

20 BUSINESS PLAN 21



“We cannot re-write the chapters of history already past, but we can learn from them, evolve and adapt. The new normal may even be a better normal, certainly a different normal.”

— Mark Pringle, *New Normal, New Thinking: Life Post COVID-19*



Jeremy Cox, Executive Chair

Our combat personnel are in position; tactics have been agreed. Sounds like war has been declared? It has, and that is why a battle strategy lies at the heart of the Bermuda Monetary Authority's (Authority or BMA) business plan for 2021.

Welcome to the next normal – an uncertain and increasingly complex environment unfolding over the next twelve months or so in which the digital revolution, climate change, stakeholder expectations, structural inequalities and geopolitical risk will each play a part.

As reflected in our plan, we are prepared for a post COVID-19 war in which countries struggling under the weight of massive debt, acquired as they tried to shore up their pandemic-ravaged economies, will engage in fierce competition to stimulate economic activity.

It will not be pretty! We anticipate being on the receiving end of increased nationalism and protectionist measures as international financial centres like ours are targeted by nations seeking additional tax revenues.

But if it is any consolation, we will not be the only ones facing what could become a bleak 2021. Jurisdictions around the world will be going all out to win financial services business, which contributed more than a third of Bermuda's GDP pre-COVID. But that does not mean all jurisdictions will be competing on equal terms. Bermuda has several competitive advantages, which we believe are unmatched in our peer group and which this business plan hopes to leverage.

Our aim for 2021 and the primary goal of this plan is to ensure that the Authority continues to distinguish itself as an internationally respected, high-quality regulator. We will achieve this through a reinvigorated focus on innovation and technology as part of a unique and sustainable business model, underpinning an independent regulatory regime that is risk-sensitive and fit for purpose.

Operational independence and technology are key. Independence has long been considered a major factor

behind the BMA's success as a regulator and is likely to assume even greater significance in a distressed global economy. Technological superiority, though widely claimed by many, will also be an important differentiator for those who know how to use it well.

But as proficient as we are in the supervisory space, it is unlikely we will be able to achieve our objectives unaided. We are going to need friends and partners and, to this end, our 2021 plan calls for strengthened relationships with foreign regulators and the forging of closer connections with Bermuda's private sector, while expanding existing links with local authorities, such as the Ministry of Finance.

Demonstrating that the BMA is an active rather than a passive regulator, the 2021 plan also calls for the expansion and streamlining of regulatory processes.

This may include exploring efforts to further adapt our regulatory processes to enhance our competitiveness, especially in the area of speed to market for new licence applications. In this regard, the Authority will focus on re-engineering to speed up relatively clean applications, improving the efficiency of our processes while also enhancing the competence of private sector service providers.

Additionally, the Authority will explore a new regulatory framework for digital identity service providers.

Also new for 2021, we hope to announce an expansion of our mandate with the launch of a principles-based approach to dealing with market conduct oversight. This follows a continuing review of our mission and the release of a discussion paper in the summer of 2020.

While there is no standard definition of market conduct internationally, it is typically geared to the specific composition, culture and needs of a marketplace. As such, the Authority is in a good position to take a measured approach towards building a conduct-focused regulatory and supervisory infrastructure that will provide oversight of all licence holders while supporting the protection of financial services consumers.

Our supervisory departments already perform some aspects of conduct supervision; however, we will be recommending that it be undertaken on a more formal basis, initially by adding it to the work of our prudential supervisors. The approach envisioned will be an enhancement of the existing supervisory framework, as this would yield some efficiencies of staffing and resources. Longer-term, as the regime matures, a stand-alone conduct team may be considered based on need and the availability of resources.

In order to develop a feasible conduct framework appropriate to the Bermuda market, the Authority researched and assessed conduct supervision regimes in peer jurisdictions. We came up with a proposed structure, applicable to all firms licensed or registered with the Authority and focused on areas such as fair customer practices, client asset protection, product governance and customer complaint handling.

Implementation will involve amendments to the Bermuda Monetary Authority Act 1969. Once the legislation has been expanded to include the specific obligation to promote consumer protection and fair practices, the Authority will address conduct practices for each regulated sector.

