision. The framework includes supervisory co-operation, mutual assistance and the exchange of information

## INSURANCE

### Continued Implementation of the Enhanced Commercial Regime

The process of updating Bermuda's regime to ensure alignment with the IAIS revised Insurance Core Principles (ICP) requirements, including considerations for the Common Framework (ComFrame) for the Supervision of IAIG and Holistic Framework, continued in 2021.

In December 2021, the Insurance Act 1978 was amended to introduce the concept of IAIGs, giving the Authority powers to designate an insurance group, for which the Authority is the group supervisor, as an IAIG. This designation is completed after consultation with other competent authorities.

The BMA also held extensive informal consultations on recovery and resolution with the market during the year. Formal consultation starting with the concept of recovery plans will occur during 2022.

### Climate Change and Sustainability

Integrating sustainability and climate change into a regulatory framework and supervision is one of the Authority's key corporate objectives.

The Authority published the results of a qualitative climate change survey in March 2021, which gathered information from insurance groups and commercial insurers. The survey focused on insurers' general climate risk understanding; an assessment of climate change's impact on strategy and governance, underwriting and product development, and investments; climate change stress testing; disclosures; and lessons learned from COVID-19 that translate to climate change risk management. In Q3 2021, the Authority rolled out a quantitative exposure assessment as a trial run for the commercial insurance sector.

The Authority has frequently engaged with international peer regulators and thought leaders and it is an active member of the United Nations-convened Sustainable Insurance Forum (SIF) and the IAIS Climate Risk Steering Group.

## Special Purpose Insurers (SPI)

On 20 August 2021, the Authority published the 2021 licensing and registration checklist for Catbond structures for SPIs. The document also outlines the three-day approval process for Catbonds, which was introduced on the same day as the document's release.

Six special purpose insurers were successfully registered through the new three-day process before year-end.

## Insurance Technology (InsurTech) Regulatory Regime

In 2021, the BMA admitted more companies that offer innovative products or operate under innovative and non-traditional structures. In total, four companies were admitted to the innovation hub, while four companies were registered under the insurance regulatory sandbox. These companies are Innovative Insurers, Innovative Agents and Innovative Insurance Marketplace Providers. The growth of this new sector continues to support the use of technology to bring greater efficiency to the insurance models, ultimately reducing the cost of insurance and reducing the coverage gaps around the world. Additionally, the sector provides valuable and practical lessons to the Authority as it continues to enhance its legislative and regulatory framework for the future insurance and financial services sector.

## Insurance Code of Conduct:

In December 2021, the Authority published public consultation proposals to update certain sections of the Insurance Code of Conduct (Code) primarily to ensure alignment with international standards, namely revised ICPs as set out by the IAIS. The consultation comment period closed on 31 January 2022. It is intended that these changes, together with the conduct of business changes, will be merged into one revised insurance code of conduct and subsequently published. A suitable transition period will be given to the insurers to ensure compliance with the revised Code.

## International Affairs

In 2021, the BMA maintained an active role in international engagement. However, due to the COVID-19 pandemic, most of this engagement was conducted virtually.

At the IAIS level, the Authority continued to actively participate in various IAIS committees throughout 2021, including via the Authority's representation at the IAIS Insurance Capital Standard and Comparability Task Force. The Authority also participated in the IAIS Policy Development Committee, Macroprudential Committee, Implementation and Assessment Committee and the IAIS ExCo. A BMA representative presented the IAIS' work concerning the Holistic Framework at a joint meeting of the IAIS and the Financial Stability Institute.



In addition, the BMA chaired an IAIS Financial Crime Task Force meeting and continued to play an active part in the Macroprudential Monitoring WG, Macroprudential Supervision WG, Resolution WG and Targeted Jurisdictional Assessment Core Team.

The BMA is a member of the SIF and participated in various meetings during 2021. The BMA contributed to the IAIS Application Paper on the supervision of Climate-related Risk in the Insurance Sector and prepared for the 2021 United Nations Climate Change Conference. The BMA is a member of the newly founded IAIS Climate Risk Steering group and has participated in various meetings. Additionally, the BMA actively participates in the “gap analysis” and “scenario analysis” workstreams.

In 2021, the Authority attended various FATF meetings in its capacity as IAIS Financial Crime Task Force Chair. The BMA has also been very engaged with the GIICS and the Caribbean Association of Insurance Regulators (CAIR) and continues to actively support the CFATF.

The BMA participated in several bilateral engagements throughout 2021 and met with the NAIC Executive Team, the United Kingdom’s Prudential Regulation Authority, the Swiss Financial Market Supervisory Authority and EIOPA to discuss areas of common interest.

Additional bilateral meetings were held, among others, with the Iowa Insurance Division, the Hong Kong Insurance Authority, the Monetary Authority of Singapore, the Moroccan Supervisory Authority of Insurance and Social Welfare, the Insurance Regulatory and Development Authority of India and various members of GIICS and CAIR. The Authority also attended a biannual session for the FSB RCGA, where it presented the regulatory response to the COVID-19 pandemic.

The BMA was successfully elected into the GFIN Coordination Group, which is composed of 11 members responsible for setting GFIN’s strategic vision and direction and enabling the global operationalisation of its projects.

## OPERATIONAL CYBER RISK

The Insurance Sector Operational Cyber Risk Management Code of Conduct (Insurance Cyber Code), published by the Authority in September 2020, became effective 1 January 2021, with registrants expected to be in full compliance by 31 December 2021. The Insurance Cyber Code is designed to promote the stable and secure management of regulated entities’ IT systems.

On 1 July 2021, the Authority published a consultation paper on Insurance Group Amendment Rules (Rules) regarding cyber risk, which sought to align the Rules with the new Insurance Cyber Code, provide greater clarity on the Insurance Cyber Code and facilitate more effective administration of the Rules. The amendments to the Rules covered, among others, the following areas: adding new definitions, clarifying certain corporate governance requirements, adding to the risk management

framework and adding a new cyber reporting obligation. These Rules become effective on 1 July 2022.

In October 2021, the Authority published a consultation paper on the Cyber Risk Management Code of Conduct (BTCSI Cyber Code) which seeks to formalise the minimum requirements and expectations of licensed banks, deposit companies, CSPs, trust companies, MSBs, investment businesses and fund administration providers regarding the management and reporting of cybersecurity risks and incidents. Cyber risks can cause significant financial losses and reputational damage to licensees and their clients. Confidentiality, integrity and availability in all forms are critical to the daily operations of licensees. As such, the proposed BTCSI Cyber Code is designed to promote the stable and secure management of regulated entities’ IT systems. The Authority will publish the BTCSI Cyber Code in its final form in 2022 after assessing and responding to stakeholder feedback.

## Surveys and Reports

The Authority published various reports and survey results in 2021, including:

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Quarterly Banking Digest

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Quarterly Regulatory Update

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Bermuda Cyber Underwriting Report (February 2021)

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2020 Climate Survey Report (March 2021)

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2020 Insurance Sector Operational Cyber Risk Management Report (April 2021)

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2020 Captive Report (November 2021)

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Bermuda Insurance Property and Casualty Market: Catastrophe Risk and Stress Testing Analysis Report (December 2021)

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Catastrophe Risk Modelling Report (December 2021)

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Bermuda Insurance Market Stress Testing Report (December 2021)

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Macroprudential Risk: Annual Statutory Filings Report (December 2021)

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Catastrophe Risk Modelling 2020 Report (December 2021)

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Insurance Sector Operational Cyber Risk - 2021 (December 2021)

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Bermuda Coordinated Portfolio Investment Survey (December 2021)

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# Legislative Developments



*In 2021, the BMA continued to enhance its regulatory frameworks, ensuring they remained fit for purpose and aligned with international standards.*

## The AML/ATF-related Legislative Developments Pursued in 2021

The AML/ATF Department maintained the legislative process commenced in 2020 related to changes driven by Bermuda's MER, changes to the FATF Recommendations relating to virtual asset service providers (captured in Bermuda's legislation as DABs) and the BMA's ongoing review of the legislative framework. The changes were all minor technical amendments. The bill was passed by the House and Senate in February 2021.

In brief, the key amendments addressed included:

- Aligning with Recommendation 12 for senior management engagement for life insurance policy pay-outs involving politically exposed persons
- Ensuring inclusion of digital asset transfers in regulations currently referring to "wires"
- Aligning with revised Recommendation 15 to change the occasional transaction limit for DABs to \$1,000 versus \$15,000 for other regulated financial institutions
- Ensuring the Credit Unions Act 2010 is properly captured under the Proceeds of Crime Act 1997
- Refining the inclusion of insurance marketplace providers under the definition of "AML/ATF regulated financial institution" in the Proceeds of Crime Act 1997 Section 42A only to include an insurance marketplace where it offers direct long-term insurance to align with insurance brokerage activities

## Amendment to the Bermuda Monetary Authority Act 1969

Included in the above noted Insurance Amendment (No.1) Bill 2022 is the proposal for the BMA Act to be amended under the heading "Insurance Act 1978" by inserting the following new paragraphs after paragraph 2 (b):

- "(ba) Applying to add to, vary or delete any conditions imposed on the registration of an insurance manager, broker, agent, insurance marketplace provider or salesman pursuant to section 10 (3)
- (bc) to register an insurance manager, broker, agent, insurance marketplace provider or salesman in a different class pursuant to section 10 (5)"

## DAB Account Rules 2021

On 24 February 2021, the DAB Account Rules (Rules) came into effect. These Rules provide specific guidance to DAB registrants in Bermuda when preparing their annual statutory financial

returns. The Rules provide specific requirements to DABs as to the format in which the statutory balance sheet accounts are to be reported and the disclosures required in the accompanying notes. Further, the Rules provide guidance to auditors as to the accounts they are opining on for the purpose of submission to the Authority. Lastly, in the Rules, the Authority added several accounts that are unique for DAB operations.

## Bermuda Monetary Authority Amendment (No. 2) Act 2021 (BMA Act Amendment)

The main thrust of the BMA Act Amendment is to revise the Fourth Schedule of the BMA Act to ensure continued accuracy and comprehensiveness of the fees payable to the Authority. In addition, it is proposed that the BMA Act itself be amended to, among other things, lengthen the extension period provided in relation to the applications made by the innovation hub. The BMA Act Amendment became operable on 1 January 2022.

## Insurance Amendment (No. 2) Act 2021 (Insurance Bill)

The Authority proposed amendment to the Insurance Act to ensure alignment by Bermuda with certain ICPs issued by the IAIS. Such ICPs provide that robust regulators of insurance groups also have the ability to recognise and designate those insurance groups that meet certain internationally active criteria as IAIGs. Accordingly, such designees must submit additional information and reporting to their respective regulators, among other things. The Insurance Bill became operable on 23 December 2021.

## Investment Business Amendment Act 2021 (IBA Bill)

In 2020 and 2021, the Authority consulted on amendments to the Investment Business Act 2003 in furtherance of proposals to modernise Bermuda's investment business regime. The draft IBA Bill and revised statutory instruments propose to, among other things:

- Extend supervisory powers, as appropriate, (including revocation and restriction) to the new registered classes of investment providers (Class A and Class B) that will be added to the regime
- Replace references to "exempt" and "exempted persons" as necessary, with references to "registered persons", as appropriate (in line with policy proposals to move away from an exemption regime)
- Further clarify how and to whom technical obligations (including for annual and quarterly reporting to the Authority) will be applied
- Allow the Authority to maintain schedules to rules made by the Authority on its website for ease of administration

- Modernise requirements for maintenance and display of licences and registrations
- Re-name proposed new licences from Class F and T to Standard and Test, in line with industry feedback

The IBA Bill was tabled in 2021 and is expected to be debated in Parliament in 2022. In connection with the proposal to amend the Investment Business Act 2003, the Authority shall also seek the assistance of the MoF to amend the Investment Business Regulations 2004; repeal the Investment Business (Exemptions) Order 2004; amend the Investment Business (Client Money) Regulations 2004; introduce the Investment Business (Annual and Quarterly Statutory Return) Rules 2022 and request for the Minister to make an Investment Business (Registrable and Non-Registrable Persons) Order 2022. The revised regime is proposed to become operable in April 2022.

### Insurance Amendment (No.1) Bill 2022

On 16 December 2021, the Authority published an industry notice together with a draft bill entitled Insurance Amendment (No. 1) Bill 2022, which proposes to amend the Insurance Act for the following:

- The supervisory requirements relating to the winding-up of composite insurers. The bill proposes to amend section 36 of the Insurance Act to clarify that if one business fund (Fund 1) of a dual licence-holder in liquidation is not sufficient to pay preferential or policyholder debts of that fund, and there is a surplus in the other business fund (Fund 2) after paying preferential and policyholder creditors of Fund 2, the Fund 2 surplus will be used to pay the unpaid preferential and policyholder debts of Fund 1 before paying non-preferential, non-policyholder creditors of Fund 2
- Housekeeping matters

The consultation process commenced in December 2021 via publication in accordance with the Authority's standard practice. Barring any material objections to the bill, the proposed amendments are to become effective in June 2022.

In relation to the housekeeping matters, the bill seeks to amend the Insurance Act as follows:

- Clause 1 provides for this bill to be cited as the Insurance Amendment No. 1 Act 2022
- Clause 2 makes provision for section 2 to note that the statutory powers, duties and functions of the Authority extend to supervising Insurance Marketplace Providers
- Clause 3 makes provision for section 6E to be amended to apply to Innovative Intermediaries

- Clause 4 proposes to amend section 10 to allow for the Authority to vary or delete any conditions imposed on an Insurance Manager, Insurance Broker or Agent, Insurance Marketplace Provider or salesman
- Clause 5 seeks to amend section 14 to make provision for the Insurance Act to, inter alia, be amended to allow for the Authority to prescribe a fee for the variation or deletion of any conditions imposed on an Insurance Manager, Insurance Broker or Agent, Insurance Marketplace Provider or salesman
- Clause 6 makes provision for section 17 (4) (b) to be amended by deleting "innovative insurer" as a housekeeping measure, as such insurer class is not required to file statutory financial statements
- Clause 7 proposes to amend section 18A (2) (b) by deleting "innovative insurer" as a housekeeping measure
- Clause 8 seeks to amend section 30CA to define the term "officer" with regards to notification of a change for Insurance Manager, Insurance Broker or Agent, and Insurance Marketplace Provider
- Clause 9 proposes to amend section 30J by repealing subsections (5) and (7) (b) as a housekeeping measure, as such matters no longer apply to the registered persons noted thereunder; and by repealing subsection 7 (c), to clarify the application of an "officer" in relation to an innovative insurer for the purposes of the section
- Clause 10 seeks to amend section 30JE (3) to expand the notification events by an Insurance Manager or Insurance Intermediary to the Authority to include scenarios relating to "amalgamations and acquisitions of or mergers with other firms"
- Clause 11 proposes for section 30JEA (3) to be repealed as a housekeeping measure
- Clause 12 makes provision for the amendment to section 31AA to require insurance groups and commercial insurers to submit an updated declaration of compliance when failing to comply with the enhanced capital requirement
- Clause 13 seeks to amend section 32 by scoping in certain sections where civil penalties are not required to be applied because administrative penalties are imposed instead
- Clause 14 makes provision for a consequential amendment to be made to the BMA Act
- Clause 15 provides for the commencement



# Supervision and Licensing



## ANTI-MONEY LAUNDERING/ ANTI-TERRORIST FINANCING SUPERVISION (AML/ATF)

Throughout 2021, the AML/ATF Department continued to deliver its core tasks of risk-based supervision and ongoing reviews of licence applications, operating effectively under adjusted protocols to overcome the constraints imposed by remote working due to COVID-19. The Authority is responsible for supervising more than 1,300 licensed or registered entities for AML/ATF purposes. It is noteworthy that its approach of relying heavily on on-sites has evolved in recent years, especially with respect to the higher-risk sectors of banking and DABs. The insights provided through data calls are increasingly leveraged to inform a risk-based approach and focus.

The risk modelling results concluded in late 2020 provided the information for specific on-sites for 2021, which covered a broad range of sectors and selected registrants. As a result, the Authority conducted 15 "remote on-site" supervisory examinations at regulated financial institutions.

Ongoing close and continuous supervision of MSBs and banks continued through quarterly meetings and enhanced oversight of these critical sectors. Continuing monthly monitoring meetings were also conducted with all licensed DABs, numbering ten licensees at year-end.

Without exception, supervisory activities result in a remediation plan for the registrant; therefore, tracking the registrants' progress is an important priority for the AML/ATF Department. Such tracking for inspections conducted in both 2021 and prior years continued throughout the year. Generally, registrants remained on track with their remediation requirements. Nevertheless, where progress was not as expected, the AML/ATF Department made appropriate referrals to the Enforcement Department, with whom there is continuous and close collaboration.

Additionally, the Authority reviewed ten applications for licensing and authorisation purposes. This included six applications in the DAB sector. Continuing the trend noted for this continuously evolving sector, DAB applicants' "new to regulation" experience resulted in significant time and effort being spent reviewing and working with them over the year.

During 2020, 18 new Non-Licensed Persons (NLP) were registered by the AML/ATF Department, seven were deregistered and two name changes were processed. At year-end, a total of 92 NLPs were registered.

## BANKING SUPERVISION

### Asset Quality

The banking industry's Non-Performing Loans (NPL) at the end of 2021 were \$647 million, representing a 9.8% decrease from the \$716 million recorded at the end of 2020. NPLs represented 7.3% of gross loans at the end of the year (2020: 8.1%). Total industry provisions at the end of 2021 were \$191 million, representing a 9.2% decrease from the \$210 million recorded at the end of 2020. The industry recorded a 1.1% increase in gross loans during 2021, increasing from \$8.8 billion at the end of 2020 to \$8.9 billion at the end of 2021.

### Balance Sheet

Total consolidated banking industry assets increased by 4.8%, or \$1.2 billion, to \$26.8 billion in 2021. This change was in line with an increase in deposit liabilities and is evidenced primarily by cash and deposits increasing by 26.3% to \$5.0 billion (2020: \$4.0 billion).

In terms of balance sheet composition, investments retained the largest share of total assets at 46.1% (2020: 48.0%), followed by loans at 32.6% (2020: 33.7%), cash and deposits at 18.8% (2020: 15.6%), premises and equipment at 1.1% (2020: 1.2%) and other assets at 1.3% (2020: 1.4%). The loan to deposit ratio decreased from 87.0% at the end of 2020 to 81.0% at the end of 2021.

Deposit liabilities increased by 5.7%, or \$1.3 billion, to \$24.1 billion in 2021 (2020: \$22.8 billion). Demand deposits recorded 9.5% growth from \$11.3 billion in 2020 to \$12.4 billion in 2021; savings deposits recorded 2.9% growth from \$7.7 billion in 2020 to \$7.9 billion in 2021, while time deposits remained static at \$3.9 billion.

In terms of allocation, demand deposits accounted for 51.3% (2020: 49.5%) of total deposits, while savings deposits accounted for 32.7% (2020: 33.6%) and time deposits accounted for 16.0% (2020: 16.9%).

At the end of 2021, the industry's other liabilities balance was \$544 million, representing a 5.4% increase from the \$516 million recorded at the end of 2020.

