



REGULATORY UPDATE

January – March 2020



Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (BMA or Authority) for the quarter ended 31 March 2020.*

The Regulatory Update is only published in electronic format and can be downloaded as a PDF file on the Authority's website (www.bma.bm). If you wish to receive an e-mail notice when the next edition is available, you may sign up to our e-subscription service by clicking the E-Alerts button on the homepage of the Authority's website.

**Published April 2020*

Regulatory and Legislative

COVID-19 – BMA Business Continuity Response

On 6 February, the BMA activated its Business Continuity Plan to prevent operational disruptions, and implemented social distancing protocols through remote working options and virtual external meetings to limit the exposure to COVID-19.

The following initiatives were instituted:

- Communicating with industry
- Examining timing of regulatory initiatives to allow firms to focus on their businesses and assist their customers
- Engaging with government and international peers

On 23 March, the BMA advised industry that it would be working remotely in line with Government's directive, and advised that all correspondence and application requests must be submitted electronically.

Wire payment instructions and a list of key e-mail addresses for contacting the BMA during this period were also published.

Bermuda Achieves Outstanding Caribbean Financial Action Task Force (CFATF) Mutual Evaluation Report (MER) Results

On 17 January, the final version of Bermuda's CFATF MER was published.

Bermuda's Technical Compliance requirements assessment was the highest of any jurisdiction, with 39 of the 40 Recommendations rated as Compliant or Largely Compliant.

Out of over 75 MERs published globally under the updated Fourth round FATF methodology, Bermuda was placed sixth in the rankings.

"Overall, it was a strong report, which is an excellent result and a major accomplishment for Bermuda," said Chris Brown, the BMA's Deputy Director, Anti-Money Laundering/Anti-Terrorist Financing. "These outstanding results are a

tribute to the work of the Bermuda team as a whole, of which the BMA's team was a significant contributor."

Additionally, in March Bermuda was invited to be part of a FATF working group that will review Recommendation 24 (Transparency and beneficial ownership of legal persons) of the FATF standards. The Ministry of Finance has approved Bermuda's participation, and the BMA is part of the team supporting Bermuda's engagement in this endeavour. The purpose of the working group is to examine the key elements of Recommendation 24 and to make recommendation to change the standards to ensure they are fit for purpose. The key elements include: adequate, accurate and timely information; access to information; obstacles to transparency; and risk assessment and risk-based approach.

Bermuda Removed from European Union (EU) 'Grey List'

At an Economic and Financial Affairs Council (ECOFIN) meeting on 18 February, Bermuda was removed from the EU 'grey list' of non-cooperative tax jurisdictions.

ECOFIN said Bermuda and 15 other jurisdictions had "managed to implement all the necessary reforms to comply with EU tax good governance principles ahead of the agreed deadline."

BMA Names Deputy Chief Executive Officer (DCEO)

On 8 January, the Authority's Board of Directors announced that Craig Swan was appointed Deputy DCEO. The DCEO position was created to fulfil the BMA's succession planning objectives as the Authority prepares for Executive Chairman Jeremy Cox's departure in 2021.

The DCEO position encompasses several responsibilities. Mr. Swan will be tasked with overseeing the Authority's supervisory activities of banks, insurance, trust companies, digital assets businesses and investment businesses.

He will also assist in the BMA's ongoing planning and development objectives, alongside sharing in the Authority's executive management and participating in key external initiatives or meetings with government and industry stakeholders, both domestically and internationally.

Guidance Issued for Corporate Service Providers (CSPs) and Trust Businesses

On 23 March, the BMA issued updated “Information for Prospective Applicants” Guidance for CSPs and Trust Businesses.

This Guidance was updated as a result of enhancements made in 2019 to the Corporate Service Provider Business Act 2012, the Trusts (Regulation of Trust Business) Act 2001, and the associated Codes of Practice and Statements of Principles.

The Authority has undertaken to enhance its regulatory oversight of the CSP and Trust Business sectors, and these updates reflect global best practice.

Notice – Fund Administration Provider Business Act 2019

On 31 March, the Authority issued a Code of Practice (Code) and Statement of Principles (Principles) for consultation in relation to Fund Administration Provider Business (FAPB).

The Code will provide guidance as to the duties, requirements and standards to be complied with, and the procedures and sound principles to be observed by persons carrying on FAPB.

The Principles will provide clarity on the manner in which the Authority will interpret the minimum criteria for FAPB licensing and how it will exercise its powers.

Comments on the Code and Principles should be received on or before 14 May.

BMA Updates Bermuda’s Compliance Officers

On 15 January, the BMA participated in a well-received outreach session to around 50 members of the Association of Bermuda Compliance Officers.

Topics covered included the Authority’s 2020 supervisory programme, recent examination trends, a CFATF Mutual Evaluation update and an open forum discussion.

INTERNATIONAL

In January, BMA delegates attended the International Association of Insurance Supervisors’ (IAIS) Holistic

Framework Implementation Assessment, the Resolution Working Group and the Macroprudential Monitoring Working Groups. Further discussions took place via teleconference due to COVID-19 concerns.

In February, the BMA participated in the Macroprudential Supervision Working Group and the Capital, Solvency and Field Testing Working Group. The BMA has also been actively involved in IAIS initiatives related to COVID-19, including the reassessment of the IAIS roadmap and responding to an IAIS impact survey on COVID-19.

The BMA also participated for the first time in the Sustainable Insurance Forum (SIF), a network of leading insurance regulators formed to discuss, among other things, climate risks. The BMA participated in the discussions regarding the work jointly being conducted by SIF and the IAIS.

The BMA attended two conferences in February:

- The Financial Stability Institute conference in Basel about, “Cross-sectoral policy implementation on climate risk assessment in the financial sector,” with representatives of around 40 countries and supra-national bodies, mainly central banks, insurance/banking supervisors and some insurance groups/banks
 - Key topics discussed were climate risk (physical and transition risk) related approaches from industry, service providers and regulators, as well as best practices and further actions planned by regulators on addressing climate risk
- The Programme on Regulation and Supervision (PROGRES) Seminar of the Geneva Association took place in Zurich and some of the session topics included: the contribution of insurers to achieving the UN Sustainable Development Goals; ethical issues related to the use of Artificial Intelligence and Big Data Analytics in insurance; climate-related financial disclosures; international standards on capital and how they will contribute to growth and resilience; and cyber insurability, cyber terror, cyber war and hostile cyber activity

The BMA delegation attended the IAIS Committee meetings held in Basel from 24 to 27 February. The BMA participates in a number of key committees and working groups of the IAIS.

Due to COVID-19 concerns, a number of IAIS meetings scheduled in March were conducted via teleconference.