Given the challenges of the pandemic and the proposed increased extent of our remit, it is perhaps not surprising that the Authority aims to fine-tune its risk appetite in 2021. Under certain conditions, especially where the benefits associated with greater risk assumption outweigh the potential adverse impact and/or costs of incremental controls, the BMA is prepared to raise its risk tolerance in the area of internal and external innovation.

The BMA's general approach for 2021 will be to prioritise efforts to develop staff and culture, safety and soundness of financial institutions, technology, sustainable funding and Bermuda's financial stability, including stimulation of economic activity and mitigation of jurisdictional risk. A key goal will be to protect and maintain our stellar reputation, its inherent brand promise and a value proposition and track record that have been the hallmark of the Bermuda domicile and the envy of its competitors for many years.

With climate change increasingly regarded as a key concern of the financial services community, the integration of sustainability into our regulatory framework will be one of our corporate objectives in 2021. Leading this process will be our newly launched working group dedicated to Environmental, Social and Governance (ESG) issues. Harnessing data from the Authority's 2020 climate change survey, we will be developing a qualitative assessment of the Bermuda market's climate change status with the aim of using this information to shape our policy and guidance on ESG risks. In addition, we are at an early stage in the development of a climate stress test.

Financial Technology (FinTech) continues to develop a presence in Bermuda under the supervision of the Authority, which has issued a total of seven digital asset business licences in the recent past. To further enhance our ability to attract this type of business, we believe we need a licensing regime that adequately supports the early stage of innovation, typically so critical to the success of FinTech start-ups. Accordingly, we have recommended making enhancements to the Digital Asset Business Act to facilitate licensees to conduct investment business.

Turning to Bermuda's risk transfer industry, there are clear signs of a resurgence after a prolonged soft market and a period of consolidation. Despite a difficult underwriting climate through the first half of 2020, the industry anticipates continued strengthening in the insurance and reinsurance space, driven largely by a hardening market, which is widely expected to endure beyond 2020 year-end renewals and will likely characterise much of 2021.

The same factors are expected to contribute to the Insurance-Linked Securities (ILS) and captive insurance markets in 2021. Industry sources believe that higher rates across most lines and an inflow of new investment capital will be features of the 2021 marketplace.

As predicted in our Alternative Capital Report released in July 2020, the island's reputation as a trusted centre for insurance risk securitisations will underpin its status as the world's leading alternative capital centre.

Disappointingly, unlike previous hard markets such as those triggered by the disastrous Atlantic hurricane season of 2005, we understand the risk transfer industry is not expecting to witness a massive surge in job creation in Bermuda. This has been attributed to a marked increase in outsourcing to low-cost jurisdictions; a practice made more attractive by soft markets and the resulting need to reduce operational expenses. The digital revolution has also played a part in helping to reduce reliance on well-staffed back offices. Like many organisations, the Authority too has embraced Artificial Intelligence (AI) and has been quick to apply machine learning to some of its large-scale data handling functions without which our processing times and costs would inevitably increase.

The new business plan provides for the application of experiences and lessons learned during the pandemic. As a consequence, I think you can expect to see an increased digital transformation sweeping across all financial services.

Additionally, remote working and restricted access to regulatory guidance during the early days of the pandemic led the Authority to develop a dedicated Virtual Office Hours calendar tool, which is currently being piloted in the FinTech Department and Insurance Innovation Team and may be expanded to other departments in the future. This avoids time-consuming phone calls and emails, facilitates easy access to our regulators and will remain a popular feature of our post-COVID dialogue with industry.

Clearly, challenges lie ahead, but I believe it is worth pointing out that there are some encouraging grounds for optimism in financial services.

According to a recent study by Swiss Re, the impact of the pandemic on global insurance premium growth will be less severe than had been anticipated. The reinsurer forecasts that instead of the 2.8% drop in premium growth it feared as a result of the COVID-19 crisis, premiums contracted by 1.4% in 2020. Additionally, Swiss Re predicts that premium growth will recover quickly over the next two years, supported by continued rate hardening. On the ILS front, a new survey by Willis Towers Watson says the market for investments in ILS is expected to return to growth after a stall in activity, which saw end-investors postpone allocations of new capital to the market. And there has been positive reinsurance news from Fitch Ratings. Due to the current hardening environment and rising prices, coupled with stabilising losses related to the pandemic, Fitch is reported to have revised its sector outlook for global reinsurance in 2021 to stable. While it is not for me to opine on Bermuda's national economic policy, part of the BMA's job is to contribute to efforts aimed at supporting robust levels of confidence in Bermuda in general and its financial services sector in particular.