### Earnings and Profitability

Aggregate sector profitability increased by \$6 million or 2.9%, from \$230 million in 2020 to \$236 million in 2021.



Total banking industry income for 2021 was \$782 million, representing a 4.3% decrease from the \$817 million recorded in 2020. Throughout 2021, total operating expenses amounted to \$538 million, representing a 1.9% increase from the \$528 million recorded in 2020. Staff expenses accounted for 51.1% (2020: 54.9%) of total operating expenses, followed by other expenses at 31.9% (2020: 32.7%), occupancy expenses at 9.3% (2020: 7.9%) and expenses related to services by external service providers at 7.6% (2020: 4.5%).

Net interest income continues to be the largest component of the industry's income streams, with a 2021 total of \$484 million (2020: \$527 million), representing 61.8% (2020: 64.5%) of total income for the year. Other banking income during 2021 amounted to \$169 million (2020: \$149 million), accounting for 21.6% (2020: 18.3%) of total income. Non-banking income during the year amounted to \$124 million (2020: \$134 million), accounting for 15.8% (2020: 16.4%) of total income, while dividends and other income accounted for less than 1% of the total income in both 2021 and 2020.

### Capital Adequacy

The aggregated consolidated Risk Asset Ratio (RAR) for the banking industry was 22.8% at the end of 2021, compared to 22.0% at the end of 2020. The aggregated Common Equity Tier 1 (CET1) capital ratio was 20.5% (2020: 19.8%) at the end of 2021, and the BMA notes that each individual bank has exceeded its specific current minimum requirements. The industry's average Basel III leverage ratio was 9.1% (2020: 9.9%) at the end of 2021, with each bank exceeding the 5% minimum requirement.

Total Risk-Weighted Assets (RWA) at the end of 2021 amounted to \$8.8 billion, representing a 1.9% decrease from the \$9.0 billion recorded at the end of 2020. The RWA density at the end of 2021 decreased to 33.1% from 35.2% at the end of 2020.

### Credit Union Supervision

Presently, the sole credit union in Bermuda is the Bermuda Credit Union Co-op Society. The Authority continued its ongoing supervision of this entity throughout 2021 in accordance with the provisions of the Credit Unions Act 2010.

### Money Service Business (MSB) Supervision

Presently, there are three licensed MSB providers in Bermuda. The Authority continued its ongoing supervision of these entities throughout 2021 in accordance with the provisions of the Money Service Business Act 2016.

## The Bermuda Stock Exchange (BSX)

The BSX celebrated its 50th anniversary in 2021 and completed a number of important initiatives during the year, including moving its operations to a new headquarters location at Exchange House on Pitts Bay Road in Hamilton. The BSX also implemented significant upgrades to its technology infrastructure as it continued to integrate with its parent entity, Miami International Holdings, Inc. In June 2021, the BSX joined the Pyth Network, a decentralised financial market data distribution platform designed to provide high fidelity financial market data to the blockchain industry.

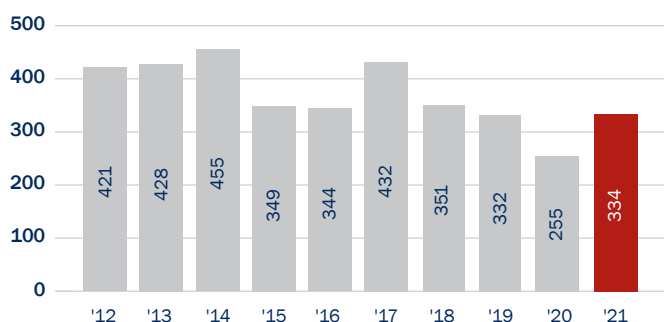
The BSX ended 2021 with a total market capitalisation of \$334 billion (2020: \$255 Billion), with a record total of 1,294 securities listed on the exchange at the end of the year (2020: 1,127).

Domestic trading volume totalled three million shares in 2021 (2020: 4.9 million) and was valued at \$23.4 million (2020: \$25.3 million).

The number of new Insurance-Linked Securities (ILS) listings increased by 11.1% to a record 281 in 2021 (2020: 253). The total number of ILS listed securities stood at 757 at the end of 2021 (2020: 590) and had a combined nominal value of \$50.8 billion (2020: \$43.01 billion).

International debt issues listed on the BSX increased by 7.3% to 222 in 2021 (2020: 206), and the nominal value of the listings increased 35.7% to \$29.4 billion (2020: \$21.63 billion).

### BSX - Market Capitalisation (BD\$ Billions)



## DIGITAL ASSET BUSINESS (DAB) SUPERVISION

In 2021, the Supervision (Financial Technology) Department supervised four Class F licences, five Class M licences and one Class T licence. The supervisory regime for Class F licensed entities includes annual on-sites and the provision of data returns. Class M licensed entities have monthly or quarterly supervisory meetings that cover a range of areas based on the business' nature, scale, complexity and risk profile. For example, supervisory meetings may include examination of governance, risk management, cybersecurity, AML/ATF, financial position, net assets, segregation, custody of client assets and customer protection. Increasingly, applications are introducing complex business models spanning various licensing sectors, requiring collaboration and joint-supervisory efforts.

## ENFORCEMENT

### Enforcement Governance Review

The enforcement governance review, being conducted under the direction of the Board's Corporate Governance & Ethics Committee, continued throughout 2021 with the Enforcement Team continuing to support the MoF in its appeal tribunal process review regarding the manner in which the Authority's enforcement decisions may be appealed.

In furtherance of this objective, the MoF published a consultation paper on 2 June 2021 detailing its intended restructuring of the appeal process. This process is ongoing, and it is anticipated that the requisite legislative amendments to all of the regulatory acts and their respective appeal regulations will be completed in 2022.

### Enforcement Activity

The Authority completed the following enforcement matters in 2021:

- Filed a winding-up petition with the Supreme Court regarding **Greins Global Limited**, a Class 1 insurer. A Winding-up Order was granted on 19 March 2021 by the Supreme Court, and the Official Receiver was appointed as the Provisional Liquidator
  - Cancelled the insurance registration of **Priosma Ltd.**, an Insurance Broker, in addition to imposing financial penalties totalling \$67,100 arising from multiple breaches of the **Insurance Act**
  - Cancelled the insurance registration of **U.S. Re Corp. International Ltd.**, an Insurance Broker, in addition to imposing financial penalties totalling \$14,456 arising from multiple breaches of the Insurance Act
  - Imposed urgent restrictions on **Blue Nile Services Limited**, a licensed MSB under the provisions of the Money Service Business Act 2016
  - Levied civil penalties totalling \$1,700,000 against **Allianz Life (Bermuda) Ltd.**, a Class 3 and Long-Term Class C insurer, with respect to significant breaches of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 (POCR), International Sanctions Regulations 2003 and longstanding and persistent breaches of the Insurance Act
  - Filed winding-up petitions with the Supreme Court in 2020 regarding three related insurance companies, **Northstar Financial Services (Bermuda) Ltd. (Northstar)**, **PB Life and Annuity Co. Ltd. (PBLA)** and **Omnia Ltd (Omnia)**. By order of the Supreme Court dated 25 September 2020, Rachelle Frisby and John N. Johnston of Deloitte Limited were appointed Joint Provisional Liquidators (JPL) with respect to each of the companies. The Supreme Court issued Winding-Up Orders in relation to Northstar and Omnia on 26 March 2021. The winding-up proceedings with respect to PBLA are ongoing, and the appointment of the JPLs continues
- The Authority commenced the following enforcement matters in 2021 that are currently following the applicable statutory procedures:
- A decision notice was issued to a registered NLP wherein the Authority proposes to cancel its registration under the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008. A notice of appeal was filed by the NLP, and the hearing of the appeal is pending
  - Urgent directions were imposed on a Class 3 insurer under the Insurance Act. A decision notice in this regard was issued, and the insurer filed a Notice of Appeal. Nevertheless, the insurer and the Authority agreed to a temporary stay of the appeal proceedings pending the resolution of matters that served as the impetus for the imposition of urgent directions
  - A warning notice proposing to impose civil penalties was issued to a CSP business arising from breaches of the Corporate Service Provider Business Act 2021 and POCR
  - A warning notice proposing to impose civil penalties was issued to a trust business arising from breaches of the Trusts (Regulations of Trust Business) Act 2001

- A warning notice was issued to a Class 1 insurer proposing to cancel its registration arising from breaches of the Insurance Act
- A decision notice was issued to an Insurance Broker with the intention of cancelling its registration arising from breaches of the Insurance Act, the Insurance Brokers and Agents Code of Conduct 2019, the Companies Act 1981 and the Exchange Control Regulations 1973
- Decision notices were issued to two of the directors of the above-noted Insurance Broker. It was determined that enforcement actions should be taken against the directors personally in connection with extensive failings of the broker company by imposing prohibition orders

### Policing the Perimeter

During 2021, the Authority issued three public warnings, all of which were published on the Authority’s website. Additionally, the Authority issued one press release regarding a Bermuda-formed company that falsely claimed to have a licence issued by the Authority.

Two companies published inaccurate statements in the media about their Bermuda operations. These companies were notified that these published activities fell within regulated activities in the insurance and investment funds sectors, and neither company was licensed or regulated by the Authority. In both cases, the companies were quick to respond with apologies for premature promotions and corrected the information. Nevertheless, in a similar but separate matter, the company had a history with the Authority. Consequently, a cease and desist letter was issued, resulting in the company quickly correcting the public information.

The Authority continued its focus on policing the activity of unlicensed DABs, with several matters being investigated.

### Information Sharing

Enforcement acts as the Authority’s central repository to administer information requests from foreign regulatory counterparts under section 30B of the BMA Act and domestic public authorities (e.g., the Bermuda Police Service (BPS) and the Financial Intelligence Agency (FIA)) under statutory compulsion powers, such as production orders and notices to provide information.

### International

In 2021 the Authority received 13 requests for assistance from foreign regulators, which is a considerable increase from one request received in 2020 and five requests in 2019. It is also notable that the Authority was required to issue as many as 13 notices to satisfy a single request for assistance and, in one matter, the Authority also conducted two witness interviews under oath.

### Domestic

The Authority continues to share information with the FIA and BPS. The 2021 year has seen an increase in the number of voluntary disclosures, both disclosed to and received from the FIA and BPS. The following table provides details of the exchange of information from 2018 to 2021.

#### Information Sharing with Domestic Agencies

	2018	2019	2020	2021
Disclosures received from FIA	3	1	1	5
FIA section 16 request for information from BMA	13	4	2	3
Suspicious activity reports filed by BMA	6	7	9	3
BMA request for information from FIA	3	4	6	1
BPS request for information from BMA	9	5	13	18
- Number of subjects	33	20	42	172
- Beneficial ownership findings	68	25	*	*
Production orders issued to BMA	0	0	1	1
BPS voluntary disclosure to BMA	*	*	2	5
BMA voluntary disclosure to BPS	6	6	8	9
BMA request for information from BPS	0	1	1	4

*\*Not recorded for the year*

## INSURANCE SUPERVISION

### COVID-19

The emergence of the COVID-19 pandemic in early 2020 severely disrupted world economies. While the global evolution of the pandemic hampered prospects for sustained recovery, the world economy appeared to rebound in 2021. Against this backdrop, the Authority continued to fulfil its mandate to ensure policyholder protection and promote financial stability. Supervisory efforts in 2021 remained focused on monitoring and responding to the rapidly changing (but better understood) situation caused by the pandemic. Building on analyses and surveys conducted in 2020, which revealed that the Bermuda (re)insurance industry was resilient with strong capitalisation levels and sufficient liquidity to absorb projected worst-case loss scenarios, the Authority, in 2021, focused on gathering quarterly survey data on COVID-19 induced losses. Consistent with the prior year, the survey results affirmed the strength and readiness of Bermuda (re)insurers to withstand the financial impact of these losses. Nevertheless, potential vulnerabilities remain given uncertainties about the duration and impact of the COVID-19 crisis; therefore, the Authority will continue to monitor developments relating to the pandemic.

Other notable measures that were undertaken included:

- Enhanced quarterly reporting requirements and prioritised reviews of information with forward-looking and/or predictive values
- Published report on operational cyber resilience
- Performed data calls on claims losses paid by Bermuda (re)insurers to policyholders globally for losses relating to natural catastrophes, property and casualty insurance and life insurance claims
- Allowed the registrants' flexibility to hold virtual board meetings when COVID-19 made it logistically challenging to have in-person meetings in Bermuda
- Conducted interim supervisory college information sharing sessions and meetings with key external counterparties, including IAIS, EIOPA, NAIC, other insurance regulators and industry group representatives

Despite COVID-19, the Authority continued its day-to-day supervisory activities, including effective and efficient on-site inspections, qualitative and quantitative analysis, and supervisory colleges.

### Group Supervision

The BMA's 2021 insurance groups' supervisory activities included nine on-site reviews and 16 annual supervisory colleges, covering groups for which the Authority is a group supervisor. Further, the Authority participated in 22 supervisory colleges hosted by other competent regulators. The colleges continue to serve as a forum for coordinating supervisory plans and sharing information with overseas regulators for insurance groups with Bermuda-related operations. In addition, the BMA continued to establish memoranda of understanding with the applicable jurisdictions.

### Alternative Capital Market

Bermuda's alternative capital market continues to be resilient, despite almost five years of elevated catastrophe losses and concerns over trapped collateralised capital.

Bermuda's reputation as a trusted centre for insurance risk securitisation continued to strengthen during 2021 with record levels of new Catbond issuances. The Authority's ability to facilitate a significant number of these issuances was further enhanced by introducing a new three-day Catbond approval process. Property catastrophe/retrocession continues to be the main business line written; however, mortgage bonds have also emerged as a significant segment within the ILS bond market. Furthermore, based on market reports by Artemis, the global ILS issuance outstanding market size was \$46.4 billion at year-end 2020, of which approximately 93% was listed on the BSX. Given Bermuda's alternative capital market's significance, the Authority continues to track data to publish its Alternative Capital Report to promote ILS transparency globally.

## SUMMARY OF SUPERVISORY ACTIVITY ACROSS SECTORS FOR 2021

Sector	Focus of supervisory activity	Supervisory activity
<b>All sectors:</b>  <b>AML/ATF</b>	<ul style="list-style-type: none"> <li>• Risk-based approach to AML/ATF supervision underpinned by the output of the NRA</li> </ul>	Execution of risk-based supervision across all sectors including: <ul style="list-style-type: none"> <li>• 17 “remote on-site” supervisory examinations at regulated financial institutions, seven desk-based reviews</li> <li>• Ongoing quarterly and monthly continuous supervision and monitoring meetings</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>• On-site inspections focused on a number of key areas, including risk management, corporate governance and capital adequacy</li> </ul>	<ul style="list-style-type: none"> <li>• Nine group on-sites</li> <li>• 21 solo on-sites</li> <li>• Eight intermediary on-sites</li> <li>• Five cyber on-sites</li> </ul>
<b>DAB</b>	<ul style="list-style-type: none"> <li>• On-site inspections focused on governance, risk management, cybersecurity, AML/ATF, financial position, net assets, segregation, custody of client assets and customer protection</li> </ul>	<ul style="list-style-type: none"> <li>• Two “remote on-site” supervisory examinations</li> <li>• 58 periodic supervisory meetings</li> </ul>
<b>Banking</b>	<ul style="list-style-type: none"> <li>• Combined Pillar II supervisory reviews of all licensed banks based on their submission of the CARP reports</li> <li>• On-site reviews of full banking group operations on a rotational basis, in alignment with submission of the CARP</li> </ul>	<ul style="list-style-type: none"> <li>• Two on-site reviews</li> </ul>
<b>Trust</b>	<ul style="list-style-type: none"> <li>• On-site inspections focused on corporate governance, enterprise risk and compliance with the Trusts (Regulation of Trust Business) Act 2001 and the code of practice</li> </ul>	<ul style="list-style-type: none"> <li>• Three on-site reviews</li> </ul>
<b>CSP business</b>	<ul style="list-style-type: none"> <li>• On-site inspections focused on corporate governance, enterprise risk and compliance with the Corporate Service Provider Business Act 2012 and the code of practice</li> </ul>	<ul style="list-style-type: none"> <li>• Three on-site reviews</li> <li>• One sectoral thematic review – conduct and client money</li> </ul>
<b>Investment business</b>	<ul style="list-style-type: none"> <li>• On-site inspections focused on corporate governance, enterprise risk and compliance with the Investment Business Act 2003, General Business Conduct and Practice – Code of Conduct and the Advertising Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Seven on-site reviews</li> </ul>
<b>Fund administration</b>	<ul style="list-style-type: none"> <li>• On-site inspections focused on corporate governance, enterprise risk and compliance with the Fund Administration Provider Business Act 2019 and the code of practice</li> </ul>	<ul style="list-style-type: none"> <li>• Two on-site reviews</li> </ul>
<b>Credit union</b>	<ul style="list-style-type: none"> <li>• Off-site review assessing compliance with the requirements of the Credit Unions Act 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
<b>MSB</b>	<ul style="list-style-type: none"> <li>• On-site inspections focused on corporate governance, enterprise risk and compliance with the Money Service Business Act 2016 and the code of practice</li> </ul>	<ul style="list-style-type: none"> <li>• One on-site review</li> </ul>
<b>Stock exchange</b>	<ul style="list-style-type: none"> <li>• Stock exchanges are financial institutions within the meaning of the BMA Act 1969 and are subject to supervision, regulation and inspection</li> </ul>	<ul style="list-style-type: none"> <li>• One on-site review</li> </ul>

**FORMAL USE OF POWERS IN 2021****Banking and Deposit Companies Act 1999**

Section	Provision	Use in 2021
35	Notification of change of director, controller or senior executive	23 notifications received; the Authority conducted the appropriate vetting
25	Notification of new or increased control	Seven notifications received
42	Investigation	Zero notices issued

**Trusts (Regulation of Trust Business) Act 2001**

Section	Provision	Use in 2021
24	Notification of new or increased control	Nine notifications received
34	Notification of change of controller or officer	27 notifications received; the Authority conducted the appropriate vetting
18 and 28B	Restriction and civil penalties	One notice issued

**Investment Business Act 2003**

Section	Provision	Use in 2021
28	Notification of new or increased control	Seven notifications received
43	Notification of change of controller or officer	65 notifications received; the Authority conducted the appropriate vetting
52A(1) and 52B(1)	Warning	Zero notices issued

**Fund Administration Provider Business Act 2019–Fund Administrators**

Section	Provision	Use in 2021
24	Notification of new or increased control	Five notifications received; no objections provided
29	Notification of change of director, senior executive and controller	34 notifications received; the Authority conducted the appropriate vetting

**Corporate Service Provider Business Act 2012**

Section	Provision	Use in 2021
22	Notification of new or increased control	14 notifications received; no objection provided
45	Notification of change of director, senior executive and controller	93 notifications received; the Authority conducted the appropriate vetting
17 and 28	Restriction and civil penalties	One notice issued

**Money Service Business Act 2016**

Section	Provision	Use in 2021
25	Notification of new or increased control	Zero
48	Notification of change of director, senior executive and controller	Six notifications received; the Authority conducted the appropriate vetting
14 and 28	Restriction of licence	One notice issued

## LICENSING

### Insurance Licensing Applications

In 2021, 78 new insurance entities registered with the BMA, comprising 64 (re)insurers and 14 intermediaries. The new (re)insurer registrations consist of 17 (27%) captives, 27 (42%) SPIs, 19 (30%) commercial (re)insurers and one (1%) Innovative General Business (IGB) Insurer. 50 new (re)insurance registrants' underwrite general business exposures, and the remaining 14 underwrite long-term business exposures. Additionally, there were three new (re)insurance groups registered in 2021.

