



16 December 2019

Dear Stakeholders,

**Re: Consultation Paper: Proposed revisions to the Code of Practice and Statement of Principles (the SoP) for the Trusts (Regulation of Trust Business) Act 2001**

The Bermuda Monetary Authority (the Authority) would like to thank industry participants for their continued engagement as the Authority develops its regulatory framework for trust businesses. The Authority appreciates the feedback received, and is committed to ensuring Bermuda's regulatory regime is effective and aligned with evolving international standards.

**RESPONSE TO INDUSTRY FEEDBACK**

The Authority's responses to the **key substantive comments** received are outlined below.

***Code of Practice: Proportionality Principle***

A respondent asked for clarity regarding the Authority's methodology in assessing the proportionality factors in paragraph 6(a) through (c), and how licenced undertakings should apply those factors in determining governance and risk frameworks.

*Response:* The Authority's risk assessment procedures are an internal process, and as such, licenced undertakings should self-assess the nature, scale and complexity of their operations based on the factors in paragraphs 6(a) through (c), and design appropriate governance and risk management frameworks for their business. The Authority, through prudential supervisory activities, will determine the reasonableness of that self-assessment and raise any concerns with the licenced undertaking.

***Statement of Principles: Adequate Liquidity***

A respondent raised several issues needing clarification on this subsection of the SoP including: (1) the treatment of extraordinary cost events in calculating minimum liquidity to be held; (2) the ability to apply for an exception to the requirement based on cash flow experience or unique characteristics in the business model; and (3) what is considered an acceptable committed standby facility and if the inclusion of such a facility required the Authority's written consent.

*Response:* The Authority will examine on a case-by-case basis what is considered to be an extraordinary cost/event to calculate the minimum liquidity. There will be no exceptions given; maintaining minimum liquidity is a requirement. The Authority's written consent is required because the Authority needs to know the terms of the facility to allow its inclusion.

The Trust Business Act Appendix 6: Liquidity Analysis is the form that licenced undertakings must complete and submit to the Authority in accordance with the requirements under the First Schedule subparagraph 6A of the Act. This form can be found at [www.bma.bm](http://www.bma.bm).

The Authority would like to thank stakeholders for their feedback, and remains committed to working with industry and other interested parties to ensure results achieved are in the best interests of the Bermuda market.