I do believe we face challenges, but they are not insurmountable. And I say this not because of the manageability of the tasks facing us but because of the ability of the professionals who work at the Authority.

Though there are less painful ways to discover how good your team is, the pandemic has shone a bright light on our ability to perform under fire.

Sadly, as I begin my final twelve months with the Authority, there will come a time in 2021 when I will not be part of this amazing team. This is my last Business Plan. The next one will come from the pen of the BMA's Deputy Chief Executive Officer, Craig Swan. In fact, his pen is already evident in the current plan, having shaped its strategic content along with input from the Authority's Management Advisory Committee. By the time the 2022 plan falls due, it is my fervent wish that the pandemic will be fast disappearing in our rearview mirror.

I sincerely hope that the language and tone of this 2021 Business Plan message strikes a chord with you. I hope it is one that is emblematic of a tenacious organisation which never missed a beat, despite the pandemic, despite restrictions on our movements and despite the challenge of having to suddenly switch gears and adapt to working remotely. Thanks to the expertise and ingenuity of our quick-thinking teams, within a week of the first COVID-19 case being reported in Bermuda, the majority of our staff were able to perform most work tasks as if they were in the office. Add to that the fact that the Bermuda government quickly locked down our island and effectively prevented the virus from taking hold, and it is not hard to see why Bermuda's new digital resident licences have proved so popular and why the island became a quarantine-exempt corridor country for access to the UK.

In essence, I believe that business plans and the business of planning, in general, are intended to help organisations like ours to become future-ready, geared to achieve a new state of preparedness. In the BMA's case, I think it will be a state of readiness that enables us to achieve the escape velocity needed to break free of things that have held us back in the past while simultaneously arming us for success in the future.



Jeremy Cox
Executive Chair

Strategic Goals

- Maintain and enhance Bermuda's reputation as a leading international financial centre through strengthening relationships with international standard-setters, national regulators and stakeholders in Bermuda
- Attract, develop and retain a team of highly skilled professionals operating within an environment that not only promotes a culture of learning, but also engages and empowers staff across the BMA to pursue operational excellence and continual improvement, thereby enabling the BMA to achieve its mandate
- Protect the consumers of financial services by conducting financial sector regulation in a manner that promotes the safety and soundness of financial institutions and financial markets in Bermuda and is aligned with international standards
- Promote financial stability by working with stakeholders in Bermuda and internationally in identifying and addressing risks to the financial system
- Supply quality currency that is readily accepted and maintains security features not easily counterfeited
- Undertake the BMA's mission in an efficient, cost-effective and sustainable manner, including improving the efficiency and effectiveness of the BMA's operations with the use of technology and its application to the regulation of financial services
- Collaborate with industry to position Bermuda as a pragmatic domicile for potential registrants while proactively reinforcing the Authority's value proposition in sustaining, supporting and responding to the needs of existing registrants

Regulatory Framework and Consumer Protection

In 2021, the Authority will further develop our risk-based regime. The centre and circumference of this work will be dedicated to fostering consumer protection, ensuring financial and operational resilience during and after stress events, encouraging financial innovation and streamlining regulation.

However, given 2020's tumult will no doubt change regulatory views on risk, the Authority's priorities of threat mitigation and stakeholder engagement have been heightened. In terms of threat mitigation, the BMA will remain agile in adapting to changes in financial services, facilitate innovation in the sector and aim to educate through thought leadership that offers solutions to global issues. Publishing thought leadership will also lend itself to further stakeholder engagement, alongside pursuing joint regulatory initiatives with foreign regulators, offering training to service providers and streamlining the regulatory licensing path.

Infrastructure and Innovation

The Authority will, in the next year, continue strategically allocating infrastructure and innovation resources, especially those that will maintain strong governance, further deploy Enterprise Risk Management (ERM) and create a sustainable funding framework. Such work will propel the BMA's strategy and reduce risks in the delivery of our statutory objective. At the heart of these efforts lies forward and diverse thinking, as do the more tangible tools of data aggregation and analytics, AI and a wide range of innovative technologies that will allow the BMA to be increasingly sustainable, effective and efficient in all aspects of its remit.