### BTCSI Licensing Applications

In 2021, four new entities were licensed by the BMA. Of these, one was a Trust; two were Investment Business and one was a limited CSP licence.

### DAB Licensing Applications

In 2021, the Authority received seven DAB licence applications. It issued one new Class T licence and one new Class M licence. Further, one entity exited the sandbox and was granted a Class F licence. Additionally, the Authority renewed four Class M licences.

Finally, as part of its participation in the GFIN cross-border testing, the Authority received 12 applications and engaged in one cross-border test with four other regulators as a part of the innovation hub. While the Supervision (Financial Technology) Department coordinates efforts with GFIN, these applications may be for the Authority's regulatory sandbox or innovation hub or require licensing under one or more pieces of legislation administered by the Authority.

### SUMMARY - APPROVED APPLICATIONS\*

Class 1	7
Class 2	8
Class 3	5
Class 3A	4
Class 3B	3
Class 4	2
Collateralized Insurer	1
IGB Insurer	1
Sandbox, IGB Insurer	2
Class B	1
Class C	5
Class E	10
Restricted SPI	20
Unrestricted SPI	2
Insurance Manager	2
Insurance Broker	3
Insurance Agent	7
Innovative Intermediary - Innovative Agent	2
Sandbox, Insurance Marketplace Provider	2
Trust Business	1
Investment Business	2
Limited CSP	1
<b>Total</b>	<b>91</b>

\* Companies are required to apply for registration after they are approved for licensing.

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**SUMMARY OF BTCSI-RELATED LICENSEE STATUS AS AT THE YEAR ENDED 31 DECEMBER 2021**


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Sector	Licensing Activity
Banking	Total licensees at the end of the year: four (2020: no change)
Trust	Total licensees at the end of the year: 26 (2020: 26) Licences surrendered: one (2020: one) New licences issued: one (2020: zero)* New private trust companies: nine (2020: seven)
Investment Business	Total licensees at the end of the year: 49 (2020: 48) Licences surrendered: one (2020: five) New licences issued: two (2020: one) Declined licence: two (2020: zero)
Fund Administration	Total licensees at the end of the year: 23 (2020: 22) Licences surrendered: zero (2020: two) New licences issued: one (2020: zero)
CSP Business	Total licensees at the end of the year: 94 (2020: 97) Licences surrendered: four (2020: three) New limited licences issued: one (2020: four) New unlimited licences issued: zero (2020: no change) Declined licence: zero (2020: zero) New CSP exemptions: one (2020: six)
Credit Union	Total at the end of the year: one (2020: no change)
MSB	Total licensees at the end of the year: three (2020: no change) New licences issued: zero (2020: zero)
Stock Exchanges	Total at the end of the year: one (2020: no change)

\*Restated number



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**COMPANIES, PARTNERSHIPS AND PERMITS STATISTICS**


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	Q3-2020	Q4-2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021
<b>Companies*</b>	187	251	217	197	201	255
<b>Exempted Partnerships</b> (partnerships established in Bermuda to carry on business in or from within Bermuda)	25	21	110	66	35	46
<b>Overseas Partnerships</b> (overseas partnerships applying for permits to carry on business in or from within Bermuda)	0	0	0	0	1	0
<b>Overseas Permit Companies</b> (overseas companies applying for permits to carry on business in or from within Bermuda)	1	2	0	0	0	0
<b>Total Applications Approved</b>	<b>213</b>	<b>274</b>	<b>327</b>	<b>263</b>	<b>237</b>	<b>301</b>

\*Companies includes continuations into Bermuda, exempted, exempted limited by guarantee, local (including 60/40), local limited by guarantee and limited liability companies

years ago.

Director of Corporate and Financial Services, Marcia Woolridge-Allwood indicated "at that time it was determined that the previous premises were not going to be sufficient to meet the future needs of the Authority and the decision was made to acquire what is now known as BMA House."

She explained: "The purchase of the new premises was also spurred by the move by the Insurance Department of the Republic of the Philippines to the same building."



ARY A

NOTE  
AND  
COIN  
EXHIBIT

# Designing an Improved Authority



## INFORMATION TECHNOLOGY (IT)

In 2021, the Authority embarked on its first year of IT Strategy: Vision 2025. The organisation remained steadfast in its vision and mission to effectively unite three key domains—people, processes and technology. Over the next five years, the Authority will continue to build upon the foundation laid out by IT Strategy: Vision 2020. Several key strategic IT initiatives were progressed throughout the year, all of which are now poised to kick-off deployment in 2022.

### INTEGRA®

The Authority continued implementing INTEGRA® in 2021, a multiyear, multiphase project designed to automate the entire supervisory lifecycle by improving turnarounds and data quality, thereby enabling more effective supervision. In particular, the BMA continued the development, testing and final preparations for a 2022 rollout of Phase III - Investment Funds.

### COVID-19 Pandemic Response

On 19 March 2020, the Authority demonstrated operative business resilience and effectively transitioned its entire workforce from working in the office to working from home and remotely. In 2021, it further increased IT agility, ensuring that its IT infrastructure remains resilient.

The threat landscape of securing the endpoints of a remote workforce presents significant challenges to IT leaders around the globe. In managing the additional risks, several enhanced information security measures were implemented at the Authority in all three domains of people, processes and technology. The organisation continues to recognise the importance of an effective strategy to build cyber resilience in the workplace and the workforce. The overarching strategy is to reliably and continuously provide highly secure access to the workforce, regardless of their location, and continuously optimise on-premise and cloud resources to maintain performance and control costs.

The Authority has accelerated its digital transformation process in response to the pandemic. The strategy is to redefine culture and redefine and redesign workplaces and workflows by investing in new collaboration tools and technology. In 2021, the BMA progressed several key initiatives in this regard.

### ERIM System

The BMA's most significant initiative is its ERIM system. ERIM is a BMA solution to create and manage documents, automate business processes with workflows, and build compliant yet invisible governance and retention capabilities. Additionally, ERIM uses AI and a low-code platform to extract more value from documents and learn more from the knowledge they contain. As

a result, ERIM will enhance the workplace and industry experiences, improve decision-making and accelerate services to market.

### BMAConnect

The replacement of the BMA's existing intranet, known as BMAConnect, is another key initiative developed in 2021 and poised to be implemented in early 2022.

## PROJECT MANAGEMENT OFFICE (PMO)

The PMO continues to support the Authority's continued evolution and transformation, ensuring projects, from ideation to completion, are managed with a consistent and uniform approach. The PMO's domain includes the following areas of responsibility:

- **Project support:** Provide the necessary support and guidance to project teams throughout the organisation. It ranges from high-level planning assistance to in-depth involvement, from ideation to execution, governance and completion
- **Ownership of the project management process:** Employ consistent, standardised business processes and common principles, practices and templates to enable high project delivery standards
- **Gathering project data:** Track the status of organisational projects; the resulting data is recorded, interpreted and presented to management to inform project selection and prioritisation
- **Portfolio management:** In 2021, a formal portfolio management process was deployed and is underway, including resource capacity planning and a formal prioritisation and scoring model designed to determine the project requests that should be approved
- **Effective delivery:** Introduce additional "agile" methodology principles into PMO's current service offering. This hybrid approach ensures best-in-class tools and techniques across the spectrum of the project management methodology, continually meeting the evolving needs of an innovative organisation

In 2021, the PMO managed, assisted with and completed numerous projects and organisational initiatives, which included:

- ERIM, an enterprise document management project
- BMA intranet upgrade project
- Project portfolio management system implementation
- INTEGRA® (Funds)

**BMA Management Team (as at 31 December 2021)**

Craig Swan	Chief Executive Officer and Executive Director
Jenny Radizowlek	Deputy Director, Enterprise Risk Management
<b>Supervision</b>	
Ashley Kibblewhite	Director, Supervision (BTCSI)
Moad Fahmi	Senior Advisor, Supervision (Financial Technology)
Gerald Gakundi	Director, Supervision (Insurance)
Ricardo Garcia	Chief Actuary, Supervision (Actuarial Services)
Mellisa Burgess	Deputy Director, Supervision (Insurance)
Ralf Kuerzdoerfer	Deputy Director, Supervision (Insurance)
Moses Muoki	Deputy Director, Supervision (Insurance)
Shaka James	Deputy Director, Supervision (BTCSI)
Keyon Swaby	Deputy Director, Supervision (BTCSI)
Jeferino dos Santos	Deputy Director, Supervision (Actuarial Services)
Gary Thomas	Deputy Director, Supervision (Actuarial Services)
<b>Legal Services and Enforcement</b>	
Michael Burns	Director, Legal Services and Enforcement
Dina Wilson	Deputy Director, Legal Services
Susan Davis-Crockwell	Deputy Director, Enforcement
<b>Policy and International Affairs</b>	
Yvette Pierre	Director, Policy Development
Ifor Hughes	Deputy Director, Policy Development
<b>Financial Stability and Research</b>	
Marcelo Ramella	Director, Financial Stability and Research
<b>Data Science and Artificial Intelligence</b>	
Eric Donkoh	Deputy Director, Head of Data Science and Artificial Intelligence
<b>Anti-Money Laundering/Anti-Terrorist Financing and Conduct Regulation</b>	
Chris Brown	Deputy Director, AML/ATF and Conduct Regulation

**BMA Management Team** *(Continued)*

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<b>Operations</b>	
Shanna Lespere	Chief Operating Officer
Terry Pitcher	Deputy Director, Head of Finance and Currency Operations
Mesheiah Crockwell	Director, Human Resources
Sheridan Smith	Director, Management Services
Marianne Suschak-Matvey	Director, Communications and Public Relations

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# Statistics



## FINANCIAL HIGHLIGHTS 2021

The Authority's total comprehensive income amounted to \$13.30 million in 2021, up from \$727 thousand in the previous year. Total revenue increased by 20.19% year on year to \$73.09 million, up from \$60.81 million. The increase is mainly due to an \$11.42 million growth in revenue from contracts with licensees and customers due to increased revenue from supervisory and licensing fees. Revenue from fines, penalties and other income also grew by \$1.32 million due to increased AML fines, insurance fines and late penalty fees. Investment income decreased by \$465 thousand, mainly due to reduced interest from fixed income securities. Additionally, the quality of the Authority's held-to-maturity portfolio of investments remained very high, with all securities maintaining a rating of AA+ or better.

Expenses decreased marginally by 0.50% to \$59.79 million, down from \$60.09 million in the prior year. The decrease is mainly due to the \$1.27 million decreased amortisation of intangible assets due to a change in useful life estimate for the INTEGRA® software and decreases in expected credit loss allowances of financial assets, depreciation of property and equipment and finance costs. These were partially offset by increases in the circulation note and coin expenses of \$457 thousand, professional fees of \$409 thousand, general expenses of \$365 thousand and salaries and employee benefits of \$122 thousand.

The organisation's headcount remained relatively flat as at 31 December 2021 at 219 (compared to 217 at 2020 year-end). This planned flattening was further supported by a partial hiring freeze imposed in the wake of the BMA's COVID-19 response, which continued to see recruitment and staffing numbers impacted by related developments for a second straight year.

Headcount is expected to increase marginally in the coming year as staffing levels in the supervisory areas are planned to increase to ensure ongoing alignment with growing regulatory needs. During the year, learning and development activities will be largely focused on supporting individual effectiveness and continued development of technical proficiencies. This will be coupled with the increased use of innovative technology in an ongoing effort to increase capacity across the organisation.

## CURRENCY

### CURRENCY COINS ISSUED AND REDEEMED (BERMUDA DOLLAR)

Month	Coins Issued	Coins Issued & O/S* at End of Month	Net Issues During Month	
			Change	% Change
January	0	17,726,773	0	0.00%
February	0	17,726,773	0	0.00%
March	0	17,726,773	0	0.00%
April	0	17,726,773	0	0.00%
May	296,500	18,023,273	296,500	1.67%
June	0	18,023,273	0	0.00%
July	296,000	18,319,273	296,000	1.64%
August	0	18,319,273	0	0.00%
September	0	18,319,273	0	0.00%
October	0	18,319,273	0	0.00%
November	56,000	18,375,273	56,000	0.31%
December	56,600	18,431,873	56,600	0.31%
<b>Year</b>				
<b>2021</b>	<b>705,100</b>	<b>18,431,873</b>	<b>705,100</b>	<b>3.98%</b>
<b>2020</b>	<b>314,323</b>	<b>17,726,773</b>	<b>314,323</b>	<b>1.81%</b>

\*Outstanding



**CURRENCY NOTES ISSUED AND REDEEMED (BERMUDA DOLLAR)**

Month	Notes Issued			Notes Redeemed	Notes Issued & O/S* at End of Month	Net Issues During Month	
	New	Reissued	Total			Change	% Change
January	1,200,000	1,850,000	3,050,000	5,545,000	157,080,336	(2,495,000)	-1.56%
February	450,000	8,640,000	9,090,000	7,500,000	158,670,336	1,590,000	1.01%
March	1,280,000	2,720,000	4,000,000	10,230,000	152,440,336	(6,230,000)	-3.93%
April	26,000	4,990,000	5,016,000	2,940,000	154,516,336	2,076,000	1.36%
May	400,000	5,150,000	5,550,000	900,000	159,166,336	4,650,000	3.01%
June	0	6,058,000	6,058,000	1,120,000	164,104,336	4,938,000	3.10%
July	280,000	2,536,000	2,816,000	0	166,920,336	2,816,000	1.72%
August	2,150,000	7,550,000	9,700,000	4,700,000	171,920,336	5,000,000	3.00%
September	1,910,000	4,350,000	6,260,000	2,800,000	175,380,336	3,460,000	2.01%
October	20,000	5,000,000	5,020,000	2,720,000	177,680,336	2,300,000	1.31%
November	630,000	3,140,000	3,770,000	2,697,000	178,753,336	1,073,000	0.60%
December	1,900,000	4,636,000	6,536,000	2,500,000	182,789,336	4,036,000	2.26%
<b>Year</b>							
<b>2021</b>	<b>10,246,000</b>	<b>56,620,000</b>	<b>66,866,000</b>	<b>43,652,000</b>	<b>182,789,336</b>	<b>23,214,000</b>	<b>14.55%</b>
2020	10,430,207	74,960,000	85,390,207	60,455,490	159,575,336	24,934,717	18.52%

\*Outstanding

## BANKING

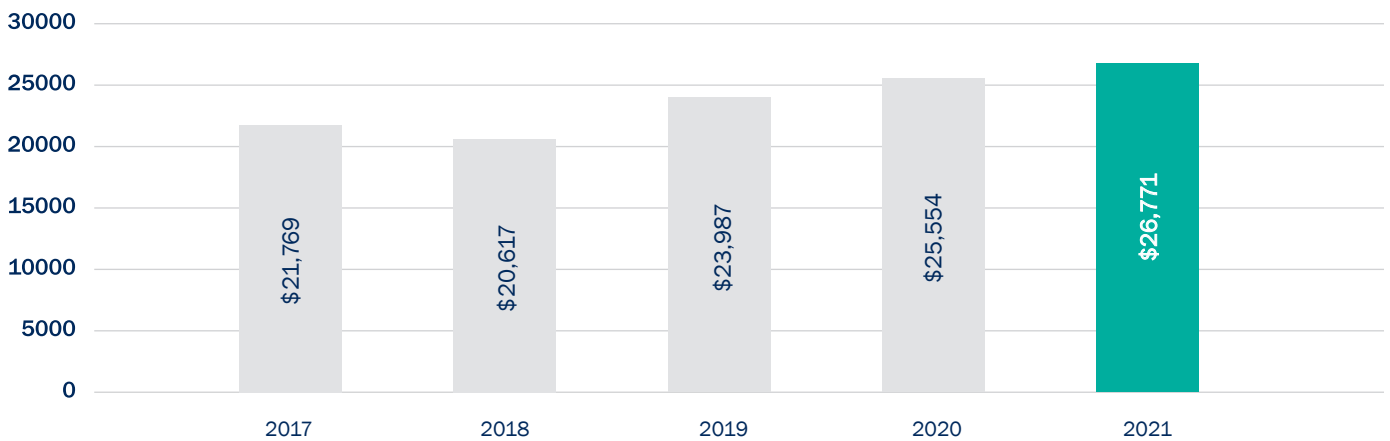
BERMUDA MONEY SUPPLY					
(BD\$ millions)	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20
Notes and coins in circulation*	201	194	182	170	177
Deposit liabilities:	3,963	3,924	3,917	3,914	3,822
Total	4,164	4,118	4,099	4,084	3,999
Less: cash at banks and deposit companies	76	70	59	48	53
<b>BD\$ Money Supply</b>	<b>4,088</b>	<b>4,048</b>	<b>4,040</b>	<b>4,036</b>	<b>3,946</b>
% Change on previous period	0.99%	0.20%	0.09%	2.28%	3.30%
% Change year on year	3.59%	5.97%	8.92%	11.65%	11.85%

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.

