



MOVING FORWARD TOGETHER!

Series 1: Building Blocks

Building Blocks

As the Bermuda Monetary Authority (BMA) celebrates 50 years in 2019, we take a look back at the last five decades. From providing sound policy advice to pushing Bermuda forward as a reputable place to conduct business, the BMA has had an incredible impact on Bermuda's financial landscape.

One of the Bermuda Monetary Authority's (BMA) guiding principles has always been to create a secure and stable financial environment in Bermuda, whilst ensuring that Bermuda remains an attractive domicile to conduct local and international business. Over the past 50 years, the BMA has met the changing needs of the financial services sector on a local and global scale. It would be an understatement to say that the past five decades have been interesting, but one thing has held true: change is constant. A few recurring indicators of the BMA's stable influence over the past five decades are the Authority's ability to adapt to ever-changing needs; its steadfast application of exemplary standards and consistent regulation; and the organisation's perpetual motion which identifies avenues of regulatory best practices that are beneficial for the Bermuda market and elsewhere.

1969-1979

A time of change and independence.

Bermuda Monetary Authority Act 1969

The formation of the Bermuda Monetary Authority on 20 February 1969, by approval of the Bermuda Monetary Authority Act 1969, came about as a result of the preparations for the wind down of the Sterling Area, a group of countries that either pegged their currency to the pound sterling or issued pounds as their own currency. In 1972, the UK Government decided to abolish the Sterling Area altogether. Because of Bermuda's dependence on the free movement of funds between the island and Great Britain, it became clear that it would be beneficial to make a break completely from sterling. On 31 July 1972, the Bermuda dollar exchange was fixed on par with the United States dollar, which at that time had a fixed value in terms of gold. The Bermuda Monetary Authority Act 1969 had been amended to allow the parity of the Bermuda dollar to be defined not only in terms of sterling, but also 'of any other national or international currency, or of gold'.

The decimalisation of Bermuda's currency meant transitioning the entire island's monetary system from using fractions to decimals. Along with that came the introduction of the Bermuda dollar, which was launched on 6 February 1970. Bermuda's dollar at that time was equivalent to one United States dollar, or eight shillings four pence in the British pound sterling, which remained in circulation on the island for a short period of time afterwards. Once the Bermuda dollar came into effect, one of the BMA's primary responsibilities was printing and issuing Bermuda currency notes and coins.

'Decimalisation Day' was declared and all local banks were closed for three days in order to facilitate the changeover of currency, which the BMA and Government had spent the previous year planning. The former Bermuda currency notes were gradually withdrawn from circulation, and by 30 June 1970, all of the old currency was demonetised, or stripped of its value and status as money.

Independent Exchange Control

Leaving the 'Sterling Area' also meant that Bermuda needed to introduce its own independent exchange control. This form of regulation had been implemented as far back as World War II and was used by countries as a means to oversee the flow of money in and out of certain jurisdictions. Bermuda had maintained such practices as a network of monitoring throughout the 'Sterling Area' and, with the introduction of the Bermuda dollar, independent exchange controls were introduced to continue providing a means of monitoring the movement of funds between Bermuda and the rest of the world. These newly implemented independent regulatory practices assisted in compiling Balance of Payment figures, which would help the BMA in making future policy decisions. It would also provide a more defined idea of how residents were using their money overseas. Bermuda's exchange control regulations also included the identification and vetting of beneficial owners of companies wishing to form in Bermuda, which is an important factor in minimising risks and maintaining high regulatory standards.

The Supervisory Role

Throughout the 1970s, a lot of work and forward thought went into developing the financial sector groundwork that would create the financial services landscape we know today. Aside from printing money, another role that was granted to the Bermuda Monetary Authority was to assume responsibility for the supervision of Banks. The Banks Act came into effect in 1969, along with the Bermuda Monetary Authority Act 1969. Whilst the Bermuda Monetary Authority Act 1969 gave the BMA wide-reaching powers, more so than its predecessor the



Currency Commissioners, it had mainly been focused on its role as the island's issuer of currency.

It was evident with the expansion of banking, a strong financial services regulator and independent exchange control were essential for Bermuda's growing base for international business.

In March 1973, Mr. John Sharpe, then Minister of Finance, said during his budget speech: "In the consideration of Bermuda's future financial requirements, especially in the fields of Banking, Government Finance and Credit Control, it is felt that the present functions of the Bermuda Monetary Authority should be extended to permit it to perform many functions which are normally performed by a Central Bank and which would enable it to take a fuller role as a watchdog in financial affairs."