People

By harnessing the power of our staff, we will enhance the quality of our supervision. The onus of these enhancements may lie with our functional units, but it is by distilling the BMA's operational units' talent capital that we underpin and magnify their efforts. Additionally, in 2021, we will further ignite the attitude, passion and work ethic that currently exists by pursuing an engaging workplace culture. This culture will embrace innovative thinking, technologies of the future and purpose-built learning opportunities.

Financial Stability

Though our operations will remain 'business as usual', 2021 will require heightened oversight, especially of Bermuda's most systemically important financial institutions. It will also require the BMA to continue advising and collaborating with Bermuda's Financial Policy Council (FPC). It is through this role that the Authority can help Bermuda—as it wades through the aftermath of COVID-19—identify the economic results it needs and the most sustainable method for achieving them.

Our long-range strategy is unchanged: reduce risk in the financial services sector. This strategy is broad and encompasses everything from preserving and gaining further regulatory equivalence through strong relationships with peer jurisdictions to serving as Bermuda's gatekeeper through our licensing and enforcement activities.

Community Matters

The 2020 year stretched and pulled at the very fabric of our island nation, but we did not tear. Instead, we came together—from afar—to support one another. The BMA will maintain this philanthropic mind-set in 2021, building on its past efforts through various charitable initiatives. As we continue to align with Government guidance regarding social distancing, these efforts will remain virtual. However, we look forward to pursuing creative methods of allyship with Bermuda's most vulnerable populations and essential causes.



Craig Swan, Deputy Chief Executive

The storm of 2020 challenges produced, what we in Bermuda like to call, a tank rain. While no one enjoys a storm, if your house is well-built, you reap the benefit of a full tank. This is exactly where the BMA finds itself right now. Due to the hard work the Authority has long invested, as well as the exceptionally dedicated effort our team put in during 2020, our house—the BMA's infrastructure, framework and services—was prepared to weather the storm.

Through strategic leadership and a talented staff, the Authority is uniquely situated, mastering a balance that has withstood every crisis of the past half-century. It is a balance that mitigates risks while creating a pragmatic space where financial services can thrive. This is a boon, not only to our island's financial services sector but also to Bermuda's economy and the standards of industry regulation globally. However, I will reserve further retrospect for the 2020 Annual Report. Instead, I want to take this opportunity to recast our gaze upwards and onwards—so, where to now?

Swimming in the riptide of increasingly complex risks (covering the spectrum of environmental, social, governance, cyber and technological ethics, to name a few), we will continue building. We will build on our accomplishments. We will build on our reputation. We will build on our mandate.

However, building in 2021—and beyond—will require a new perspective, approach and attitude. We are, after all, in a 'new normal', not only in terms of public health and emerging risks but also in terms of the financial services ecosystem. A central theme of these two 'new normals' is an embrace of all things digital, and the fact they are co-occurring has only accelerated digitisation in the furthest reaches of our industry. It is moments like this for which the BMA was engineered. As the architecture of financial services pivots, we too will pivot—just as we have in the past; manoeuvring the transformation by way of both innovation and an evolved culture.

Culture and innovation have become the buzzwords of the decade—for a good reason. In their purest form, they are

the performance levers of the Fourth Industrial Revolution. They catalyse one another, as well as an organisation's strategy. This is the fuel the BMA will use as we build on our culture and innovative mind-set, pushing them both into super-drive so that we can continue to be the regulator Bermuda needs.

In 2021, we will capitalise on the first performance lever, our organisational culture, through a new target culture statement: We pursue excellence and continual improvement. To aid in this pursuit, we have developed aspirational behaviours and practices to serve as a culture measuring stick. The end goal? Ensure we have an engaging workplace environment that directly correlates to an increase in passion and productivity, as well as sustainability.

Regarding the second performance lever, we will continue to pursue innovation not just for innovation's sake, but to enhance our effectiveness and streamline both our processes and delivery of regulation with the power of AI, machine learning, robotic process automation and data science. This, accompanied by a broadening of our supervisory skillset to further embrace coding and cyber risk analytics, will equip us to serve a wider audience of advanced concepts, such as decentralised autonomous organisations, and to shape a new future for regulation and supervision. The end goal is to evolve with Bermuda's financial services industry and the complexities of emerging risk, adapting our supervisory approach and regulatory frameworks accordingly. In summary, we will not be swept away by the technological tsunami. We will keep pace with the digitisation of financial services and be agile to address emerging risks. It is by equipping ourselves with the requisite skillset that we may apply appropriate regulation, delivered in an increasingly streamlined manner that continues reducing the cost of regulatory compliance.