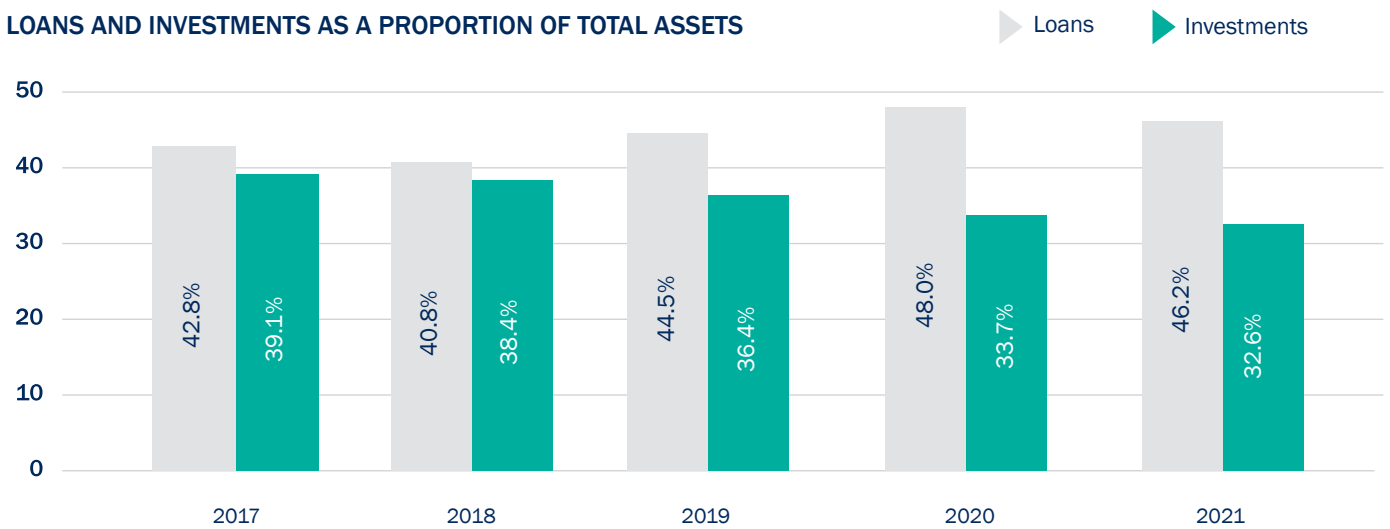
### BERMUDA BANK AND DEPOSIT COMPANIES TOTAL ASSETS (BD\$ Millions)



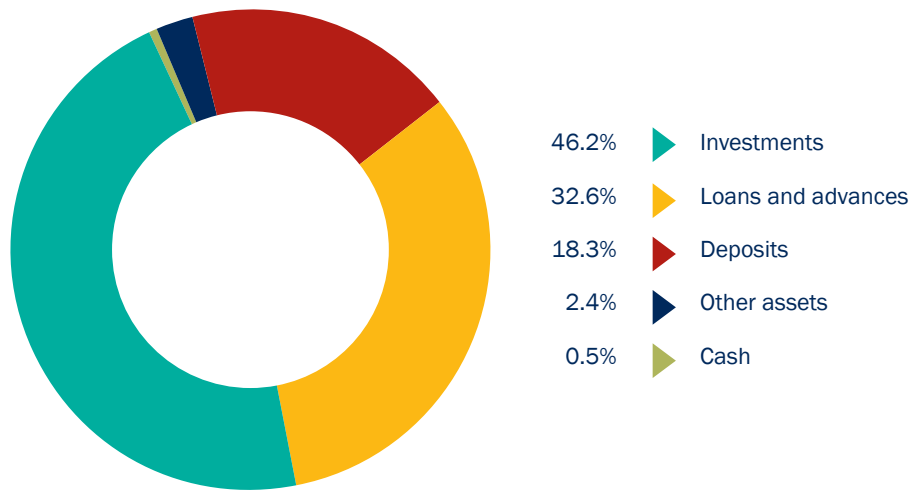
**BANKING SECTOR ASSETS AND DEPOSITS**

(\$millions)	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20
Total assets	26,771	27,230	27,730	25,476	25,554	24,089
Quarterly changes (%)	-1.7%	-1.8%	8.8%	-0.3%	6.1%	12.8%
Total deposits	24,132	24,563	25,015	22,765	22,832	21,214
Quarterly changes (%)	-1.8%	-1.8%	9.9%	-0.3%	7.6%	13.8%

**LOANS AND INVESTMENTS AS A PROPORTION OF TOTAL ASSETS**

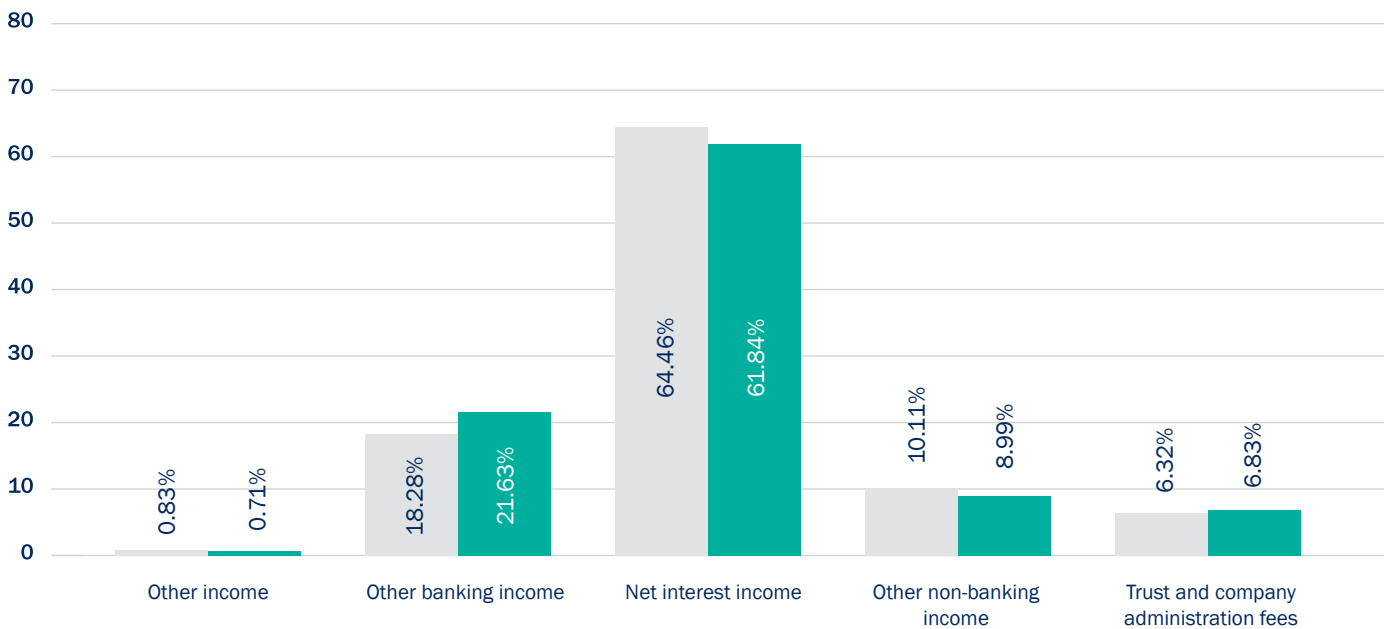


**COMPOSITION OF BANKS' ASSETS** (as at 31 December 2021)



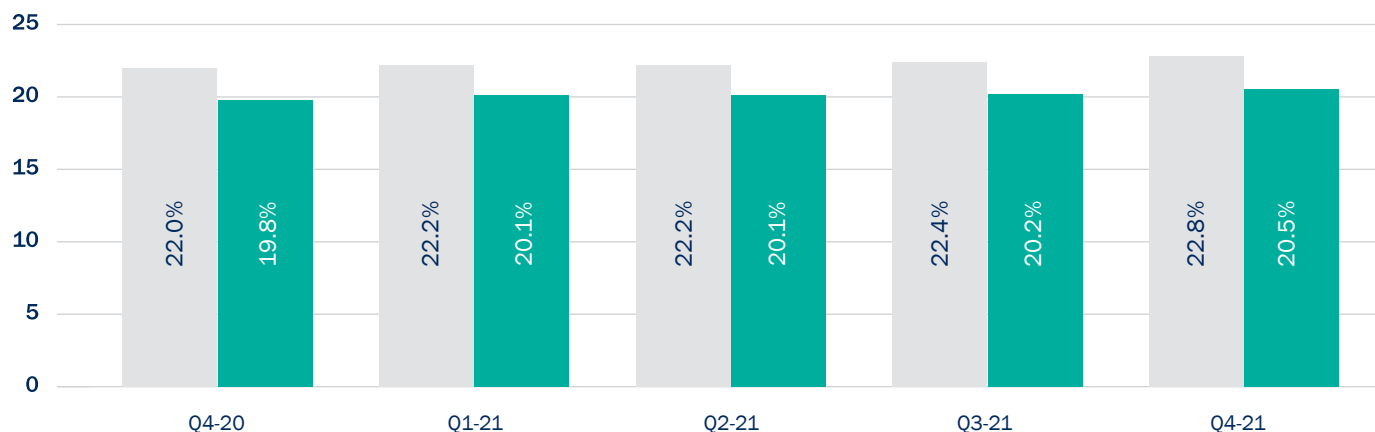
**BANKS AND DEPOSIT COMPANIES REVENUES** (Consolidated)

▶ 2020    ▶ 2021



**BANKING SECTOR CONSOLIDATED CAPITAL RATIOS**

▶ RAR    ▶ CET1



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

(BD\$ millions)	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20
Total foreign currency assets	23,357	23,787	24,280	22,026	22,067	20,573
Less: other assets	336	356	388	396	326	326
Less: foreign currency loans to residents	923	876	909	937	1,336	1,276
Net foreign currency assets	22,098	22,555	22,983	20,693	20,405	18,971
Foreign currency liabilities	20,385	20,873	21,334	19,127	19,211	17,845
Add: BD\$ deposits of non-residents	61	61	64	63	108	100
Net foreign currency liabilities	20,446	20,934	21,398	19,190	19,319	17,945
Net foreign currency position	1,652	1,621	1,585	1,503	1,086	1,026

Totals may not add due to rounding.

**BD\$ DEPOSIT AND LOAN PROFILE - COMBINED BANKS AND DEPOSIT COMPANIES (UNCONSOLIDATED)**

(BD\$ millions)	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20
Deposit liabilities	3,970	3,928	3,922	3,920	3,830	3,717
Less: loans, advances and mortgages	3,215	3,264	3,276	3,299	3,331	3,378
Surplus/(deficit) deposits	755	664	646	621	499	339
Percentage of deposits loaned	81.0%	83.1%	83.5%	84.2%	87.0%	90.9%

<b>COMBINED BALANCE SHEET OF BERMUDA BANKS AND DEPOSIT COMPANIES (CONSOLIDATED)</b>									
	<b>Q4-21</b>			<b>Q3-21</b>			<b>Q2-21</b>		
<b>(BD\$ millions)</b>	<b>Total</b>	<b>BD\$</b>	<b>Other*</b>	<b>Total</b>	<b>BD\$</b>	<b>Other*</b>	<b>Total</b>	<b>BD\$</b>	<b>Other*</b>
<b>Assets</b>									
Cash	137	76	61	136	70	66	118	59	59
Deposits	4,906	24	4,882	5,384	20	5,364	5,034	16	5,018
Investments	12,355	25	12,330	12,386	25	12,361	13,234	25	13,209
Loans and advances	8,718	2,970	5,748	8,647	3,007	5,640	8,614	3,008	5,606
Premises and equipment	299	188	111	301	191	110	306	193	113
Other assets	356	131	225	376	130	246	424	149	275
<b>Total Assets</b>	<b>26,771</b>	<b>3,414</b>	<b>23,357</b>	<b>27,230</b>	<b>3,443</b>	<b>23,787</b>	<b>27,730</b>	<b>3,450</b>	<b>24,280</b>
<b>Liabilities</b>									
Demand deposits	12,374	1,783	10,591	13,361	1,738	11,623	13,505	1,730	11,775
Savings	7,900	1,582	6,318	7,313	1,567	5,746	7,596	1,561	6,035
Time deposits	3,858	598	3,260	3,889	619	3,270	3,914	626	3,288
<b>Sub Total - Deposits</b>	<b>24,132</b>	<b>3,963</b>	<b>20,169</b>	<b>24,563</b>	<b>3,924</b>	<b>20,639</b>	<b>25,015</b>	<b>3,917</b>	<b>21,098</b>
Other liabilities	544	328	216	552	318	234	558	322	236
<b>Sub Total - Liabilities</b>	<b>24,676</b>	<b>4,291</b>	<b>20,385</b>	<b>25,115</b>	<b>4,242</b>	<b>20,873</b>	<b>25,573</b>	<b>4,239</b>	<b>21,334</b>
Equity and subordinated debt	2,093	1,939	154	2,117	1,916	201	2,157	1,937	220
<b>Total Liabilities and Capital</b>	<b>26,769</b>	<b>6,230</b>	<b>20,539</b>	<b>27,232</b>	<b>6,158</b>	<b>21,074</b>	<b>27,730</b>	<b>6,176</b>	<b>21,554</b>

Premises and equipment, and other assets have been restated to reclassify equipment and other fixed assets that were previously recorded under other assets.

\* Other includes USD and other currencies

**COMBINED BALANCE SHEET OF BERMUDA BANKS AND DEPOSIT COMPANIES (CONSOLIDATED)**

(BD\$ millions)	Q1-21			Q4-20			Q3-20		
	Total	BD\$	Other*	Total	BD\$	Other*	Total	BD\$	Other*
<b>Assets</b>									
Cash	125	48	77	140	53	87	109	46	63
Deposits	3,549	26	3,523	3,853	29	3,824	3,217	14	3,203
Investments	12,520	25	12,495	12,275	25	12,250	11,616	37	11,579
Loans and advances	8,559	3,024	5,535	8,624	3,044	5,580	8,481	3,079	5,402
Premises and equipment	308	192	116	311	192	119	318	196	122
Other assets	415	135	280	351	144	207	348	144	204
<b>Total Assets</b>	<b>25,476</b>	<b>3,450</b>	<b>22,026</b>	<b>25,554</b>	<b>3,487</b>	<b>22,067</b>	<b>24,089</b>	<b>3,516</b>	<b>20,573</b>
<b>Liabilities</b>									
Demand deposits	10,960	1,265	9,695	11,304	1,213	10,091	10,171	1,157	9,014
Savings	7,827	1,995	5,832	7,680	1,906	5,774	7,401	1,814	5,587
Time deposits	3,978	654	3,324	3,848	703	3,145	3,642	731	2,911
Sub total - deposits	22,765	3,914	18,851	22,832	3,822	19,010	21,214	3,702	17,512
Other liabilities	586	310	276	516	315	201	623	290	333
Sub total - liabilities	23,351	4,224	19,127	23,348	4,137	19,211	21,837	3,992	17,845
Equity and subordinated debt	2,125	1,923	202	2,207	1,896	311	2,250	1,905	345
<b>Total Liabilities and Capital</b>	<b>25,476</b>	<b>6,147</b>	<b>19,329</b>	<b>25,555</b>	<b>6,033</b>	<b>19,522</b>	<b>24,087</b>	<b>5,897</b>	<b>18,190</b>

Premises and equipment, and other assets have been restated to reclassify equipment and other fixed assets that were previously recorded under other assets.

\* Other includes USD and other currencies

INVESTMENT FUNDS						
Fund Count Statistics	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020
Administered Funds	4	4	4	4	4	5
Professional Class A Funds	73	72	70	68	64	65
Professional Class B Funds	45	42	41	37	39	38
Professional Closed Funds	73	79	77	77	70	24
Institutional Funds	169	182	188	190	195	204
Private Funds	215	212	216	215	190	183
Standard Funds	89	94	95	100	109	114
Designated Overseas Funds	131	130	129	128	125	75
<b>Total Number of Funds</b>	<b>799</b>	<b>815</b>	<b>820</b>	<b>819</b>	<b>796</b>	<b>708</b>
<b>Net Asset Value (\$BD billion)</b>	<b>\$219.60</b>	<b>\$212.26</b>	<b>\$213.70</b>	<b>\$210.90</b>	<b>\$205.70</b>	<b>\$197.68</b>

**Administered Funds** must appoint a Bermuda licensed fund administrator and participants are required to invest a minimum amount of \$50,000; or the fund must be listed on a stock exchange recognised by the Authority. Administered funds are not restricted to qualified participants.

**Class A Professional Funds** are limited to qualified participants; the fund must have an officer, trustee or resident representative in Bermuda, being a person who has access to the books and records of the fund; the fund must appoint fit and proper service providers in accordance with the Investment Funds Act 2006 (IFA). The investment manager appointed to the fund must be either licensed in Bermuda; authorised or licensed by a foreign regulator recognised by the Authority; or i) carrying on business in or from Bermuda, or ii) in a jurisdiction recognised by the Authority, being a person who has gross assets under management of an amount that is not less than \$100 million, or is a member of an investment management group that has consolidated gross assets under management of an amount that is not less than \$100 million; and the fund must file its audited GAAP/IFRS financial statements on an annual basis.

**Class B Professional Funds** are limited to qualified participants; the fund must have an officer, trustee or resident representative in Bermuda, being a person who has access to the books and records of the fund; the fund must appoint fit and proper service providers in accordance with the IFA; and the fund must file its audited GAAP/IFRS financial statements on an annual basis.

**Designated Overseas Funds** means an investment fund incorporated or established in a jurisdiction outside Bermuda; Designated Overseas Funds are subject to regulatory and supervisory oversight by the relevant overseas regulator; on an annual basis the fund must verify its compliance with the applicable rules and requirements of the overseas regulatory authority in the country or territory in which it is incorporated or established, and comply with Bermuda laws.

**Institutional Funds** are limited to qualified participants investing at least \$100,000; they are required to have an officer, trustee or resident representative in Bermuda, being a person who has access to the books and records of the fund; the fund must appoint fit and proper service providers in accordance with the IFA; and the fund must have an annual audit.

**Private Funds** are restricted to 20 participants or less. The operator of the fund cannot market to the public and at least one of the service providers appointed must be licensed in Bermuda. If the Private Fund is open-ended, it must appoint a fund administrator and a custodian. If the Private Fund is closed-ended, it must appoint a fit and proper designate responsible for segregating and safekeeping the assets in the fund. Open-ended and closed-ended Private Funds must file management accounts or audited financial statements annually.

**Professional Closed Funds** are limited to “qualified participants”. The fund must appoint fit and proper service providers in accordance with the IFA; the fund must appoint a service provider licensed in Bermuda or a resident representative with authority to access the books and records of the fund; the fund must appoint a fit and proper designate responsible for segregating and safekeeping the assets in the fund; the fund must provide an investment warning to its participants prior to the time of purchase of units in a form approved by the BMA; and the fund must file its audited GAAP/IFRS financial statements annually.

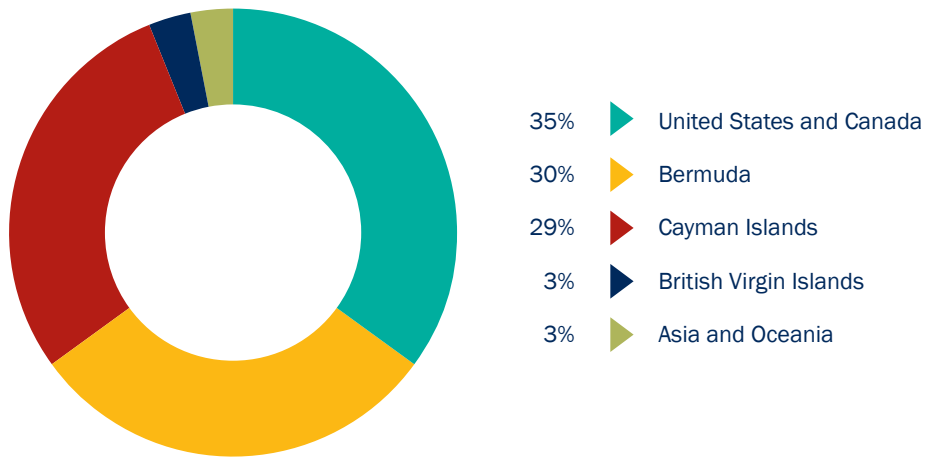


**Standard Funds** do not fit within any other class of fund. Such funds are not restricted to qualified participants and may include a significant number of retail investors. The fund must appoint fit and proper service providers in accordance with the IFA; and the fund must have an annual audit. Standard funds are subject to a higher degree of regulatory and supervisory oversight.

**TOTAL FUNDS BY JURISDICTION**

An aggregate total of US\$215.9 billion in Assets Under Administration (AUA) was reported by Bermuda Fund Administration licensees as at 31 December 2021, up 16.64% from the aggregate total for 2020 of US\$185.1 billion.