One of these steps included significant changes that were made to the Bermuda Monetary Authority Board of Directors in 1973, which deemed that Government officials no longer sat on the BMA Board just by virtue of being a member of the Government of Bermuda.

Steps to Becoming an Independent Authority

In 1974, the Authority merged with the Foreign Exchange Control Department, which included the Controller of Foreign Exchange and nine staff. That same year, the BMA relocated from Reid Street to a new location at Crawford House on the corner of Cedar Avenue and Church Street. This merger marked the first steps of becoming an independently run authority and the beginning of consolidating other local organisations tasked with financial oversight.

Two of the nine staff members who were part of the merger included Ms. Maureen Smith and Ms. Brenda Cardoza, who between them served over sixty-years with the Bermuda Monetary Authority.



Crawford House

Ms. Smith started at the Foreign Exchange Control Department as a clerk working under the supervision of Ms. Cardoza in 1970 and recalls the Department being like a "big family". The Controller of Foreign Exchange at that time had been brought in from the Bank of England and Ms. Cardoza's mother and aunt, Ms. Lucy Stailey and Ms. Olive Munro, were also part of the small team working in the Department when they would serve customers at its Reid Street premises. During the 1970s and 1980s, customers were required to visit the Foreign Exchange Control Department and seek permission from the Authority to send funds overseas before going to the bank to purchase foreign currency.

The Deposit Companies Act became law on 1 October 1974 and tasked the BMA with responsibility for receiving and examining applications for licences. This meant that no person was allowed to conduct deposit business in Bermuda without such a licence. The following year, in 1975, the BMA was also

empowered to exert its influence on the level of interest rates by varying the maximum rates of interest.

The BMA was taking on more responsibilities and it became apparent that the organisation's technology needed to be updated. Former Minister of Finance, Mr. Bob Richards, began working as the Assistant Controller of Foreign Exchange at the BMA in 1978.

Whilst the BMA had taken on exchange control, it had also designated the four local banks, Bank of Bermuda Ltd, Bank of N.T. Butterfield & Son Ltd, Bermuda National Bank and Bermuda Provident Bank Ltd, and local deposit companies to authorise a wide range of transactions for customers wishing to send money out of Bermuda. In those days, residents of Bermuda could only withdraw two thousand dollars per journey without the need for further approval from the BMA.

The bank would collect the 'Form E', which customers would complete with details of how the foreign currency would be used. Foreign currency at that time was most commonly being used for travel purposes, but other reasons for expenditure included education, medical needs and to pay for services only available overseas.

Mr. Richards recalls, "The Authority realised that these forms were a good source of data to determine what residents were spending their money on overseas. It was a good place to start to calculate Bermuda's Balance of Payments, which weren't being published in those days."

The challenge was that the information on the forms was recorded by hand, which was an incredibly laborious task.

"The first time I saw how the statistics were being calculated, I said to my boss, who was Mr. Malcolm Williams, Controller of Foreign Exchange, we need a computer. A computer can do this. I'd come from a banking environment where they were already ahead with technology, and I campaigned to get computers."

Although computerisation of the BMA was still a few years away, an IBM Selectric, the 'cat's meow' of electric typewriters at the time, according to Mr. Richards, was purchased in 1979 and used for secretarial tasks.

Marking Bermuda's History & Special Occasions

As the BMA was responsible for all currency-related matters, it also began marking Bermuda's historically significant events and special occasions by issuing commemorative coins. In February 1975, Her Majesty, Queen Elizabeth II and Prince Philip, Duke of Edinburgh, visited the island, for which the BMA issued a special coin celebrating this occasion. The issue was printed at the Franklin Mint in Pennsylvania and consisted of a one-hundred dollar proof and specimen coin in 900/1000 fine gold; a twenty-five dollar proof coin in sterling silver; and a twenty-five dollar specimen coin in cupro-nickel. The sale of the coins in Bermuda reached eight-hundred and fifty-thousand dollars and it is estimated that total revenue was even higher due to the successful worldwide sale of these coins, which was administered by the Franklin Mint and to which the BMA received royalties from the global sales.

As the decade drew to a close, the Insurance Act 1978 passed. Whilst the Bermuda Monetary Authority was not yet directly involved in the insurance sector, the Act and the resulting formation of the Insurance Advisory Committee, which provided advice to the Ministry of Finance, would make significant contributions to this growing industry in Bermuda.

In 1978, the Authority relocated its physical operations to the Warner Building at the corner of King and Reid Streets, and by 1979, the number of BMA staff had increased to twenty-five persons.