This is undoubtedly ambitious. It will require us to deliberately deploy both internal and external drivers. The internal being our approach to regulation and supervision, as well as the support operations that serve as the backbone of this work. The external includes our relationships with peer regulators, international standard-setters, industry and Government, as well as our talent pipeline in Bermuda.

The BMA is well-positioned for this strategy. The work of the past decade has prepared us for this moment. Therefore, in 2021, we will build to make this strong position stronger so we can continue agilely responding to our increasingly dynamic environment. This is the work required of us to maintain the reputation we have already earned—a regulator of the future.

Insurance

In 2021, the BMA will continue to focus on policyholder protection and keeping pace with evolving international regulatory standards against the backdrop of global macroeconomic and sociopolitical headwinds. The COVID-19 pandemic has significantly impacted the way in which business is conducted, forcing the world to adapt to a new normal—but Bermuda excels at adaptation. From the start of the crisis, the BMA adopted a pragmatic approach to assessing how (re)insurers will meet regulatory requirements and supported regulated institutions as they weathered the crisis. In doing so, the BMA has not sacrificed supervisory rigour or compromised on credibility. This will continue in 2021.

Regarding technology, the BMA will increase its adoption and use of technological applications to make its processes and systems more conducive to the digital world. Specifically, the BMA will further embed machine learning and AI into its supervisory processes, as well as implement an enterprise-wide centralised data management strategy for a single version of truth (including data lakes/warehouses to aid data science and AI development). The BMA plans to transition to Regulatory Technology (RegTech) and engage in joint initiatives with industry to develop automation tools to lower the cost of regulatory compliance and solidify the BMA's reputation as a responsive regulator.

The BMA is in the final stages of completing a gap analysis in relation to the International Association of Insurance Supervisors' (IAIS) revised Insurance Core Principles (ICPs), Common Framework (ComFrame) for Internationally Active Insurance Groups (IAIGs) and Holistic Framework for Systemic Risk. Upon completion, consideration will be given to bridging relevant gaps by adjusting supervisory practices, crafting legislation and developing an IAIG supervision framework founded on the existing commercial regime.

Other enhancements to the Authority's supervisory framework will include adjustments to the Bermuda Solvency Capital Requirement (BSCR) and consulting on more granular data relating to the mix and quality of investments, as well as the jurisdiction where the assets are held. Additionally, the Authority will embark on work to assess the statutory reporting implications of changes to the International Financial Reporting Standards (IFRS), particularly IFRS 17, and US Generally Accepted Accounting Principles.

ESG will continue to be an area of focus for the Authority in 2021, with a particular focus on climate change. The Authority will share the results of a climate risk market survey, which was conducted in 2020, and plans to run a stress test aimed at assessing the exposure and vulnerability of our (re)insurance market to climate change, including both physical and transition risks. Ultimately, the Authority hopes to integrate ESG, and climate risk explicitly, into our supervisory approach and will provide guidance to the (re)insurance sector on how to integrate ESG into their risk management and Own Risk and Solvency Assessments.

The following thematic, thought leadership materials will be published in 2021:

- Alternative Capital Report
- Captive Report
- Catastrophe Risk in Bermuda Report
- Cyber Reports

Finally, at the international level in 2021, the BMA will continue to actively participate in fora and organisations in order to influence regulatory standards to ensure they are both robust and appropriate for Bermuda's domestic market, and to contribute to the strength of Bermuda's financial services sector. The BMA's international engagement will continue to focus on both sides of the Atlantic, encompassing the IAIS, the National Association of Insurance Commissioners and the European Insurance and Occupational Pensions Authority. The BMA will also continue to play a key role in the Sustainable Insurance Forum. Following the departure of the UK from the European Union, the BMA intends to deepen its relationship with the main players in the UK, including the Prudential Regulation Authority, as well as other European regulators and institutions.