The total number of funds administered increased by 4.02% to 1,991 from 1,914, of which 175 are local incorporated funds with Bermuda-licensed fund administrators. The jurisdictional breakdown below reflects the total fund clients as of 31 December 2021.

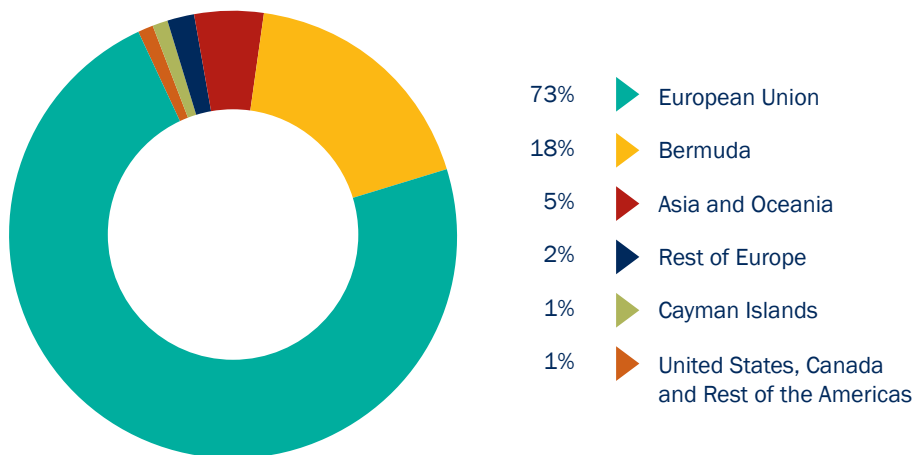


**TOTAL ASSETS UNDER MANAGEMENT (AUM) BY JURISDICTION**

The total aggregate AUM as at 31 December 2021 reported by investment business licensees was US\$253.2 billion, compared to US\$232.7 billion reported for 2020; an increase of 9%.

A significant proportion of these assets (73%) pertains to European Union clients, and 18% are Bermuda-based clients, with both jurisdictions remaining stable over the period.

The graphic below shows the total market share of AUM by jurisdiction as of 31 December 2021.



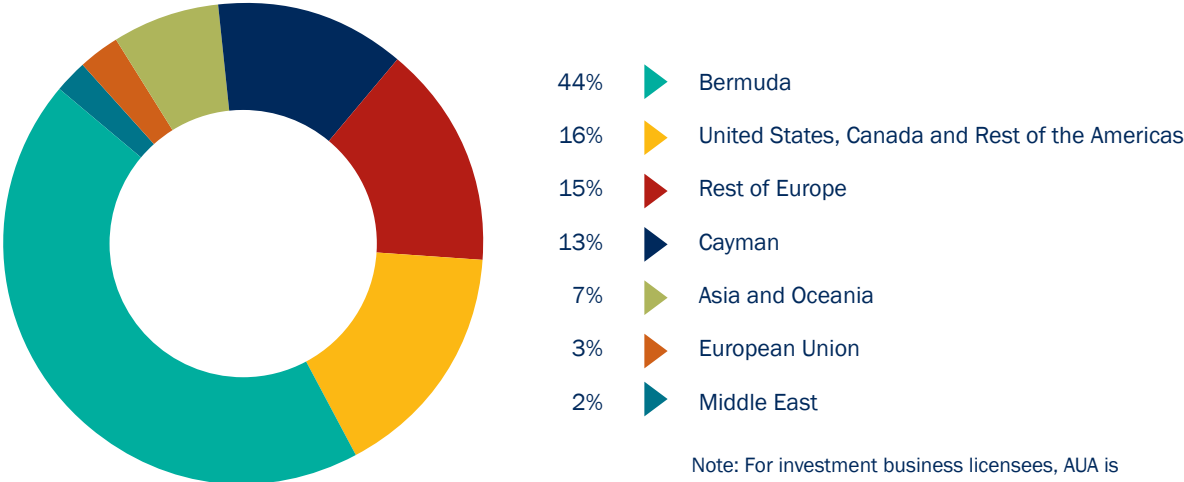
**INVESTMENT BUSINESS LICENSEE AGGREGATE 2021 DATA: TOTAL AUA BY JURISDICTION**

The total aggregate AUA as at 31 December 2021 reported by investment business licensees was US\$31.5 billion, compared to US\$30.6 billion reported for 2020; an increase of 3%.

A significant portion of these assets (44%) pertains to Bermudian clients, with clients in the United States, Canada and the Rest of the Americas a distant second at 16%.

There was a significant increase in the AUA for the Rest of Europe up from 4% to 15%, and a decline in the European Union down from 10% to 3%, which appears to be a result of Brexit.

The graphic below shows the total market share of AUA by jurisdiction for 31 December 2021.



Note: For investment business licensees, AUA is classified as assets managed on behalf of investors on a non-discretionary basis.

## INSURANCE

### ANALYSIS OF ALL INSURERS REGISTERED

Class of Insurer by Licence	2021	%	2020	%
Class 1	169	14.6%	189	15.9%
Class 2	252	21.8%	262	22.0%
Class 3	190	16.4%	209	17.5%
Class 3A	119	10.3%	126	10.6%
Class 3B	27	2.3%	28	2.4%
Class 4	43	3.7%	45	3.8%
Class A	8	0.7%	8	0.7%
Class B	13	1.1%	12	1.0%
Class C	83	7.2%	87	7.3%
Class D	8	0.7%	9	0.8%
Class E	57	4.9%	47	3.9%
SPI	178	15.4%	165	13.9%
Collateralized Insurer	7	0.6%	4	0.3%
IGB	2	0.2%	1	0.1%
Marketplace Provider	1	0.1%	0	0.1%
IIGB	1	0.1%	1	0.0%
<b>Totals:</b>	<b>1158</b>	<b>100%</b>	<b>1193</b>	<b>100%</b>

### ANALYSIS OF ADDITIONS TO THE REGISTER

Class of Insurer by licence	2021 Registrations	%	2020 Registrations	%
Class 1	5	7.8%	7	10.4%
Class 2	8	12.5%	4	6.0%
Class 3	4	6.3%	1	1.5%
Class 3A	3	4.7%	8	11.9%
Class 3B	2	3.1%	0	0.0%
Class 4	1	1.6%	3	4.5%
Class A	0	0.0%	0	0.0%
Class B	0	0.0%	0	0.0%
Class C	5	7.8%	5	7.5%
Class D	0	0.0%	0	0.0%
Class E	8	12.5%	4	6.0%
SPI	27	42.2%	30	44.8%
Collateralized Insurer	0	0.0%	4	6.0%
IGB	1	1.6%	1	1.5%
<b>Totals:</b>	<b>64</b>	<b>100%</b>	<b>67</b>	<b>100%</b>

## MARKET STATISTICS BY CLASS OF INSURER

For the year ended 31 December 2020

Class of Insurer	No. of Licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
Class 1	178	2,350,752,918	1,954,755,276	18,806,677,544	14,264,017,143
Class 2	249	8,349,818,901	6,924,819,145	55,175,137,224	31,405,483,799
Class 3	196	28,186,314,100	14,049,851,848	81,082,381,702	24,937,789,291
Class 3A	119	23,217,926,192	17,215,086,969	59,443,111,563	25,441,068,602
Class 3B	26	9,984,971,182	8,829,144,698	57,348,417,051	23,942,531,960
Class 4	44	44,740,506,770	35,114,696,749	215,596,375,474	99,736,932,380
Long-Term Class A	7	1,869,254	(2,265,560)	4,870,518,980	1,764,293,264
Long-Term Class B	12	202,518,727	190,374,777	375,647,079	156,435,803
Long-Term Class C	89	49,805,836,535	49,391,278,304	144,883,613,263	12,848,700,488
Long-Term Class D	10	1,244,017,852	685,293,463	7,483,009,668	1,013,927,436
Long-Term Class E	47	122,096,626,598	69,729,273,365	706,962,479,536	103,675,301,012
SPI	160	4,699,768,977	3,690,816,825	58,065,611,957	10,723,668,912
Collateralized	4	0	0	1,502,290	1,502,290
<b>Total</b>	<b>1,141</b>	<b>294,880,928,005</b>	<b>207,773,125,860</b>	<b>1,410,094,483,332</b>	<b>349,911,652,379</b>

**Class 1:** A single-parent captive insurance company underwriting only the risks of the owners of the insurance company and affiliates of the owners.

Class 1 insurers are required to maintain minimum capital and surplus which is equal to, or in excess of, an amount derived from the greater of premium and reserve-based formulas, subject to a \$120,000 floor.

**Class 2:** Multi-owner captives, which are defined as insurance companies owned by unrelated entities, provided that the captive underwrites only the risks of the owners and affiliates of the owners and/or risks related to or arising out of the business or operations of the owners and affiliates.

A Class 2 licence will also apply to single-parent and multi-owner captives writing no more than 20% of net premiums from risks that are not related to, or arising out of, the business or operations of their owners and affiliates.

Class 2 insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of premium and reserve-based formulas, subject to a \$250,000 floor.

**Class 3:** Applies to insurers and reinsurers not included in Class 1, 2, 3A, 3B or 4. This includes structured reinsurers writing third-party business; insurers writing direct policies with third-party individuals; single-parent, group, association, agency or joint venture captives where more than 20% of net premiums written is from risks that are unrelated to the business of the owners.

Class 3 insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of premium and reserve-based formulas, subject to a \$1 million floor.

**Class 3A:** Small commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or net loss and loss expense provisions and where the unrelated business net premiums are less than \$50 million.

Class 3A insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) a premium-based formula, 3) a reserve-based formula and 4) a \$1 million floor.

**Class 3B:** Large commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or net loss and loss expense provisions and where the unrelated business net premiums are more than \$50 million.

Class 3B insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) a premium-based formula, 3) a reserve-based formula and 4) a \$1 million floor.

**Class 4:** Insurers and reinsurers underwriting direct excess liability insurance and/or property catastrophe reinsurance risks.

Class 4 insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) a premium-based formula, 3) a reserve-based formula and 4) a \$100 million floor.

**SPI:** In order for a company to receive consideration for registration as an SPI, it would have to meet the criteria discussed in the SPI Guidance. The SPI will be licensed as either restricted or unrestricted. A restricted SPI may conduct special purpose business with specific cedents approved by the Authority. While unrestricted SPIs may transact with any cedent, if the cedent is rated A- or higher, in terms of its financial strength, by AM Best or an equivalent rating from a rating agency recognised by the Authority.

**Collateralized Insurer:** means an insurer that carries on special purpose business, but is not a "SPI". Collateralized Insurers write business on a fully collateralized or fully funded basis.

**Class IIGB:** A body corporate who intends to carry on general business in an innovative manner (e.g., those intending to use digital assets or cryptocurrency for their insurance business).

#### **Long-Term (life insurance)**

**Class A:** A single-parent long-term captive insurance company underwriting only the long-term business risks of the owners of the insurance company and affiliates of the owners.

Class A insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from an asset-based formula subject to a \$120,000 floor.

**Class B:** Multi-owner long-term captives, which are defined as long-term insurance companies owned by unrelated entities, provided that the captive underwrites only the long-term business risks of the owners and affiliates of the owners and/or risks related to or arising out of the business or operations of their owners and affiliates.

A Class B licence will also apply to single-parent and multi-owner long-term captives writing no more than 20% of net premiums from risks that are not related to, or arising out of, the business or operations of their owners and affiliates.

Class B insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from an asset-based formula, subject to a \$250,000 floor.

**Class C:** Long-term insurers and reinsurers with total assets of less than \$250 million; and not registrable as a Class A or Class B insurer.

Class C insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) an asset-based formula and 3) a \$500,000 floor.

**Class D:** Long-term insurers and reinsurers with total assets of \$250 million or more, but less than \$500 million; and not registrable as a Class A or Class B insurer.

Class D insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) an asset-based formula and 3) a \$4 million floor.

**Class E:** Long-term insurers and reinsurers with total assets of more than \$500 million; and not registrable as a Class A or Class B insurer.

Class E insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) an asset-based formula and 3) an \$8 million floor.

**MARKET STATISTICS BY REGION OF BENEFICIAL OWNER/S**

For the year ended 31 December 2020

<b>Domicile of Owners</b>	<b>No. of Licences</b>	<b>Gross Premiums (USD)</b>	<b>Net Premiums (USD)</b>	<b>Total Assets (USD)</b>	<b>Capital and Surplus (USD)</b>
<b>Captives</b>					
Africa/Middle East	9	138,664,609	40,847,204	235,709,934	173,616,412
Asia	29	1,343,246,644	1,199,521,799	1,303,970,831	894,045,515
Australia/New Zealand	10	73,164,695	26,463,874	338,566,037	233,440,974
Bermuda	62	5,648,098,102	3,313,034,385	33,054,476,235	12,387,066,180
Caribbean/Latin America	30	181,847,246	(26,291,629)	1,055,783,241	729,712,497
Europe	84	2,664,496,028	2,117,523,689	20,532,643,633	13,223,298,431
North America	418	29,041,756,575	16,446,436,165	103,789,212,618	44,886,839,291
Sub-Totals:	642	39,091,273,899	23,117,535,486	160,310,362,529	72,528,019,301
<b>Professional Insurers/Reinsurers</b>					
Africa/Middle East	6	1,370,863,709	912,328,537	6,707,151,998	1,587,346,269
Asia	18	13,846,353,698	12,506,871,781	97,906,762,827	12,439,968,975
Australia/New Zealand	4	4,641,508,529	3,258,060,432	36,424,880,339	4,034,298,361
Bermuda	192	90,499,075,538	72,439,994,526	449,100,074,036	101,589,429,907
Caribbean/Latin America	31	6,729,590,165	5,698,390,729	52,114,796,257	16,463,560,423
Europe	79	28,551,139,641	22,976,685,465	141,783,199,643	40,414,156,536
North America	165	110,151,122,825	66,863,258,904	465,745,753,414	100,853,370,317
Sub-Totals:	495	255,789,654,105	184,655,590,374	1,249,782,618,513	277,382,130,789
<b>Totals</b>	<b>1,137</b>	<b>294,880,928,005</b>	<b>207,773,125,860</b>	<b>1,410,092,981,042</b>	<b>349,910,150,089</b>

**MARKET STATISTICS BY COMPANY TYPE**

For the year ended 31 December 2020

Company Type	No. Of Licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
<b>Captives</b>					
Captive writing third-party	196	28,186,314,100	14,049,851,848	81,082,381,702	24,937,789,291
Captive writing connected or related business	261	8,552,337,628	7,115,193,922	55,550,784,303	31,561,919,602
Single parent captives	185	2,352,622,172	1,952,489,716	23,677,196,523	16,028,310,407
Subtotals	642	39,091,273,899	23,117,535,486	160,310,362,528	72,528,019,301
Professional insurers/reinsurers	145	33,202,897,374	26,044,231,667	116,791,528,615	49,383,600,561
Class 4	44	44,740,506,770	35,114,696,749	215,596,375,474	99,736,932,380
Long-term ins./reinsurers	146	173,146,480,985	119,805,845,132	859,329,102,468	117,537,928,936
Special purpose vehicle	160	4,699,768,977	3,690,816,825	58,065,611,957	10,723,668,912
Collateralized	4	0	0	1,502,290	1,502,290
Sub Totals	499	255,789,654,105	184,655,590,374	1,249,784,120,804	277,383,633,079
<b>Totals</b>	<b>1,141</b>	<b>294,880,928,005</b>	<b>207,773,125,860</b>	<b>1,410,094,483,332</b>	<b>349,911,652,379</b>

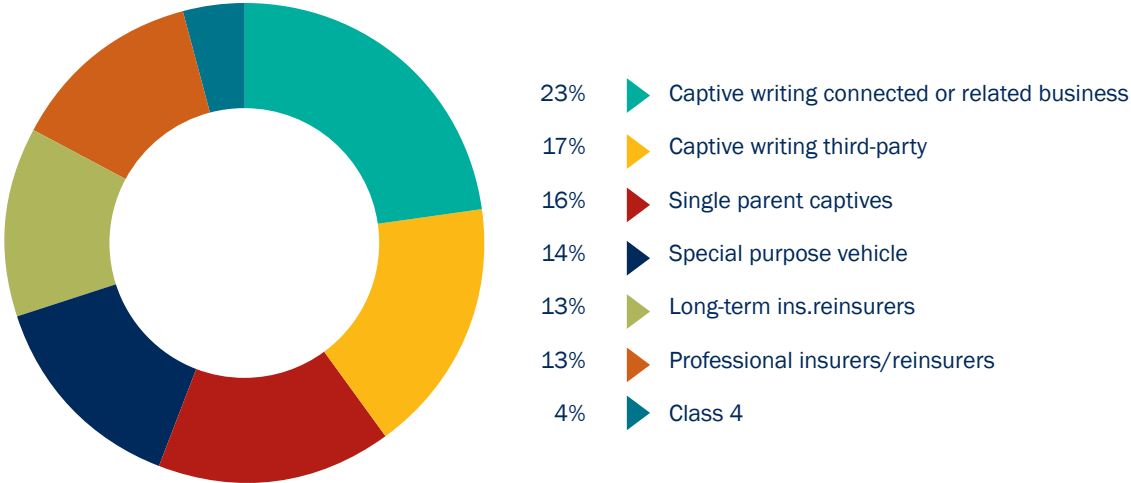
**Captive writing third-party:** (Re)insurer writing related-party risks but allowed to write up to 49% of its net premiums written arising from risks which are unrelated to the business of its owners and/or affiliates.

**Captive writing connected or related business:** (Re)insurer writing the risks connected or related to, or arising out of, the business or operations of its owners and/or affiliates.

**Single-parent captive:** Single-parent captive writing only the risk of its owners and/or affiliates.

**Commercial insurers/reinsurers:** Insurance company writing unrelated risks as a direct writer and/or reinsurer.

**ACTIVELY WRITING INSURERS BY COMPANY TYPE**





# Financials





27 April 2022

The Hon. Premier E. David Burt  
The Premier of Bermuda and Minister of Finance  
Ministry of Finance  
Hamilton

BMA House  
43 Victoria Street  
Hamilton HM 12 Bermuda

P.O. Box 2447  
Hamilton HM JX Bermuda

Dear Premier,

In accordance with section 28(1) of the Bermuda Monetary Authority Act 1969, I have the honour to submit to you a report of the operations of the Authority for the year 2021 together with the annual statement of accounts and the opinion of the Auditor General.

This document also contains the reports for the year 2021 which the Authority is required to make to you pursuant to:

- section 8(3) of the Banks and Deposit Companies Act 1999;
- section 8(3) of the Investment Business Act 2003; and
- section 5 of the Trusts (Regulation of Trust Business) Act 2001.

Yours sincerely,

Craig Swan  
Chief Executive Officer



### ***Management’s Responsibility for the Financial Statements***

The financial statements have been prepared by management in accordance with International Financial Reporting Standards, and the integrity and objectivity of these statements are management’s responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors through the Audit and Risk Management Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit and Risk Management Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Audit and Risk Management Committee also review the financial statements before recommending approval to the Board.

The external auditors, the Office of the Auditor General, conduct an independent examination, and express their opinion on the financial statements. The financial statements have been approved by the Board. The accompanying Independent Auditor’s Report is presented herein.

