

## REGULATORY UPDATE | April – June 2021



## Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 30 June 2021\*.

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## REGULATORY

### BMA Releases 2020 Insurance Sector Cyber Risk Report

On 27 April 2021, the Authority published the 2020 Insurance Sector Operational Cyber Risk Management report. This report discusses the cyber risk management survey based on findings from the 2019 year-end filing for insurance managers, commercial insurers, brokers and agents.

The report found a lower than expected percentage of insurers who indicated they had controls in place in five key areas. These include:

- Third-party cyber risk management assessment: having controls in place for third parties and supply channels, like contractual clauses, ensuring security requirements are met
- Data classification: having controls to mitigate the flow of information assets through classification based on their value, legal requirements, sensitivity and criticality to the organisation
- Data loss prevention: performing an assessment of data leaving the organisation in an unauthorised manner. Typically, this assessment would reference the level of data classification, potential unauthorised data egress points and appropriate mitigating controls
- Board approval of a cyber risk strategy/policy: ensuring the board of directors and senior management team have oversight of cyber risks
- Maintenance of software (including installation of patches and updates): having patch management procedures that define the identification, categorisation and prioritisation of security patches, while paying close attention to a vendor's end-of-support date as patches may no longer be available after this date

### Amendments to Insurance Reporting Forms and Guidelines

On 6 April 2021, the Authority published the discount rates for 31 March 2021.

On 21 May 2021, the Authority published the 2021 Annual Return for Insurance Managers and 2021 Annual Return for Agents and Brokers.

### BMA Makes Document Modifications for Digital Asset Business Regulatory Framework

In May, the BMA made the following modifications to documents concerning the regulatory framework for Digital Asset Businesses (DAB):

- DAB 2018 Statement of Principles (SoP): The SoP reflects differences in requirements associated with the introduction of a new Class T (Test) licence
- DAB 2018 Code of Practice (Code): Two new sections were introduced under the Code. Section IX – Business over the Internet highlights disclosure requirements applicable to DABs conducting their business over the internet; and Section X – Product Due Diligence, sets out due diligence requirements by DABs prior to introducing a new (or materially modifying an existing) product or service
- DAB – Licence Application Process Information Bulletin (Information Bulletin): The Information Bulletin is amended to include the application process for the new application forms
- Frequently Asked Questions (FAQ): The FAQ reflects the latest developments and includes frequent queries from stakeholders pertaining to the DAB framework

## New Documents Introduced for Digital Asset Businesses and Digital Asset Issuances

In May, the BMA introduced the following new documents in relation to the regulatory framework for DABs and Digital Asset Issuances (DAI):

- **Application Forms:** The following forms streamline the licensing process:
  - a) DAB Class F Application Form
  - b) DAB Class M Application Form
  - c) DAB Class T Application Form
  - d) DAI Application Form
  - e) DAI Exemption Form
- **Material Change Notification Form:** This form sets out the minimum information required for submission 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 (Act)
- **Product Due Diligence Guidance:** This guidance, which should be read in conjunction with the relevant provisions of the Code, sets out specific guidance as it pertains to the due diligence required by DABs when introducing a new (or materially modifying an existing) product or service
- **Head Office Guidance:** DABs operate digitally and are global in reach resulting in inherent complexities in evaluating compliance with the head office requirement under section 21 of the Act. This guidance provides information and clarification on the Authority's approach to evaluating compliance with the head office requirement, considering the nature, scale, complexity and risk profile of a licensed undertaking

## INTERNATIONAL AFFAIRS


The BMA played an active role on the international stage throughout Q2-2021.

### International Association of Insurance Supervisors Engagement and International Fora

The Authority participated in the International Association of Insurance Supervisors' (IAIS) Executive Committee (ExCo), which agreed on aspects concerning the 2021 global monitoring exercise. The ExCo approved several other consultations and documents throughout the quarter. The Authority was also represented on the Policy Development Committee, which recommended ExCo approval of documents related to the Insurance Capital Standard (ICS) monitoring period, resolution powers and insurer culture. Participation on the ICS and Comparability Task Force involved continual development of comparability criteria. Additionally, the Chair of the Financial Crime Task Force, a BMA representative, facilitated the IAIS' public background session to launch the public consultation on the Application Paper on Combating Money Laundering and Terrorist Financing.

The Authority continued its contribution to the Macprudential Committee and its corresponding subgroups, which include the Macprudential Monitoring Working Group, Macprudential Supervision Working Group and Resolution Working Group. The Authority also attended virtual meetings for the Implementation Assessment Committee, Coordination Group, Infrastructure Task Force and the Holistic Framework Implementation Assessment and Targeted Jurisdictional Assessment (Holistic Framework) core team. A BMA representative presented the IAIS' work concerning the Holistic Framework at a joint meeting of the IAIS and the Financial Stability Institute.

Involvement in the Sustainable Insurance Forum (SIF) continued through participation in the first meeting of the actuarial working group, with joint participation and guidance from the International Actuarial Association. In addition, SIF participation throughout this time involved sharing regulatory updates with members and contributing to the IAIS Application Paper on the Supervision of Climate-related Risk in the Insurance Sector.



The Authority attended a biannual session for the Financial Stability Board (FSB) Regional Consultative Group for the Americas (RCGA), where it presented the regulatory response to the COVID-19 pandemic. Further to this, the Authority participated in the FSB RCGA Non-Bank Financial Intermediation Working Group. The biannual session for the Organisation for Economic Co-operation and Development Insurance and Private Pensions Committee was also attended.

## International Meetings

The Authority engaged in bilateral meetings with various international regulators and organisations during the quarter. This was demonstrated through participation in the annual bilateral meeting with the National Association of Insurance Commissioners' (NAIC) Executive Team, where topics such as climate risk and resilience, the regulatory response to COVID-19 and updates to the Credit for Reinsurance Model Laws were discussed.

Additional meetings with the NAIC took place at the operational level, covering a variety of topics, including parametric insurance. Further, United States engagement included a session with the Iowa Global Insurance Accelerator.

Throughout the quarter, the BMA was heavily engaged with the Group of International Insurance Centre Supervisors and the Caribbean Association of Insurance Regulators. A number of meetings took place to discuss topics of mutual interest with certain jurisdictions who are members of the above groups.

The BMA also continued its dialogue with the United Kingdom's Prudential Regulation Authority to discuss environmental, social and governance initiatives, regulatory concerns stemming from COVID-19 and IAIS work on infrastructure and long-term equity.



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