Digital Asset Business (DAB)

Since the introduction of the Digital Asset Business Act 2018, the BMA has continued to collaborate with its international counterparts to codevelop global best practices in the area of DAB regulation and supervision. In order to remain a global regulatory leader, the BMA will focus on the following five areas in 2021 in relation to DABs:

- Operational excellence – leveraging data collection and analysis to enhance authorisation and supervision processes
- Stakeholder collaboration – enhancing international stakeholder collaboration to create bridges across borders and share knowledge with peers via continued collaboration with other leading DAB jurisdictions, the Global Financial Innovation Network and Global Digital Finance. In 2021, the BMA will also seek to expand its current regulatory sandbox across all supervised sectors
- Regulatory and legislative frameworks – ensuring DAB-related regulatory and legislative frameworks remain fit for purpose via continuous reviews and the development of policies that keep pace with the evolution of the industry
- Innovation culture – promoting the adoption of an innovation mindset via the expansion of strategic partnership projects and the use of agile methods
- Learning and growth – enabling ecosystem growth via the development of Memorandums of Understanding, learning opportunities and collaborative projects, as well as participation in joint forums

Economic Substance

In 2021, we will continue to work with the Registrar of Companies (ROC) to ensure the implementation of Bermuda's investment funds regime meets economic substance requirements.

Investment Funds

Regarding investment funds in 2021, the BMA will continue to roll out INTEGRA® to the sector. INTEGRA® is the integrated software solution that will support the full supervisory lifecycle across all sectors (banking, insurance, funds, etc.). This new e-filing system for funds is set to go live in 2021.

Additionally, the BMA will continue to work with stakeholders to leverage growth opportunities for the sector, taking advantage of Bermuda's lead position in insurance alternative capital. The BMA will also continue to position the jurisdiction as a hub for innovation, highlighting the complementary legislation that exists, such as the recently passed Incorporated Segregated Accounts Company Act 2019, and FinTech legislation, such as the Digital Asset Business Act 2018 and Digital Asset Issuance Act 2020.

Finally, the BMA will continue the administration of its regulatory framework, allowing for the authorisation and registration of investment funds with an investment strategy related to cannabis, provided the cannabis activities do not contravene the Bermuda Proceeds of Crime Act 1997.

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

In 2021, the BMA will continue to enhance its AML/ATF framework to ensure it remains sufficiently robust and aligned with global standards, while also operationally efficient and effective.

The BMA will continue to work closely with our Bermuda partners, such as the National Anti-Money Laundering Committee (NAMLC), its sub-committees and other Bermuda stakeholders, to complete BMA action items arising from Bermuda's Mutual Evaluation Review of its AML/ATF framework in support of Bermuda's follow-up submission to the Caribbean Financial Action Task Force. This follow-up submission will be delivered by November 2021.

The Authority will implement Bermuda's National AML Policy, as revised in 2020, and deliver the relevant actions stemming from the 2020 Terrorist Financing National Risk Assessment.

This year, the BMA will also complete the delivery of its respective Money Laundering National Risk Assessment components, commencing implementation of any identified actions in the second half of the year.

The Authority's ongoing supervisory responsibilities will continue, with remote on-site protocols developed during 2020 being further refined. Expanded information obtained during the annual data calls will further enhance the execution of this work.

Industry outreach next year will focus on the re-calibration of the AML/ATF approach to licensing in conjunction with the implementation of a service provider training programme. With respect to Bermuda's digital identity project, the AML team will continue to provide support through its regulatory expertise.

The BMA continues to actively pursue innovation through the development and utilisation of advanced technology. As such, in 2021 the BMA's data science and AI team and the prudential supervision teams will collaborate, with a particular focus on risk modelling and visualisation capabilities. Concurrently, there will continue to be a strong focus on monitoring the innovations being developed within the sectors the Authority regulates so its supervisory practices remain relevant and best-in-class.

Financial Stability and Research

The BMA will continue to actively engage relevant stakeholders to promote Bermuda's financial stability, in particular, monitoring key developments which could potentially contribute to the build-up of systemic risks, and identifying, assessing and addressing these risks. Efforts to this effect will continue to pay particular attention to Bermuda's unique characteristics as a dynamic and innovative international financial centre.