On behalf of the Bermuda Monetary Authority:

Craig Swan  
Chief Executive Officer

Donald Scott  
Chairman

Date: 27 April 2022

Date: 27 April 2022



## ***Office of the Auditor General***

Reid Hall, Penthouse  
3 Reid Street  
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

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Website: [www.oagbermuda.bm](http://www.oagbermuda.bm)

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

#### **Opinion**

I have audited the financial statements of the Bermuda Monetary Authority, which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Monetary Authority as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bermuda Monetary Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bermuda Monetary Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bermuda Monetary Authority or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bermuda Monetary Authority's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bermuda Monetary Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Monetary Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Monetary Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.



A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: [www.oagbermuda.bm](http://www.oagbermuda.bm). This description forms part of my auditor's report.

A handwritten signature in cursive script, appearing to read "Heather T.", written in black ink.

Hamilton, Bermuda  
April 27, 2022

Heather Thomas, CPA, CFE, CGMA  
Auditor General

**BERMUDA MONETARY AUTHORITY**  
**Statement of Financial Position**  
**As at December 31, 2021**

(In thousands of Bermuda dollars)	Note	2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3, 5	146,514	100,839
Accounts and other receivables	3, 6	597	1,309
Prepayments		2,037	1,209
Stock of numismatic items	7	1,359	1,197
Stock of notes and coins for circulation	8	4,516	4,278
Investments	3	-	20,079
		155,023	128,911
<b>Non-current assets</b>			
Investments	3	80,642	70,608
Property and equipment	9	20,447	20,888
Intangible assets	10	6,135	5,052
		107,224	96,548
<b>Total Assets</b>		<b>262,247</b>	<b>225,459</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts and other payables	3, 11, 19	8,544	8,693
Deferred income	12	725	760
Lease liabilities	3, 13	263	243
Notes and coins in circulation	3, 14	201,221	177,302
Due to Consolidated Fund of the Government of Bermuda	3, 15, 23	6,652	-
		217,405	186,998
<b>Non-current liabilities</b>			
Lease liabilities	3, 13	261	531
		261	531
<b>Equity</b>			
Capital subscribed	15	20,000	20,000
General reserve	15	24,581	17,930
		44,581	37,930
<b>Total Liabilities and Equity</b>		<b>262,247</b>	<b>225,459</b>
Commitments (Note 22)			
			
Donald Scott Chairman		Craig Swan Chief Executive Officer	

The accompanying notes are an integral part of these financial statements

## BERMUDA MONETARY AUTHORITY

### Statement of Comprehensive Income For the year ended December 31, 2021

(In thousands of Bermuda dollars)	Note	2021	2020
<b>Revenues</b>			
Revenue from contracts with licensees and customers	16	69,206	57,782
Revenue from fines, penalties and other income	17	2,074	756
<b>Operating revenue</b>		<b>71,280</b>	<b>58,538</b>
Investment income	18	1,809	2,274
<b>Total revenues</b>		<b>73,089</b>	<b>60,812</b>
<b>Expenses</b>			
Salaries and employee benefits	19	46,864	46,742
General expenses	20	7,496	7,131
Professional fees		2,700	2,291
Depreciation of property and equipment	9	1,522	1,545
Circulation note and coin expenses	8	698	241
Amortisation of intangible assets	10	558	1,831
Finance costs	13	32	43
(Release of) Loss allowances for ECL's of accounts receivable	6	(56)	314
Release of loss allowances for ECL's of investments and cash and cash equivalents	3	(28)	(53)
<b>Total expenses</b>		<b>59,786</b>	<b>60,085</b>
<b>Total comprehensive income for the year</b>		<b>13,303</b>	<b>727</b>

All amounts reported above relate to continuing operations. There are no other components of comprehensive income.

The accompanying notes are an integral part of these financial statements



## BERMUDA MONETARY AUTHORITY

### Statement of Changes in Equity For the year ended December 31, 2021

(In thousands of Bermuda dollars)	2021	2020
<b>Capital</b>	20,000	20,000
<b>General Reserve</b>		
Balance, beginning of year	17,930	17,203
Total comprehensive income for the year	13,303	727
Distribution payable to the Consolidated Fund of the Government of Bermuda	(6,652)	-
Balance, end of year	24,581	17,930
<b>Equity</b>	44,581	37,930

The accompanying notes are an integral part of these financial statements

## BERMUDA MONETARY AUTHORITY

### Statement of Cash Flows For the year ended December 31, 2021

(In thousands of Bermuda dollars)	Note	2021	2020
<b>Cash flows provided by operating activities</b>			
Total comprehensive income for the year		13,303	727
Adjustment for:			
Non-cash items included in total comprehensive income for the year	21	2,265	3,986
Change in operating assets	21	(464)	(1,017)
Change in operating liabilities	21	(184)	1,238
<b>Net cash provided by operating activities</b>		<b>14,920</b>	<b>4,934</b>
<b>Cash flows provided by investing activities</b>			
Additions of intangible assets	10	(1,651)	(1,440)
Additions of property and equipment	9	(1,083)	(559)
Purchase of investments		(20,213)	(15,100)
Proceeds from maturity of investments		30,065	32,018
<b>Net cash provided by investing activities</b>		<b>7,118</b>	<b>14,919</b>
<b>Cash flows provided by financing activities</b>			
Net increase in notes and coins in circulation		23,919	25,249
Payment of lease liabilities	13	(282)	(257)
<b>Net cash provided by financing activities</b>		<b>23,637</b>	<b>24,992</b>
Net increase in cash and cash equivalents		45,675	44,845
Cash and cash equivalents at beginning of year		100,839	55,994
<b>Cash and cash equivalents at end of year</b>	5	<b>146,514</b>	<b>100,839</b>
<b>Operational cash flows from interest</b>			
Interest received	18	2,059	2,486

The accompanying notes are an integral part of these financial statements

**BERMUDA MONETARY AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**  
(In thousands of Bermuda dollars)

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**1. General information**

The Bermuda Monetary Authority (the “Authority”) was established in Bermuda by an Act of the Legislature with initial capital provided by the Bermuda Government (the “Government”); its objects and powers being set out in the Bermuda Monetary Authority Act 1969 (the “Act”), as amended.

The primary responsibilities of the Authority are:

- acting as issuing authority for Bermuda dollar notes and coins;
- the supervision, regulation and inspection of all financial institutions operating in or from within Bermuda;
- the promotion of the financial stability and soundness of financial institutions;
- the supervision, regulation and approval of the issue of financial instruments by financial institutions or by residents;
- the fostering of close relations between financial institutions and between the financial institutions and the Government;
- assisting with the detection and prevention of financial crime;
- the management of exchange control and the regulation of transactions in foreign currency or gold on behalf of the Government;
- the provision of advice and assistance to the Government and public bodies on banking and other financial and monetary matters; and
- the performance of duties conferred on the Authority by Section 5 of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008.

The registered office of the Authority is BMA House, 43 Victoria Street, Hamilton HM 12, Bermuda.

**2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

*(a) Statement of compliance*

The financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements were authorised for issue by the Board of Directors (the “Board”) on April 27, 2022.

**BERMUDA MONETARY AUTHORITY**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**  
(In thousands of Bermuda dollars)

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**2.1 Basis of preparation (continued)**

*(b) Basis of measurement*

These financial statements have been prepared under the historical cost convention.

*(c) Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4.

**2.2 Foreign currency translation**

*(a) Functional and presentation currency*

These financial statements are presented in Bermuda dollars, which is the Authority's functional and presentation currency. All financial information is rounded to the nearest thousand dollars, except as otherwise indicated.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation dates where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**2.3 Property and equipment**

*(a) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and museum items. Museum items have been capitalised, but not depreciated, at a nominal amount and are included in property and equipment. Nominal values have been placed on these items with no material commercial value.

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**2.3 Property and equipment (continued)**

*(a) Recognition and measurement (continued)*

The Authority holds land and buildings as office space. Changes in the expected useful life are accounted for prospectively by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates. Cost includes expenditure that is directly attributable to the acquisition of the items.

*(b) Subsequent costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be reliably measured. Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of comprehensive income in the year the asset is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

*(c) Depreciation and impairment*

Land and museum items are not depreciated. Depreciation is calculated using the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

• Building	40 years
• Building improvements	15 years
• Computer equipment	4 years
• Furniture and fixtures	4 years
• Right-of-use assets – office space (lease term)	5 years
• Right-of-use assets – IT equipment (lease term)	4 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Information about the Authority's accounting policies relating to right-of-use assets are provided in Note 2.6.

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## **2.4 Intangible assets**

Intangible assets are identifiable non-monetary assets without physical substance. The Authority's intangible assets comprise internally developed or externally acquired computer software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Authority are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Research costs are expensed as incurred. Costs associated with maintaining software programmes are recognised as an expense when incurred.

Computer software development costs are recognised as assets and are amortised over their estimated useful lives, which is estimated to be four years. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

The carrying value of internally developed costs are reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during the reporting year (see Note 2.7). Amortisation on the internal costs capitalised commences when the software goes live or becomes available for its intended use.

The intangible assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

## **2.5 Financial instruments**

### **2.5.1 Recognition and initial measurement**

Accounts and other receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the Authority becomes a party to the contractual provisions of the instrument. Financial assets (except accounts and other receivables) and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue. Accounts and other receivables are initially measured at the transaction price.

### **2.5.2 Classification and subsequent measurement**

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial assets were acquired.

#### *(a) Financial assets*

The Authority classifies its financial assets at amortised cost. The Authority's financial assets classified at amortised cost consist of cash and cash equivalents, accounts and other receivables and investments (Investments in US Government, US Government Agency and Supranational Bank debt securities). The Authority determines the classification at initial recognition and re-evaluates this designation at every reporting date. Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss, or fair value through other comprehensive income:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Business model assessment

The Authority makes an assessment of the objective of the business model in which the financial asset is held at a portfolio level because this best reflects how the Authority is managed and the information is provided to management. The information considered includes the stated policies and objectives of the portfolio and the operation of those policies in practice.

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**2.5.2 Classification and subsequent measurement (continued)**

*(a) Financial assets (continued)*

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. These include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Authority's claim to cash flows.

A prepayment feature is consistent with solely payment of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest in the principal amount outstanding.

Financial assets – Subsequent measurement and gains and losses

The Authority's financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*(b) Financial liabilities*

The Authority classifies accounts and other payables and notes and coins in circulation as other financial liabilities. These are subsequently measured at amortised cost using the effective interest method.



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**2.5.3 Derecognition of financial assets and liabilities**

*(a) Financial assets*

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows and either:
  - (i) the Authority has transferred substantially all the risks and rewards of the asset; or
  - (ii) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*(b) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of comprehensive income, if any.

**2.5.4 Impairment of financial assets**

The Authority recognises loss allowances for Expected Credit Losses (“ECLs”) on financial assets measured at amortised cost. The Authority measures loss allowances at an amount equal to 12-month ECLs for all investments and cash and cash equivalents that are determined to have a low credit risk at the reporting date and for which credit risk has not increased significantly since initial recognition.

Loss allowances for accounts and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority’s historical experience and informed credit assessment and including forward-looking information.

The Authority assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and is in default when the financial asset is more than 90 days past due.

The Authority considers an investment to have a low credit risk when the credit risk rating is equivalent to the globally understood definition of “investment grade”. The Authority considers this to be BBB- or higher per Standard & Poor’s. However, to mitigate credit risk exposure, the Authority only invests in US dollar traded papers which are rated not less than AA by at least one of Fitch, Moody’s or Standard & Poor’s.

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**2.5.4 Impairment of financial assets (continued)**

Lifetime ECLs are the ECLs that result from possible default events over the expected life of a financial asset. 12-month ECLs are the portion of the ECLs that result from default events that are possible within the 12 months after the report date (or shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial assets.

Credit-impaired financial assets

At each reporting date, the Authority assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- fee has not been received 90 days after the statutory due date;
- evidence of impairment on accounts receivable include that the regulated entity is experiencing significant financial difficulty, there is a probability that they will liquidate or deregister or there has been a long-term delinquency in payments;
- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset; or
- it becomes probable that the issuer or obligor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amounts of the assets. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating or an improvement in the ECLs), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of accounts and other receivables is described in Note 6. The difference between the carrying amount and realised balance is taken to the statement of comprehensive income.

Financial assets, other than accounts and other receivables, are only derecognised when contractual rights to cash flow expire. For accounts and other receivables, the gross carrying amount is written off when the Authority has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. For individual licensees, the Authority has a policy of writing off the gross carrying amount when

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**2.5.4 Impairment of financial assets (continued)**

the licensee ceases operation and is deregistered by the Authority and the Bermuda Registrar of Companies (“ROC”). The Authority expects no significant recovery from the amount written off.

**2.6 Leases**

**2.6.1 Recognition and Initial Measurement**

The Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract has an identifiable asset from which the Authority obtains substantially all the economic benefits and conveys to the Authority the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority uses the definition of a lease in IFRS 16.

*(a) As a lessee*

At commencement of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Authority by the end of the lease term or the cost of the right-of-use asset reflects that the Authority will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority’s incremental borrowing rate. The Authority uses its incremental borrowing rate of 4.75% as the discount rate.

The Authority determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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**2.6 Leases (continued)**

*(a) As a lessee (continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- the exercise price under a purchase option that the Authority is reasonably certain to exercise, lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Authority presents right-of-use assets in property and equipment and lease liabilities separately in the statement of financial position.

The Authority did not enter into any contract as a lessor during 2021 or 2020.

*(b) Short-term leases and leases of low-value assets*

The Authority has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including cancellable leases. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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## **2.7 Impairment of property, equipment and intangible assets**

Property, equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable at each statement of financial position date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Authority would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss is recognised in the statement of comprehensive income to the extent that an impairment loss for that class of asset was previously recognised.

## **2.8 Stock of notes, coins and numismatic items**

### **2.8.1 Stock of notes and coins for/in circulation**

The stock of notes and coins for circulation is stated at the lower of cost and net realisable value. Cost is determined using a "first in, first out" (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

When currency is issued, inventory is reduced and an expense is recorded within "Circulation note and coin expenses" in the statement of comprehensive income for currency issuance costs. The face value of the currency issued is also recognised as a liability within "Notes and coins in circulation" in the statement of financial position.

### **2.8.2 Stock of numismatic items**

Numismatic items consist of commemorative coins, circulation notes and coins for resale. The stock of numismatic items is stated at the lower of cost determined on a FIFO basis, and net realisable value. The proceeds from sales of commemorative coins are included in "Revenue from contracts with licensees and customers" in the statement of comprehensive income.

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## **2.9 Cash and cash equivalents**

Cash and cash equivalents includes cash and deposits, unrestricted overnight balances held with the US Federal Reserve and demand deposits with maturity of ninety days or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Authority in the management of its short-term commitments. Cash at banks earns interest at floating rates, based on daily bank deposits. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

## **2.10 Employee benefits**

### *(a) Short-term employee benefits*

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to the statement of financial position date, annual leave earned but not yet taken at the statement of financial position date, and sick leave.

Sick leave costs do not accumulate or vest and therefore an expense and liability is only recognised when applied for and approved.

A liability and an expense is recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

### *(b) Post-employment benefits*

Payments to defined contribution retirement benefit plans are recognised as expenses when employees have rendered service entitling them to the contributions.

### *(c) Other long-term employee benefits*

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as special retirement benefits, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

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**2.10 Employee benefits (continued)**

*(c) Other long-term employee benefits (continued)*

Expected future payments are discounted using market yields on Bermuda government bonds at the statement of financial position date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

**2.11 Provisions**

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. The Authority has not recorded a provision in 2021 or 2020.

**2.12 Revenue recognition**

Information about the Authority's accounting policies relating to revenue from contracts with licensees and customers are provided in Note 16.

Supervisory fines are recognised as income once the Authority has determined a regulated entity is not in compliance with the relevant Act and imposes a fine.

Investment income is recognised using the effective interest method.

Realised gains on sale of quoted securities are recorded at the time of sale and are calculated as the excess of proceeds over amortised costs.

**2.13 Going concern**

Management has assessed that the Authority has the ability to continue as a going concern and has accordingly prepared these financial statements on a going concern basis.

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**2.14 Events after the year-end reporting period**

Events after the reporting period that provide additional information about the Authority's financial position at the year-end (adjusting events) are reflected in these financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to financial statements, when material.

**2.15 Changes in significant accounting policies**

The Authority has consistently applied its accounting policies to all periods presented in these financial statements. A number of new standards are also effective from 1 January 2021 but they do not have a material effect on the Authority's financial statements.

**2.16 New and amended standards not yet adopted**

The following new and amended standards and interpretations are not expected to have a significant impact on the Authority's financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Deferred Tax related to Assets and Liabilities arising from Single Transaction (Amendments to IAS 12).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).



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**3. Financial risk management**

(a) Fair value of financial instruments

(i) *Carrying amount and fair value of financial instruments*

The carrying amount and fair values of financial assets and liabilities are presented in the following table:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>FINANCIAL ASSETS</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	146,514	146,514	100,839	100,839
Accounts and other receivables	597	597	1,309	1,309
Investments	-	-	20,079	20,232
<b>Non-current financial assets</b>				
Investments	80,642	82,903	70,608	75,447
<b>Total financial assets</b>	<b>227,753</b>	<b>230,014</b>	<b>192,835</b>	<b>197,827</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Current financial liabilities</b>				
Notes and coins in circulation	201,221	201,221	177,302	177,302
Accounts and other payables	8,544	8,544	8,693	8,693
Lease liabilities	263	283	243	283
Due to Consolidated Fund of the Government of Bermuda	6,652	6,652	-	-
<b>Non-current financial liabilities</b>				
Lease liabilities	261	270	531	552
<b>Total financial liabilities</b>	<b>216,941</b>	<b>216,970</b>	<b>186,769</b>	<b>186,830</b>

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**3. Financial risk management (continued)**

*(ii) Financial instruments at fair value*

The fair value of investments, at amortised cost as per Note 3(a) (i) is classified using a fair-value hierarchy that reflects the significance of the inputs disclosed in making the measurements:

Level 1 – quoted prices in active markets

Level 2 – inputs are observable either directly or derived from quoted prices

Level 3 – no observable inputs

The fair-value hierarchy requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

	Level 1	Level 2	Level 3	Total
Financial instruments at fair value as at December 31, 2021				
Investments, non-current	82,903	-	-	82,903
Total financial instruments	82,903	-	-	82,903

Financial instruments at fair value as at December 31, 2020				
Investments, current	20,232	-	-	20,232
Investments, non-current	75,447	-	-	75,447
Total financial instruments	95,679	-	-	95,679

The Authority is exposed to credit risk, market risk, and liquidity risk as a result of holding financial instruments. There have been no transfers between levels during 2021 or 2020. The following is a description of those risks and how the Authority manages its exposure to them.

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**3. Financial risk management (continued)**

(b) Credit risk

Credit risk is the risk of loss of principal or interest due to uncertainty in counterparty's ability to meet its obligations. The Authority is exposed to credit risk arising from investments in US Government, US Government Agency and Supranational Banks' debt securities, cash and cash equivalents and accounts and other receivables. The Authority manages credit risk by adhering to the fund management policy guidelines set forth by the Board's Investment Committee. The Authority is exposed to a concentration of credit risk as 72% (2020 – 70%) of its income earning assets are in US Government and US Government Agency securities.

