

## REGULATORY UPDATE

October–December 2022



## Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 31 December 2023\*.

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## REGULATORY

### Discussion/Consultation Papers

The BMA issued responses to the stakeholder feedback on the following consultation papers:

- *Proposed Introduction of Recovery Planning Regime for the Insurance Sector (11 October)*
- *Designating the Head of an Internationally Active Insurance Group (12 October)*
- *Amendments to the Standardised Approach to Measuring Credit Risk Capital Charges for Banks (21 October)*

### Conduct of Business Regulatory Regime: Digital Asset Business Act 2018: Code of Practice & Digital Asset Business (Client Disclosure) Amendment Rules 2022

On 19 October 2022, the Authority published its consultation paper entitled *Conduct of Business Regulatory Regime: Digital Asset Business Act 2018: Code of Practice & Digital Asset Business (Client Disclosure) Amendment Rules 2022*. The consultation ended on 19 December 2022.

### Updates to Policy, Reporting Forms and Guidelines

The Authority published the following updated reporting forms and guidelines in Q4-2022:

- *Digital Asset Business and Investment Business: Guidance for Digital Asset Businesses Conducting Investment Business in an 'Ancillary' Manner (Revised October 2022)*
- *The revised investment business framework at a glance: Requirements for persons carrying on investment business in or from Bermuda*
- Corporate governance policy for trust, investment business and fund administrators

- 2022 BSCR for Classes 4, 3A, 3B, C, D, E and Insurance Groups (29 November)
- 2022 year-end stress and scenario instructions for Classes 4, 3A, 3B, C, D, E and Insurance Groups (29 November)
- 2022 Year-End Long-Term Instructions Handbook, General Business Handbook and Insurance Group Instructions Handbook (29 November)
- 2022 year-end filing requirements for Classes 4, 3A, 3B, C, D, E and Insurance Groups (29 November)
- 2022 year-end filing requirements, the handbook and 2022 year-end BSCR for Class IIGB (28 December)

### BMA Reports and Surveys

The Authority published the following reports and surveys throughout Q4-2022:

- *2021 Captive Report (22 November)*
- *Bermuda Insurance Sector Artificial Intelligence and Machine Learning Survey – 2022 Report (28 November)*
- *Catastrophe Risk Modelling 2021 Report (6 December)*
- *Bermuda Insurance Property and Casualty Market Catastrophe Risk and Stress Testing Analysis – 2021 Report (21 December)*
- *Bermuda's Coordinated Portfolio Investment Survey 2021 Report (22 December)*

## LEGISLATIVE

### Bermuda Monetary Authority Amendment (No. 3) Act 2022

This amendment to the Bermuda Monetary Authority Act 1969 (BMA Act) was passed in December 2022 and included the following modifications:

- Update the classification of securities that comprise 'specified securities' under the BMA Act
- Provide for the Authority's reserves to consist of external and local reserves
- Enable the Authority to purchase shares of any company, including the shares of any banking company
- Revise the Fourth Schedule to clarify, as a housekeeping measure, fee amendments made in 2022 under the Investment Business Act 2003 (IBA) and the Digital Asset Business Act 2018
- Introduce an annual fee payable by Class A Registered Persons and Class B Registered Persons (as such terms are defined under the IBA)

The aforementioned amendments came into force on 20 December 2022.

### Insurance Amendment Act 2022

This amendment to the Insurance Act 1978 was passed in December 2022. It creates a new class of insurer, Class IILT, which will be subject to the Authority's regulatory powers. The amendment also provides enhancements relating to the Authority's regulatory powers for innovative intermediaries and allows for consequential amendments to the BMA Act and Insurance Accounts Regulations 1980 regarding Class IILT insurer registration and annual fees (as a housekeeping measure to ensure that the correct insurer classes were referenced). These amendments came into force on 20 December 2022.


## INTERNATIONAL AFFAIRS

The BMA is represented in nearly all International Association of Insurance Supervisors (IAIS) committees and sub-committees and actively participated in the work conducted by these groups during the fourth quarter.

During this period, the IAIS Executive Committee (ExCo):

- Discussed the 2024-2025 committee meetings and milestone events
- Approved the publication of the report entitled *Stocktake on Diversity, Equity and Inclusion in the Insurance Sector*
- Approved the aggregate report on the outcomes of the targeted jurisdictional assessment of the Holistic Framework (HF) supervisory material
- Approved the launch of the public consultation on the individual insurer monitoring assessment methodology
- Approved the publication of liquidity metrics as an ancillary indicator for the Global Monitoring Exercise
- Approved an updated version of the IAIS Member Handbook
- Discussed the IAIS contribution to A2ii funding
- Approved the IAIS 2023-2024 Roadmap
- Approved the publication of the IAIS' diversity, equity and inclusion vision and plan progress report
- Discussed the report to the Financial Stability Board on the implementation of the HF and follow-up actions
- Discussed the *Global Insurance Market Report December 2022*

The Policy Development Committee, Macroprudential Committee and Implementation and Assessment Committee provided input on the abovementioned matters ahead of the ExCo meeting and received myriad updates on their



respective projects. In addition, the BMA continues to actively participate in all four of the committees mentioned as well as sitting on numerous sub-committees that are working on the Common Framework for the Supervision of Internationally Active Insurance Groups, HF, Insurance Core Principles and other material supervisory work.

Furthermore, the BMA attended the 2022 IAIS Annual Conference, which took place in person in Santiago, Chile, from 10–11 November 2022.

## **International Organization of Securities Commissions (IOSCO)**

The Authority attended the 47th Annual Meeting of IOSCO in October 2022, including the Growth and Emerging Markets Committee and Inter-American Regional Committee meetings, as well as regulatory workshops. The sessions covered several priority issues for securities market regulators and supervisors, such as sustainable finance, financial innovation, digital assets and international cooperation.

## **GFIN Co-ordination Group and Annual General Meeting**

The GFIN Co-ordination Group and Annual General Meeting (AGM) were held in Q4-2022. Group members discussed GFIN's strategy, priority areas, the status of micro-projects and the planning for 2023. The AGM was an opportunity for the broader membership to discuss jurisdictional updates and hold discussions on priority areas. The BMA participated in a presentation showcasing its blockchain forensic capabilities and on a panel alongside the Dubai Financial Services Authority, the Central Bank of Bahrain and the Commission de Surveillance du Secteur Financier in Luxembourg.

## **Other International Affairs Activity**

The Authority also attended the following meetings in Q4-22:

- The Caribbean Group of Banking Supervisors' Annual Members Meeting in October 2022
- The Group of International Finance Centre Supervisors' Plenary in November 2022
- The Caribbean Financial Action Task Force Plenary in November 2022
- The Basel Committee on Banking Supervision 22nd International Conference of Banking Supervisors' in November and December 2022



## **BMA House**

43 Victoria Street, Hamilton HM 12, Bermuda  
P.O. Box 2447, Hamilton HM JX, Bermuda

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

Email: [enquiries@bma.bm](mailto:enquiries@bma.bm)

[www.bma.bm](http://www.bma.bm)