In 2021, the BMA will continue to develop its macroprudential surveillance framework, monitoring any new or continuing threats in the various sectors it regulates and supervises. The BMA will also continue to participate in and support Bermuda's FPC.

In relation to Bermuda's recovery and resolution framework, in 2021, the BMA will continue to advance its framework development for Bermuda's banking sector and commence work on Bermuda's insurance sector.

The BMA will continue to actively engage with international standard-setting bodies dealing with financial stability and will continue to take part in systemic risk and financial stability work at a global level, including:

- Regional-level financial stability discussions under the Financial Stability Board's Regional Consultative Group of the Americas
- Macroprudential surveillance work underway at the IAIS Macroprudential Policy Committee
- Research and monitoring work in cross-sectoral/cross-border risks led by the International Monetary Fund (e.g. Coordinated Portfolio Investment Survey) and Bank of International Settlements (BIS) (e.g. international locational banking statistics)
- Peer training activities on financial stability led by BIS's Financial Stability Institute
- Insurance and reinsurance developments at the Organisation for Economic Co-operation and Development's Insurance and Private Pensions Committee



Shanna Lespere, Chief Operating Officer

Operations

The Authority's Operations are the backbone that supports the BMA's strategy. The key to maintaining this in 2021 will be to continue harnessing each operational function and, where appropriate, deploying technology to improve effectiveness in the most sustainable manner.

People

The BMA's people strategy for 2021 is focused on three critical areas: agility, innovation and alignment.

Agility speaks to the Authority's plans for continued enhancements to its core training and development programmes. Innovation is central to the organisation's evolving culture and will allow the Authority to leverage its people and their skills to the BMA's betterment. Alignment of vision and resources is—amidst a period of significant change and growth—essential to the success of the BMA's people strategy.

The Authority also recognises that with an increased focus on the above areas will come a need to give further support to staff as they seek to navigate the new normal of working during a global pandemic.

Technology

IT Strategy: Vision 2020 has served as the BMA's springboard into its *IT Strategy: Vision 2025*, which, in 2021, will guide the organisation as it enters the fourth phase of INTEGRA® implementation. This external-facing integrated business platform is just one of the innovation pillars the BMA is utilising to streamline its processes.

Another pillar is data management and security, which the Authority will further develop and deploy in the coming year. This includes building on work already started, such as with

the BMA's enterprise data warehouse and Electronic Records Information Management solutions, as well as breaking ground on new projects that enhance information security and functionality. Initially, this will be more visible through insurance and AML supervisory activities, where the Authority will further integrate advanced data analytics such as Business Intelligence and AI.

Project Management

The BMA's Project Management Office (PMO) ensures there is one simple, scalable and consistent way of managing programmes and projects throughout the organisation. The PMO supports the BMA by managing all of its change initiatives, tracking the status of all projects and initiatives, and ensuring there is one clear and consistent view of how all projects and change initiatives fit together in the overall portfolio.

In furtherance of these goals, the PMO will complete the following initiatives during 2021:

- Provide guidance and support for the maintenance and prioritisation of the project portfolio, ensuring resources align with strategic priorities
- Continue to enhance the organisation's project initiation and delivery practices
- Provide enhanced reporting around project key performance indicators (including return-on-investment and benefits realisation)

Bermuda Currency

In 2021, the BMA will continue to monitor advances in currency security to ensure Bermuda's notes and coins continue to be readily accepted and not easily counterfeited.



Banking, Trust, Corporate Services and Investment (BTCSI)

After the unprecedented disruptions caused by the global pandemic, 2021 will see the continuation of close engagement and monitoring of the Authority's licensees to ensure the economic challenges faced by users of financial services are managed effectively. The BMA will also continue to consult with domestic associations and key stakeholders on planned changes to Bermuda's regulatory frameworks, which will be amended to adhere to international standards and in response to new business models and digital initiatives.

Banking

In 2021, the Authority will assess its strategy for Bermuda's banking sector in light of planned amendments to the Banks and Deposit Companies Act 1999 covering restricted class banks. The BMA will also work with Government and licensees regarding initiatives announced in the November 2020 Throne Speech to Parliament. Additionally, the Authority will issue a consultation paper covering proposed changes to its regulatory capital guidance and reporting templates related to credit risk and Pillar 2 and 3 assessments.