The Authority held no past due investments as at December 31, 2021 and 2020.

The Authority limits its exposure to credit risk from accounts receivables by establishing payment terms as follows:

All annual fees for regulated entities are legislated and due in accordance with the following Acts:

- The Banks and Deposit Companies Act 1999: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- The Banks and Deposit Companies (Fees) Act 1975: Annual fees in respect of this Act are due on or before January 31 of the calendar year.
- Money Service Business Act 2016: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Corporate Service Provider Business Act 2012: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Credit Unions Act 2010: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Digital Assets Business Act 2018: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Fund Administration Provider Business Act 2019: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Insurance Act 1978: Application and Registration Fees in respect of this Act are due upon application. Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Investment Business Act 2003: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Investment Funds Act 2006: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Trust (Regulation of Trust Business) Act 2001: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008: Application fees in respect to this Act are due upon application. The first annual fee is payable upon registration. Succeeding annual fees in respect to this Act are due on or before March 31 of the calendar year.

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**3. Financial risk management (continued)**

(b) Credit risk (continued)

The credit quality of financial assets can be assessed by reference to the external credit rating and default rates published by Standard and Poor's:

	2021	2020
<b>Investments</b>		
AAA **	22,726	27,651
AA+ **	57,916	63,036
<b>** Moody's equivalent grade is Aaa.</b>	<b>80,642</b>	<b>90,687</b>
<b>Cash and cash equivalents</b>		
Cash at bank and in-hand		
AA+	256	287
A-	4,439	6,095
BBB+	1,898	5,436
Not rated	21	21
	6,614	11,839
Overnight repurchase agreements		
AA+	139,900	89,000
	146,514	100,839

**Investments**

This account consists of:

	2021	2020
US Government and US Government Agencies	57,916	63,036
Supranational Bank	22,726	27,651
	80,642	90,687

Impairment on cash and cash equivalents and investments held at amortised cost was measured on a 12-month ECL basis. This conclusion was based on the fact that:

- the Authority considers that its cash and cash equivalents and investments have a low credit risk based on the external credit ratings of the counterparties; and
- there was no significant change in the credit rating of any of the counterparties over the last 12 months.

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**3. Financial risk management (continued)**

(b) Credit risk (continued)

The Authority held cash and cash equivalents of \$146,514 at December 31, 2021 (2020 - \$100,839). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BBB+ to AA+, based on Standards and Poor's ratings with the exception of \$21 (2020 - \$21) which is cash in hand.

Impairment on cash and cash equivalents has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Authority considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Authority uses a similar approach for assessment of ECL's for cash and cash equivalents to those used for investments.

The following table presents an analysis of the credit quality of investments at amortised cost. It indicates whether assets measured at amortised cost were subject to a lifetime ECL allowance.

	2021	2020
<b>Investments</b>		
AAA	22,751	27,694
AA+	57,951	63,076
<b>Gross carrying amount</b>	80,702	90,770
Less loss allowance for ECL's	(60)	(83)
	80,642	90,687

The movement in the loss allowance for ECL's for investments at amortised cost during the year was as follows.

	2021 12-month ECL Credit impaired	2020 12-month ECL Credit impaired
<b>Balance at January 1</b>	83	145
Adjustment on loss allowance for ECL's	(23)	(62)
<b>Balance at December 31</b>	60	83

The decline in the loss allowance was mainly due to decrease in credit risk as the lifetime of securities shortens. The ECL for cash and cash equivalents as at December 31, 2021 was (\$5) (2020 - \$9).

Amortisation or accretion of the premiums/discounts on investments is included in "Investment income" (Note 18) in the statement of comprehensive income.

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**3. Financial risk management (continued)**

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and price risk.

(i) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk in the form of fluctuations in future cash flows of existing financial instruments is limited to cash and cash equivalents, since these instruments are subject to variable interest rates. The remainder of the Authority's financial assets and liabilities have either fixed interest rates or are non-interest-bearing.

The interest rate risk table below is based on the Authority's contracted portfolio as reported in the Authority's statement of financial position. All financial instruments are shown at their repricing period which is equivalent to the remaining term to maturity.

*Sensitivity to interest rate risk*

The figures below show the effect on the Authority's comprehensive loss and equity of a movement of +/- 1 percentage point in interest rates, given the level, composition and duration of the Authority's foreign currency and Bermuda dollar financial instruments as at year end. The valuation effects shown are generally reflective of the Authority's exposure over the financial year.

	+1%	2021 -1%	+1%	2020 -1%
Change in comprehensive income/(loss)/equity due to movement of percentage point across yield curves:				
US dollar overnight repurchase agreement with the US Federal Reserve	1,199	(37)	129	(113)
US dollar quoted securities	865	(820)	980	(980)
<b>Total</b>	<b>2,064</b>	<b>(857)</b>	<b>1,109</b>	<b>(1,093)</b>

An increase in interest rates of 1% would result in additional income of \$2,064 (2020 - \$1,109). A decrease in interest rates of 1% would result in a decrease in income of \$857 (2020 - \$1,093).

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**3. Financial risk management (continued)**

*(ii) Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

At December 31, 2021 and 2020, the Authority did not hold a significant amount of foreign currency other than US dollars, which are par with Bermuda dollars. The Authority has no other exposure to currency risk.

*(iii) Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest and exchange rates), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market.

As the Authority only invests in fixed income securities and term deposits which are held to maturity, the Authority has no significant exposure to price risk.

*(d) Liquidity risk*

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with its financial liabilities.

The Authority's largest liability is notes and coins in circulation. As a counterpart to this non-interest bearing liability with no fixed maturity, the Authority holds a portfolio of highly liquid cash and cash equivalents and investments. In the event of an unexpected redemption of bank notes, the Authority has the ability to settle the obligation by selling its assets.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months are equal to their carrying balances as the impact of discounting is not significant.

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**3. Financial risk management (continued)**

The fair value of investments presented in the table below are based on year-end quoted market prices.

**As at December 31, 2021**

	Total	No fixed maturity	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	146,514	146,514	-	-	-	-
Investments (fair value)	82,903	-	-	-	82,705	198
Accounts and other receivables	597	597	-	-	-	-
<b>Total financial assets</b>	<b>230,014</b>	<b>147,111</b>	<b>-</b>	<b>-</b>	<b>82,705</b>	<b>198</b>
<b>FINANCIAL LIABILITIES</b>						
Notes and coins in circulation	201,221	201,221	-	-	-	-
Due to Consolidated Fund of the Government of Bermuda	6,652	6,652	-	-	-	-
Accounts and other payables	8,544	8,544	-	-	-	-
Lease liabilities	553	-	67	216	270	-
<b>Total financial liabilities</b>	<b>216,970</b>	<b>216,417</b>	<b>67</b>	<b>216</b>	<b>270</b>	<b>-</b>
<b>Net maturity difference</b>	<b>13,044</b>	<b>(69,306)</b>	<b>(67)</b>	<b>(216)</b>	<b>82,435</b>	<b>198</b>

**As at December 31, 2020**

	Total	No fixed maturity	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	100,839	100,839	-	-	-	-
Investments (fair value)	95,679	-	10,046	10,186	55,688	19,759
Accounts and other receivables	1,309	1,309	-	-	-	-
<b>Total financial assets</b>	<b>197,827</b>	<b>102,148</b>	<b>10,046</b>	<b>10,186</b>	<b>55,688</b>	<b>19,759</b>
<b>FINANCIAL LIABILITIES</b>						
Notes and coins in circulation	177,302	177,302	-	-	-	-
Accounts and other payables	8,693	8,693	-	-	-	-
Lease liabilities	835	-	67	216	552	-
<b>Total financial liabilities</b>	<b>186,830</b>	<b>185,995</b>	<b>67</b>	<b>216</b>	<b>552</b>	<b>-</b>
<b>Net maturity difference</b>	<b>10,997</b>	<b>(83,847)</b>	<b>9,979</b>	<b>9,970</b>	<b>55,136</b>	<b>19,759</b>



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**3. Financial risk management (continued)**

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all areas of the Authority's operations.

The Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Authority's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk.

Compliance with the standards is supported by a programme of periodic reviews undertaken by internal audit. The results of the internal audit reviews are discussed with line management, with summaries submitted to the Board's Audit and Risk Management Committee and senior management.

**4. Critical accounting estimates and judgements**

**4.1 Fair value estimation**

Given the short-term nature of the Authority's financial assets and liabilities, the carrying value of cash and cash equivalents, accounts and other receivables/payables, and notes and coins in circulation are assumed to approximate their fair values. The fair value of investments is based on quoted prices in active markets (Note 3(a) (i)).

**4.2 Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires the Authority to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates in these financial statements include:

- loss allowance on ECL's of accounts and other receivables;
- economic use and life of property and equipment and intangible assets;
- provisions for impairment of stock of numismatic items;

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**4. Critical accounting estimates and judgements (continued)**

**4.2 Use of estimates and judgements (continued)**

- assumptions made in the determination of the incremental borrowing rate;
- assumptions made in the determination of special retirement benefits; and
- loss allowance on ECL's for impairment of investments.

Actual results could differ from these estimates. Judgements in the preparation of these financial statements, apart from those involving estimation; are disclosed below:

- assessment on the ability to continue as a going concern; and
- assessment on the Authority's positive intention and ability to hold investments to maturity.

**4.2.1 Assessment on the ability to continue as a going concern**

On March 11, 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. Management is closely monitoring the evolution of this pandemic, including how it may affect the Bermuda economy, Bermuda's financial institutions and general population. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on future financial performance of the Authority, or to provide a quantitative estimate of this impact but it is not expected to be significant. The Authority is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organizations, the Government of Bermuda, and general pandemic response best practices.

To date the Authority has not observed any material impact on its operations or financial position as a result of the COVID-19 outbreak and therefore continues to adopt the going concern basis in preparing its financial statements.

The going concern basis of preparation assumption for the Authority's financial statements is dependent upon the future receipt of revenues from regulated financial institutions.

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**5. Cash and cash equivalents**

This account consists of:

	2021	2020
Cash at bank and in hand	6,614	11,839
Overnight repurchase agreement with the US Federal Reserve	139,900	89,000
<b>Total</b>	<b>146,514</b>	<b>100,839</b>

Cash at bank earns interest at an effective rate of 0.03% (2020 – 0.18%)

Overnight repurchase agreements for terms of one business day are acquired through buyback transactions with the US Federal Reserve to earn an overnight interest rate.

**6. Accounts and other receivables**

This account consists of:

	2021	2020
Trade accounts receivable	883	1,221
Less: loss allowance on ECL's on accounts and other receivables	(821)	(877)
Accounts receivable – net	62	344
Accrued interest and other receivables	535	965
<b>Total</b>	<b>597</b>	<b>1,309</b>

The ageing analysis of accounts receivable are as follows:

	2021	2020
Up to 3 months	62	344
<b>Total</b>	<b>62</b>	<b>344</b>

As at December 31, 2021, accounts receivable of \$821 (2020- \$877) were impaired and fully provided for. The individually impaired receivables mainly relate to fees charged to regulated entities. The ageing of these receivables is as follows:

	2021	2020
Up to 3 months	8	22
3 to 6 months	9	45
Over 6 months	804	810
<b>Total</b>	<b>821</b>	<b>877</b>

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**6. Accounts and other receivables (continued)**

Movements on the loss allowance for ECL's of accounts receivable are as follows:

	2021	2020
Balance as at January 1	877	563
(Release of) loss allowance for ECL's of receivables	(56)	314
Balance as at December 31	821	877

The movement in the loss allowance for ECL's of receivables has been presented as a separate line in the statement of comprehensive income. The Authority provides 100% for all trade balances that are greater than 90 days past due. Amounts charged to the loss allowance for ECL's of accounts receivable are generally written off when there is no expectation of recovery. An ECL of 1.28% (2020 - 0.09%) was recognised on the balances less than 90 days due. However, a specific provision was made against late penalty fees less than 90 days past due.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

**7. Stock of numismatic items**

This account consists of:

	2021	2020
Commemorative notes and coins	1,386	1,216
Bullion for inventory production	122	126
Circulation notes and coins	17	17
Provisions	(166)	(162)
	1,359	1,197

**8. Stock of notes and coins for circulation**

This account consists of:

	2021	2020
Notes	3,543	3,950
Coins	973	328
	4,516	4,278

The cost of stocks recognised as expenses and included in "circulation note and coin expenses" amounted to \$698 (2020 - \$241).

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**9. Property and equipment**

This account consists of:

	Land, building and improvements	Computer equipment	Furniture and fixtures	Museum items	Total
<b>At January 1, 2021</b>					
Cost	31,734	4,299	2,998	79	39,110
Accumulated depreciation	(12,129)	(3,189)	(2,904)	-	(18,222)
Net book amount	19,605	1,110	94	79	20,888
Additions	-	852	229	2	1,083
Disposals – cost	-	(205)	-	-	(205)
Disposals - accumulated depreciation	-	203	-	-	203
Depreciation charge (Note 13)	(905)	(579)	(38)	-	(1,522)
Closing net book amount	18,700	1,381	285	81	20,447

**At December 31, 2021**

Cost	31,734	4,946	3,227	81	39,988
Accumulated depreciation	(13,034)	(3,565)	(2,942)	-	(19,541)
Net book amount	18,700	1,381	285	81	20,447

This account consists of:

	Land, building and improvements	Computer equipment	Furniture and fixtures	Museum items	Total
<b>At January 1, 2020</b>					
Cost	31,734	3,771	3,134	77	38,716
Accumulated depreciation	(11,206)	(2,637)	(2,999)	-	(16,842)
Net book amount	20,528	1,134	135	77	21,874
Additions	-	553	4	2	559
Disposals – cost	-	(25)	(140)	-	(165)
Disposals - accumulated depreciation	-	25	140	-	165
Depreciation charge (Note 13)	(923)	(577)	(45)	-	(1,545)
Closing net book amount	19,605	1,110	94	79	20,888

**At December 31, 2020**

Cost	31,734	4,299	2,998	79	39,110
Accumulated depreciation	(12,129)	(3,189)	(2,904)	-	(18,222)
Net book amount	19,605	1,110	94	79	20,888

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**9. Property and equipment (continued)**

Depreciation of \$1,522 (2020- \$1,545) has been charged in the statement of comprehensive income.

The cost of property and equipment fully depreciated and still in use are:

	2021	2020
Furniture and fixtures	2,845	2,821
Computer equipment	2,386	2,011

**10. Intangible assets**

This account consists of:

	Computer software					
	Internally developed	2021 Externally acquired	Total	Internally developed	2020 Externally acquired	Total
<b>At January 1</b>						
Cost	5,647	10,895	<b>16,542</b>	5,647	9,455	<b>15,102</b>
Accumulated amortisation	(5,647)	(5,843)	<b>(11,490)</b>	(5,647)	(4,012)	<b>(9,659)</b>
Net book amount	-	5,052	<b>5,052</b>	-	5,443	<b>5,443</b>
Additions	-	1,651	<b>1,651</b>	-	1,440	<b>1,440</b>
Disposals – cost	(16)	(542)	<b>(558)</b>	-	-	-
Disposals - accumulated amortisation	16	532	<b>548</b>	-	-	-
Amortisation charge	-	(558)	<b>(558)</b>	-	(1,831)	<b>(1,831)</b>
Closing net book amount	-	6,135	<b>6,135</b>	-	5,052	<b>5,052</b>
<b>At December 31</b>						
Cost	5,631	12,004	<b>17,635</b>	5,647	10,895	<b>16,542</b>
Accumulated amortisation	(5,631)	(5,869)	<b>(11,500)</b>	(5,647)	(5,843)	<b>(11,490)</b>
Net book amount	-	6,135	<b>6,135</b>	-	5,052	<b>5,052</b>

Amortisation of \$558 (2020 - \$1,831) is included in the statement of comprehensive income.

The cost of software fully amortised and still in use in 2021 is \$7,707 (2020 - \$8,043).

Included in the cost are software under development of \$2,876 (2020 - \$1,448). Amortization will commence on these software when they are completed and put into operation.

There were no research and development costs charged to the statement of comprehensive income in 2021 and 2020.

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**10. Intangible assets (continued)**

During 2021, the Authority conducted a review of economic useful lives estimates for its intangible assets, which resulted in changes in the expected useful life of the INTEGRA™ software. INTEGRA™ is a very specialised software developed specifically to meet the requirements of the Authority's daily operations in order to fulfil its mandate. The expected useful life of INTEGRA™ increased from 4 years to 10 years from its go live date. Amortisation decreased by \$1,215 in 2021 due to this change in accounting estimate. The effect of these changes on actual and expected amortisation expense is as follows.

	2022	2023	2024	2025	2026
(Decrease) increase in amortisation	(1,011)	77	417	417	417

**11. Accounts and other payables**

This account consists of:

	2021	2020
Accrued expenses	6,437	6,687
Accounts payable	1	17
Amounts due to related parties (Note 23)	2,106	1,989
	8,544	8,693

**12. Deferred income**

This account consists of:

	2021	2020
Incorporation and specific application fees	618	622
Advances from licensees	70	101
Jardine property takeover fees	37	37
	725	760

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**13. Leases**

The Authority leases office space and IT equipment. The leases typically run for a period of 4 years for IT equipment and 5 years for office space.

The office space lease was entered into during 2019. The lease expires in 2024 with an option to renew for a further term of 5 years. The Authority has recognised a right-of-use asset and lease liability for this lease.

The Authority also leases museum space. This lease is cancellable at any time. The Authority elected not to recognise right-of-use assets and liabilities for this lease.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

	IT equipment	Office space	Total
<b>Balance at January 1, 2021</b>	260	436	696
Depreciation charge for the year (Note 9)	(114)	(125)	(239)
<b>Balance at December 31, 2021</b>	146	311	457

	IT equipment	Office space	Total
<b>Balance at January 1, 2020</b>	374	561	935
Depreciation charge for the year (Note 9)	(114)	(125)	(239)
<b>Balance at December 31, 2020</b>	260	436	696

Set out below are the carrying amounts of lease liabilities.

	IT equipment	Office space	Total
<b>Balance at January 1, 2021</b>	264	510	774
Accretion of interest	11	21	32
Payment of lease liabilities	(126)	(156)	(282)
<b>Balance at December 31, 2021</b>	149	375	524

	IT equipment	Office space	Total
<b>Balance at January 1, 2020</b>	373	615	988
Accretion of interest	16	27	43
Payment of lease liabilities	(125)	(132)	(257)
<b>Balance at December 31, 2020</b>	264	510	774



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**13. Leases (continued)**

	2021	2020
Lease liabilities, current	263	243
Lease liabilities, non-current	261	531
	<u>524</u>	<u>774</u>

The following are the amounts recognised in statement of comprehensive income:

	2021	2020
Depreciation expense on right-of-use assets	239	239
Expenses relating to short-term leases - Museum space rent	15	15
Interest on lease liabilities	32	43
Total amount recognised in the statement of comprehensive income	<u>286</u>	<u>297</u>

Amounts recognised in statement of cash flows :

	2021	2020
Total cash outflow for leases	<u>282</u>	<u>257</u>

**14. Notes and coins in circulation**

In accordance with Part IV, Section 11 of the Act, the Authority has sole authority to issue notes and coins for circulation in Bermuda. Notes and coins issued are a claim on the Authority in favour of the holder. Notes and coins in circulation are recorded at face value as a liability on the statement of financial position. These are non-interest bearing and are due on demand.

