

REGULATORY UPDATE

July – September 2021



Preface

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

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BMA Consults on the Insurance Group Amendment Rules

On 1 July 2021, the Authority published a consultation paper on Insurance Group Amendment Rules (Rules) regarding cyber risk, which sought to align the Rules with the new Insurance Sector Operational Cyber Risk Management Code of Conduct (Code), provide greater clarity of the Code and facilitate more effective administration of the Rules

The amendments to the Rules will cover, among others, the following areas:

- Adding new definitions
- Clarifying certain corporate governance requirements
- Adding to the risk management framework
- Adding a new cyber reporting obligation

BMA Releases Stakeholder Feedback from Consultation on Proposed Amendments to Prudential Rules

On 5 July 2021, the Authority produced the results of stakeholder feedback from the consultation paper issued in March 2021 on the proposed amendments to the prudential rules to ensure that the Authority can adequately assess, quantify and monitor the Bermuda market's market, credit and asset-liability management risks. The Authority noted that stakeholders were generally supportive of the proposed amendments and shared several salient issues that were raised by stakeholders, as well as the BMA's response.

BMA Releases 2021 Catastrophe Bond Structure Licensing and Registration Checklist

On 20 August 2021, the Authority published the 2021 Licensing and Registration Checklist for Catastrophe bond structures for special purpose insurers. The document also outlines the three-day approval process for Catbonds, which was introduced on the same day as the document's release.

Insurance Licensee Discount Rates Published

On 12 July 2021, the Authority published the discount rates for 30 June 2021.

Amendments to Proceeds of Crime Act 1997 and Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008

On 19 October 2020, following internal approvals, the BMA recommended to the National Anti-Money Laundering Committee (NAMLC) various legislative amendments to the Proceeds of Crime Act 1997 and Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 arising from the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation Report. NAMLC has now concluded a public consultation on the proposed amendments and will progress them through the legislative process accordingly.

Update to Anti-Money Laundering and Anti-Terrorist Financing Guidance Notes

The Authority has concluded public consultation on the *Guidance Notes for Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) for Regulated Financial Institutions on AML/ATF* and the respective sectoral guidance notes for the securities, corporate service provider, trust, digital asset business and money service business sectors. The industry feedback has been reviewed, is being incorporated into the respective guidance notes accordingly, and will be responded to through stakeholder letters. The Authority anticipates providing all of the updated guidance note documents to the Office of NAMLC for navigation of required Government approvals by the end of January 2022. Revised sectoral guidance notes for the long-term insurance sector and new guidance notes for the insurance manager sector will be issued for consultation in 2022.

INTERNATIONAL

International Meetings

International Association of Insurance Supervisors (IAIS)

The BMA participated in several IAIS committees, working groups and steering committees within Q3-2021.

The IAIS Executive Committee (ExCo) held a meeting to collectively discuss the 2020-2021 Global Monitoring Exercise outcome. Additionally, ExCo approved the proposed Global Insurance Market Report 2021 with the special topic of climate risk. Other discussion topics included proposals for further refining structural changes towards the organisation of work completed by subcommittees. As a result, the Infrastructure Task Force will likely become a workstream of the Complex Structured Finance Transactions Working Group. Finally, ExCo discussed IAIS strategic themes and the 2022-2023 roadmap prioritisation.

The BMA chairs the IAIS Financial Crime Task Force Committee. The committee has concluded work on revising the Application Paper on Anti-Money Laundering and Combating the Financing of Terrorism for Insurance Core Principle 22. The requisite IAIS approvals were secured and the revised application paper, together with the resolution of public consultation comments document, was published on 11 November 2021. On 6 December, to support the publication, the IAIS hosted a public information session, which included a presentation by the chair on the application paper's key changes.

Finally, participation in other IAIS committees and sub-committees throughout the quarter included the Policy Development Committee, Macroprudential Committee, Implementation and Assessment Committee, IAIS Coordination Group, Macroprudential Monitoring Working Group and Macroprudential Supervision Working Group, among others.

Caribbean Financial Action Task Force (CFATF):

The BMA continued its active support of the CFATF, in its role as co-lead of the CFATF Risk Trends and Methods Group (CRTMG) Beneficial Ownership project. The draft report was presented to the CRTMG meeting on 19 November, with the revised draft being accepted at Plenary for publication on 3 December.

Financial Action Task Force (FATF):

The BMA attended the Q3-2021 intersessional meeting of the FATF Recommendation 24 (transparency and beneficial ownership of legal persons) Working Group, representing IAIS as an Observer organisation. The meeting further developed the proposed changes to Recommendation 24 and its Interpretive Note.

Sustainable Insurance Forum (SIF)

The BMA continued its involvement with the SIF by participating in the organisation's fifth meeting. Various topics were discussed in preparation for the 2021 United Nations Climate Change Conference (COP26), including the virtual SIF event that was held during COP26 and the SIF's Climate Training Alliance Portal for regulators, which was launched during COP26. The meeting also highlighted the release of the *SIF Scoping Study: Nature-related Risks in the Global Insurance Sector* which is currently available in a draft format. Furthermore, the Taskforce for Climate-related Financial Disclosures surveyed SIF members, accompanied by a short case study, and the forum identified climate risk considerations in regulatory capital settings as a potential discussion topic for upcoming SIF meetings.

Financial Stability Board (FSB)

The Authority engaged bi-monthly with the FSB Regional Consultative Group Americas through its Non-Bank Financial Intermediation Working Group (WG), attending in the capacity of Co-Chair during the WG meetings.



BMA joins the Global Financial Innovation Network Coordination Group

The BMA was successfully elected into the Global Financial Innovation Network's (GFIN) Coordination Group (Group). The Group is composed of 11 members responsible for setting GFIN's strategic vision and direction and enabling the global operationalisation of its projects.

The BMA presented its insights on GFIN's future at the GFIN Annual Meeting and spoke on a panel moderated by the GFIN Chair on lessons learned from prior GFIN engagement and its future direction.

Bilateral Meetings

The Authority participated in bilateral meetings in the United States during the third quarter with the United States Federal Insurance Office and the Iowa Insurance Department. The BMA also organised a catch-up session at the operational level with the National Association of Insurance Commissioners on reciprocal jurisdictional arrangements.

Additional bilateral meetings were held with the Caribbean and Offshore Region jurisdictions, including the Turks and Caicos Financial Services Commission, the Central Bank of Trinidad and Tobago and the Isle of Man Financial Services Authority, among others. Several topics were discussed, ranging from COVID-19 to regulatory developments updates.

The BMA also organised two meetings with Switzerland's Swiss Financial Market Supervisory Authority to discuss areas of common interest. A bilateral meeting took place between the BMA and the Prudential Regulation Authority, mainly to discuss IAIS-related matters and exchange views on environmental, social and governance topics.



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