Trust and Corporate Service Providers (TCSP)

An assessment of Bermuda's compliance with the TCSP standards, as promulgated by the Group of International Financial Centre Supervisors (GIFCS), commenced in Q2-2020. In 2021, the GIFCS assessment team will provide its final report on Bermuda, which will be published on both the GIFCS and Authority websites.

Investment Business

Following extensive pre-consultation discussions during 2020 with key external stakeholders on the planned overhaul of the Investment Business Act 2003, formal consultation will commence in early 2021, and the revised draft Investment Business Provider's Bill will be presented for Parliamentary consideration.



Michael Burns, Director

Legal Services and Enforcement

Corporate Authorisations

The BMA's strategic priorities for Corporate Authorisations in 2021 are as follows:

- Review, strengthen and streamline vetting processes
- Complete outreach and engagement with industry regarding beneficial owner and exchange control matters
- Execute the exchange control compliance regime
- Support the Beneficial Ownership Task Force, under the leadership of the ROC, to streamline and rationalise Bermuda's beneficial ownership regime

In 2021, the BMA will continue the process of enhancing its governance and enforcement functions as follows:

Governance

- Further advancing the efficiency and effectiveness of the Board of Directors' governance processes by reviewing the operation of Board Committees and procedures for Board reporting

Enforcement

- Continue to review with the Board the delegation of enforcement powers
- Complete and implement the restructure of internal processes for referring and reviewing cases to improve efficiency and ensure consistency of actions taken

Legislative Agenda

The BMA's legislative agenda for 2021 is wide-ranging, with several significant initiatives highlighted below:

1. AML/ATF Legislation
<ul style="list-style-type: none"> • In coordination with the NAMLC, assist in addressing: any recommendations arising out of the Mutual Evaluation Review assessment; amendments to incorporate revisions to Financial Action Task Force Recommendations; and any necessary amendments to support prudential matters and Government initiatives
2. Recovery and Resolution
<ul style="list-style-type: none"> • Draft amendments to the relevant legislation to accommodate international standards on recovery and resolution
3. Conduct Matters
<ul style="list-style-type: none"> • Consult on a market conduct regime for the financial services sector
4. Digital Identity Service Provider Regime
<ul style="list-style-type: none"> • Consult on digital identity service provider framework or provide guidance to facilitate reliance of the financial services sector on digital identity work
5. Insurance
<ul style="list-style-type: none"> • Consult on changes to the investment reporting schedules in the BSCR and the legislative amendments arising out of the proposed changes to the reporting schedules • Consult on amendments to legislation and Code of Conduct arising out of continued adoption of the IAIS ComFrame for IAIGs and ICPs • Append housekeeping updates to prudential standards and Insurance Act 1978 to align with current practice and BSCR templates
6. Investment Business
<ul style="list-style-type: none"> • Develop legislative amendments to enhance the existing investment business framework
7. Digital Asset Business
<ul style="list-style-type: none"> • Enhance the Digital Asset Business Act to facilitate licensees to conduct investment business
8. Regulatory Sandbox
<ul style="list-style-type: none"> • Develop regulatory sandbox for banking and investment business

Community Matters

Our commitment to Bermuda comes first. It always has, and it always will. This ideology does not stop with our regulatory frameworks and supervisory processes. It is part and parcel of who we are as an organisation and what we do, and extends to our community involvement.

In 2021, our charitable efforts will spotlight children, seniors and health, and the organisations that support these causes. However, our efforts will look and feel different than in years past. The current public health circumstances have created new needs and exacerbated existing ones. They have required us to shift how and where we serve. This is a shift we made in 2020 to ensure our support was undeterred, and it is a position we will maintain through our philanthropic activity model. The model, which offers our staff remote methods for charitable involvement, allows the BMA workforce to continue giving back, whether that be through time or resources.



Executive

Jeremy Cox, Executive Chair

Craig Swan, Deputy Chief Executive Officer

Marcia Woolridge-Allwood, Senior Advisor, BTCSI

Shanna Lespere, Chief Operating Officer

Michael J Burns, Director, Legal Services and Enforcement

BMA House

43 Victoria Street, Hamilton HM12, Bermuda
P.O. Box 2447, Hamilton HM JX, Bermuda

Tel: (441) 295 5278 Fax: (441) 292 7471

Email: enquiries@bma.bm

www.bma.bm