Section 19 of the Act requires the Authority to hold a reserve of external assets of an amount in value sufficient to cover 50% of the value of the total amount of notes and coins in circulation. As defined under the Act, the external assets held shall include, inter alia, (a) gold; (b) notes or coins or bank balances in Bermuda; (c) balances and money at call in overseas banks; (d) treasury bills maturing within 184 days, issued by a foreign government whose currency is freely convertible; (e) specified securities; or (f) balances with Crown Agents.

At December 31, 2021, the Authority was required to hold a reserve of external assets of at least \$100,611 (2020 - \$88,651) and the actual external assets held are set out below:

	2021	2020
Balances and money at call in overseas banks	140,156	89,287
Specified securities - current investments (Note 3[a])	-	20,079
Specified securities - non-current investments (Note 3[a])	80,642	70,608
	<u>220,798</u>	<u>179,974</u>

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**14. Notes and coins in circulation (continued)**

As indicated in Note 3(d), at December 31, 2021, the fair value of the Authority's total financial assets exceeded its financial liabilities by \$13,044 (2020 - \$10,997).

**15. Equity**

The Authority manages its equity (capital and general reserve) in compliance with the requirements of the Act.

*(a) Capital*

The Authority's authorised capital of \$30,000 can be subscribed at such times and in such amounts as the Board, with the approval of the Minister of Finance (the "Minister"), may require. As at December 31, 2021 capital of \$20,000 (2020 - \$20,000) has been subscribed.

The Authority is not in violation of any externally imposed capital requirements at the statement of financial position date (see Note 14 - notes and coins in circulation).

*(b) General Reserve*

A general reserve of \$24,581 (2020 - \$17,930) has been established and maintained in accordance with Section 8 of the Act.

**16. Revenue from contracts with licensees and customers**

*(a) Revenue streams*

The Authority generates revenue primarily from supervisory and licensing fees. Other sources of revenue include investment income, vault commission, incorporation fee and sale of numismatic items.

	2021	2020
<b>Revenue from contracts with licensees and customers</b>		
Contracts with licensees	69,122	57,693
Contracts with customers	9	14
Other contracts	75	75
	69,206	57,782
<b>Other revenue</b>		
Investment income (Note 18)	1,809	2,274
Revenue from fines, penalties and other income (Note 17)	2,074	756
	3,883	3,030
<b>Total revenues</b>	73,089	60,812

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**16. Revenue from contracts with licensees and customers (continued)**

*(b) Disaggregation of revenue from contracts with licensees and customers*

In the following tables, revenue from contracts with licensees and customers is disaggregated by type of fees and timing of revenue recognition.

*(i) Type of fees*

	2021	2020
<b>Licensing fees</b>		
Insurance fees	59,002	48,360
Bank and deposit company fees	5,585	5,166
Investment funds	1,650	1,566
Investment business licence fees	773	737
Trust company fees	732	693
Corporate Service Provider fees ("CSP fees")	478	433
Digital Asset Business Act Fees	369	213
Anti-money laundering fees ("AML fees")	80	72
Credit Union licence fees	3	3
	68,672	57,243
<b>Other revenue</b>		
Vault commission	450	450
Jardine property takeover	75	75
Sale of numismatic items	9	14
	534	539
<b>Total revenues</b>	69,206	57,782

*(ii) Timing of revenue recognition*

	2021	2020
<b>At a point in time</b>		
Incorporation and specific application fees	8,793	5,726
Sale of numismatic items	9	14
	8,802	5,740
<b>Over time</b>		
Supervisory and licensing fees (annual business fees)	59,879	51,517
Vault commission	450	450
Other contracts	75	75
	60,404	52,042
<b>Total revenues</b>	69,206	57,782

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**16. Revenue from contracts with licensees and customers (continued)**

*(c) Contract balances*

	2021	2020
<b>Contract assets</b>		
Receivables which are included in "trade and other receivables" (Note 6)	119	762
	119	762
<b>Contract liabilities</b>		
Deferred income (Note 12)	725	760
	725	760

*(d) Performance obligations and revenue recognition policies*

*(i) Contracts with licensees*

Revenue stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
<b>Supervisory and licensing fees</b>	Supervisory and licensing fees are invoiced for a calendar year or part thereof. The Authority renders the performance obligation throughout the calendar year in the form of licensing and provision of supervisory duties. Payment is due by the last working day of January for the banks and due by March 31, for the rest of the licensees.	Revenue is recognised over the calendar year to which it relates.
<b>Incorporation fees and specific application fees</b>	Incorporation fees and specific application fees relate to applications for incorporations or any other specific applications by the registrants. The performance obligation is satisfied when the applications are completed and approved. Payment is due on demand as soon as the invoice is raised after the performance obligation has been satisfied.	Revenue is recognised at the point in time when the Authority's performance obligation has been satisfied.
<b>Currency warehousing contracts (vault commission)</b>	The performance obligation is the warehousing and vault facility services provided by the Authority to the respective Banks throughout the year. The payment is due on the last working day of January of every calendar year.	Revenue is recognised over the calendar year to which it relates.

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**16. Revenue from contracts with licensees and customers (continued)**

*(d) Performance obligations and revenue recognition policies (continued)*

*(ii) Contracts with customer*

Revenue stream	Nature and timing of satisfaction of Performance obligations, including significant payment terms	Revenue recognition policies
Sale of numismatic items	The performance obligation is the provision of special coins to customers in exchange for a consideration. The payment is due at a point in time when the performance obligation is satisfied.	Revenue is recognised at a point in time when the performance obligation is satisfied.

**17. Revenue from fines, penalties and other income**

This account consists of :

	2021	2020
Anti-money laundering fines ("AML fines")	1,250	400
Insurance fines	649	103
Late penalty fees	170	153
Other Income	5	-
Investment Business Act fines ("IBA fines")	-	100
	2,074	756

In accordance with Section 24 (5) of the Proceeds of Crime Regulations (AML and ATF Supervision and Enforcement) Act 2008, AML fees in the amount of \$84 (2020 - \$75) were recognised as revenue and expenses in the amount of \$2,338 (2020 - \$2,431) were incurred.

AML fines in the amount of \$1,250 (2020 -\$400) were recognised as other income.

**18. Investment income**

This account consists of:

	2021	2020
Interest on investments	1,987	2,437
Interest earned on overnight repurchase agreement with the US Federal Reserve	38	145
Net amortisation/accretion of premiums/discounts on Investments	(216)	(308)
	1,809	2,274

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**19. Salaries and employee benefits**

This account consists of:

	2021	2020
Salaries and bonuses	38,163	38,043
Payroll tax	4,305	4,119
Pension costs	1,774	1,728
Health insurance	1,595	1,552
Life insurance	444	425
Social insurance costs	379	379
Directors' fees	286	301
Other benefits	(82)	195
	46,864	46,742

The Authority has 219 employees at December 31, 2021 (2020 – 217).

Employee benefits include the following:

(a) *Pension plans*

The Authority provides various pension schemes to its eligible employees:

(i) Defined contribution plan

The Authority has a defined contribution plan administered by BF&M Life (the “Plan”) for the majority of its eligible employees. A defined contribution plan is a post-employment benefit plan under which the Authority pays fixed contributions. The Authority has no legal or constructive obligations to pay further contributions.

Employee contributions to the Plan are 5% of gross salary matched by the Authority. These contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Authority’s contributions to the Plan during the year were \$1,686 (2020 - \$1,524).

(ii) Defined benefit plan

The Authority contributes to the Public Service Superannuation Fund (“PSSF” or the “Fund”), which is a defined benefit plan, administered by the Government and covers the remainder of the Authority’s eligible employees, all of whom were previous employees of the Government. Contributions of 8% (2020 – 8%) of gross salary are required from both the employee and the Authority, and have been included in salaries and employee benefits. As part of the agreement

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**19. Salaries and employee benefits (continued)**

*(a) Pension plans (continued)*

*(ii) Defined benefit plan (continued)*

to transfer this employee group to the Authority, the Authority is not required to make contributions to the Fund with respect to the quantified actuarial deficiencies. As a result, the current year contributions to the Fund represent the total liability of the Authority. The Authority's contributions to the Fund during the year were \$88 (2020 - \$98).

*(b) Other employee benefits*

Other employee benefits include maternity leave, paternity leave, sick leave, vacation days and special retirement benefits. All these benefits are unfunded.

Maternity and paternity leave costs do not accumulate or vest and therefore an expense and liability is only recognised when applied for and approved. There were no maternity and paternity benefits applied for or approved during the current year and therefore, no liabilities have been accrued in the financial statements.

Sick leave does not accumulate or vest, and like maternity and paternity leave, a liability is only recognised when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current year and therefore, no liabilities have been accrued in the financial statements.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as at December 31, 2021 was \$1,158 (2020- \$1,100) and is included in accounts and other payables.

Certain employees are entitled to special retirement benefits based upon their years of service at the time of retirement. The present value of the special retirement benefits obligation depends on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and salary inflation. Any changes in these assumptions will affect the carrying amount of the liability. During the year, special retirement benefits of \$21 (2020 – \$17) were paid or about to be paid out. The liability as at December 31, 2021 was \$313 (2020 - \$464) and is included in accounts and other payables.

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**20. General expenses**

This account consists of:

	2021	2020
Premises and office	5,542	5,030
Communication	497	559
Conferences, seminars, education and training	447	459
Recruitment and repatriation	437	526
Other	325	270
Net foreign exchange loss	91	86
Annual business fees written off	86	95
Advertising	39	56
Public relations	16	43
Loss on retirement of property and equipment and intangibles	12	-
Provision for impairment on numismatic items	4	7
	7,496	7,131

**21. Cash generated from operations**

	2021	2020
Non-cash items included in total comprehensive income for the year		
Depreciation of property and equipment (Note 9)	1,522	1,545
Amortisation of intangible assets (Note 10)	558	1,831
Amortisation/accretion of premiums/discounts on investments (Note 18)	216	308
Loss on retirement of property and equipment and intangibles (note 20)	12	-
Lease interest expense (Note 13)	32	43
Release of impairment allowance of investments (Note 3)	(23)	(62)
(Release of)/Increase in impairment allowance of receivables (Note 6)	(56)	314
Increase in provision for impairment on numismatic items (Note 20)	4	7
	2,265	3,986
Change in operating assets		
Stock of notes and coins for circulation	(238)	239
Stock of numismatic items	(166)	(2)
Accounts and other receivables	768	(850)
Prepayments	(828)	(404)
	(464)	(1,017)



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**21. Cash generated from operations (continued)**

Change in operating liabilities		
Accounts and other payables	(149)	670
Deferred income	(35)	568
	(184)	1,238

**22. Commitments**

The Authority has some long-term contracts and agreements of various sizes and importance with outside service providers. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.

Annual contractual commitments are as follows:

	2021	2020
2021	-	1,705
2022	2,556	329
2023	803	169
2024	235	167
2025	19	-
Thereafter	19	11
	3,632	2,381

Capital commitments (included in contractual commitments), represent expenditure contracted for at the statement of financial position date but not yet incurred and are as follows:

	2021	2020
Intangible assets	448	514
	448	514

**23. Related-party transactions**

The Authority is related to the Government in that the Act gives the Minister the ability to give the Authority, after consultation with the Authority, such general directions as appear to the Minister to be necessary in the public interest. Additionally, the Minister appoints all members of the Authority's Board of Directors and approves the Authority's annual expenditure budget.

The Authority maintains a position of financial and operational autonomy from the Government through its ability to fund its own operations without government assistance and through its management and corporate governance structures.

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**23. Related-party transactions (continued)**

In the ordinary course of business, the Authority has transactions with the Government which are settled at the prevailing market prices and consist of the following:

	2021	2020
Staff expenses:		
Payroll tax	4,305	4,119
Social insurance	379	379
Pension costs - PSSF	88	98
Due to Consolidated Fund of the Government of Bermuda	6,652	-
Premises expense - land tax	268	268
Professional fees – audit	105	101
Other general expenses - immigration fees	102	122

At December 31, 2021, payroll tax amounting to \$2,106 (2020 - \$1,989) remains outstanding (Note 11).

During 2021 in the ordinary course of business, the Authority has professional fees with a company which is owned by a Board member totalling \$5 (2020 \$0). These transactions are settled at the prevailing market prices. There were no amounts outstanding at December 31, 2021 or 2020.

*Board and key management compensation*

The Directors of the Board of the Authority are appointed by the Minister to serve for fixed periods of time. The Board, through its Human Capital Committee, oversees the appointment, performance and compensation of the executive leadership team. Board members are paid an annual fee of \$20 (2020 - \$20), Board sub-committee Chairs are paid an annual fee of \$25 (2020 - \$25) and the Board Chairman receives an annual fee of \$75 (2020 - \$75). Travel expenses of \$nil (2020 - \$1) were paid to overseas board members.

In accordance with Section 4E of the Bermuda Monetary Authority Act 1969, the Minister of Finance appointed an Executive Chairman to hold office with effect from January 1, 2019 for a three-year period concluding on September 30, 2021. By virtue of such appointment by the Minister of Finance, the law provides that the Executive Chairman shall be the Chief Executive Officer of the Authority. The Executive Chairman is paid an annual salary of \$500 in his capacity as CEO and was eligible for a performance-based bonus of up to 45% of base salary. The Executive Chairman also received the annual fee associated with his role as Chairman of the Board.

The new CEO was appointed with effect from October 1, 2021. The CEO is paid an annual salary of \$500 and in this capacity is eligible for a performance-based bonus of up to 50% of base salary.

Salaries of the other twelve members of the executive team range from \$250 to \$425 (2020 - \$250 to \$400), with a performance-based bonus of up to 35% (2020 – 35%) of salary.

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**23. Related-party transactions (continued)**

*Board and key management compensation (continued)*

The compensation paid or payable to members of the Board and key management is shown below:

	2021	2020
Directors' fees	286	301
Executive management salaries, bonuses and other short-term employee benefits	5,599	5,081
Post-employment benefits	294	238

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## GLOSSARY

<b>AI:</b> Artificial Intelligence	<b>Government:</b> Bermuda Government
<b>AML:</b> Anti-Money Laundering	<b>IAIG:</b> Internationally Active Insurance Groups
<b>ATF:</b> Anti-Terrorist Financing	<b>IAIS:</b> International Association of Insurance Supervisors
<b>AUA:</b> Assets Under Administration	<b>ICP:</b> Insurance Core Principles (from the International Association of Insurance Supervisors)
<b>AUM:</b> Assets Under Management	<b>IFA:</b> Investment Funds Act 2006
<b>Authority or BMA:</b> Bermuda Monetary Authority	<b>IFRS:</b> International Financial Reporting Standards
<b>BCBS:</b> Basel Committee on Banking Supervision	<b>IGB:</b> Innovative General Business
<b>BDCA:</b> Banks and Deposit Companies Act 1999	<b>ILS:</b> Insurance-Linked Securities
<b>BFF:</b> Bermuda Fencing Federation	<b>IMF:</b> International Monetary Fund
<b>BIS:</b> Bank of International Settlements	<b>Insurance Act:</b> Insurance Act 1978
<b>BPS:</b> Bermuda Police Service	<b>InsurTech:</b> Insurance Technology
<b>BSCR:</b> Bermuda Solvency Capital Requirement	<b>IT:</b> Information Technology
<b>BSX:</b> Bermuda Stock Exchange	<b>JPL:</b> Joint Provisional Liquidator
<b>Board:</b> Board of Directors	<b>LCR:</b> Liquidity Coverage Ratio
<b>BTCSI:</b> Banking, Trust, Corporate Services and Investment	<b>MER:</b> Mutual Evaluation Report
<b>CAIR:</b> Caribbean Association of Insurance Regulators	<b>Minister:</b> Minister of Finance
<b>CARP:</b> Capital Assessment and Risk Profile	<b>ML:</b> Money Laundering
<b>Catbond:</b> Catastrophe bond	<b>MoF:</b> Ministry of Finance
<b>CEO:</b> Chief Executive Officer	<b>MoU:</b> Memorandum of Understanding
<b>CET1:</b> Common Equity Tier 1	<b>MSB:</b> Money Service Business
<b>CFATF:</b> Caribbean Financial Action Task Force	<b>NAIC:</b> National Association of Insurance Commissioners
<b>ComFrame:</b> Common Framework (for the International Association of Insurance Supervisors' Supervision of Internationally Active Insurance Groups)	<b>NAMLC:</b> National Anti-Money Laundering Committee
<b>CPF:</b> Counter-Proliferation Financing	<b>NEDC:</b> Non-Executive Directors Committee
<b>CSP:</b> Corporate Service Provider	<b>NLP:</b> Non-Licensed Person
<b>DAB:</b> Digital Asset Business	<b>NPL:</b> Non-Performing Loan
<b>DABA:</b> Digital Asset Business Act 2018	<b>NRA:</b> National Risk Assessment
<b>DAI:</b> Digital Asset Issuance	<b>OECD:</b> Organisation for Economic Co-operation and Development
<b>DCEO:</b> Deputy Chief Executive Officer	<b>PHC:</b> Pembroke Hamilton Club
<b>DSAI:</b> Data Science and Artificial Intelligence	<b>PMO:</b> Project Management Office
<b>ECL:</b> Expected Credit Loss	<b>PSSF:</b> Public Service Superannuation Fund
<b>EIOPA:</b> European Insurance and Occupational Pensions Authority	<b>R24:</b> Recommendation 24 (from the Financial Action Task Force Policy Development Group)
<b>ERIM:</b> Enterprise Records and Information Management	<b>RAR:</b> Risk Asset Ratio
<b>ESG:</b> Environmental, Social and Governance	<b>RCGA:</b> Regional Consultative Group for the Americas (under the Financial Stability Board)
<b>ExCo:</b> Executive Committee	<b>RoC:</b> Registrar of Companies
<b>FAQ:</b> Frequently Asked Question	<b>RWA:</b> Risk-Weighted Assets
<b>FATF:</b> Financial Action Task Force	<b>SIF:</b> Sustainable Insurance Forum
<b>FIA:</b> Financial Intelligence Agency	<b>SME:</b> Subject Matter Expert
<b>FPC:</b> Financial Policy Council	<b>SPI:</b> Special Purpose Insurer
<b>FSB:</b> Financial Stability Board	<b>SPT:</b> Service Provider Training
<b>FUR:</b> Follow-Up Report	<b>SREP:</b> Supervisory Review and Evaluation Process
<b>GAAP:</b> Generally Accepted Accounting Principles	<b>TCSP:</b> Trust and Corporate Service Provider
<b>GFIN:</b> Global Financial Innovation Network	<b>WDOB:</b> Wyoming Division of Banking
<b>GIFCS:</b> Group of International Finance Centre Supervisors	<b>WG:</b> Working Group
<b>GIICS:</b> Group of International Insurance Centre Supervisors	





BERMUDA MONETARY AUTHORITY

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