

## REGULATORY UPDATE

January–March 2023



## Preface

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

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# Regulatory and Legislative

## REGULATORY

### Consultation/Discussion Papers

The BMA issued the following consultation paper:

- *Proposed Enhancements to the Regulatory Regime and Fees for Commercial Insurers* (24 February)

This consultation paper proposes targeted enhancements to the regulatory regime for commercial insurers with a primary focus on long-term (life) insurers. This includes an amendment to long-term entity fees. The consultation period ended 30 April 2023.

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

- *Conduct of Business Regulatory Regime: Digital Asset Business Act 2018: Code of Practice & Digital Asset Business (Client Disclosure) Amendment Rules 2022* (8 February)
- *Guidance Notes: Management of Climate Change Risks for Commercial Insurers* (9 March)

### Policy and Guidance

The BMA issued the following guidance during the first quarter:

- Notice clarifying that digital assets stored or maintained by Digital Asset Businesses (DAB) on a customer's behalf should be presented on the DAB's statutory balance sheet and subject to audit, emphasising risk management, safekeeping and valuation methods (27 January)
- *Guidance Notes: Management of Climate Risks for Commercial Insurers* (9 March)

This guidance note outlines the Authority's expectations for commercial insurers and insurance groups regarding their management and reporting of climate change risks. Specifically, the guidance focuses on corporate governance and risk management practices for climate risk.

- The Authority published the following revised Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) guidance notes, which reflect an extensive review

and revision of the previous guidance to take into account recent developments in both international standards and industry:

- Guidance Notes for AML/ATF Regulated Financial Institutions
- Annex I – Sector-Specific Guidance Notes for Trust Business
- Annex III – Sector-Specific Guidance Notes for the Securities Sector
- Annex VI – Sector-Specific Guidance Notes for Corporate Service Provider (CSP) Business
- Annex VII – Sector-Specific Guidance Notes for Money Service Business

### Updates to Policy, Reporting Forms and Guidelines

The Authority published the following reporting forms and guidelines in Q1-2023:

- Discount Rates at 31 December 2022 (6 January)
- Schedule XXIII – Interest Rate Shocks for the 2022 Year-End (18 January)
- 2022 Bermuda Solvency Capital Requirement for Classes 4, 3A, 3B, C, D, E and Groups (2 February)
- 2022 Year-end Collateralized Insurer Model (14 March)
- 2022 Year-end Electronic Statutory Financial Return (E-SFR) Filing Requirements (20 March)
- 2022 Year-end Limited Purpose Insurers Supporting Documents (20 March)

### BMA Reports and Surveys

The Authority published the following reports and surveys in the first quarter of 2023:

- Macroprudential Risk: Annual Statutory Filings Report (Classes 3B/4) – FY-2021
- Bermuda Insurance Sector Operational Cyber Risk Management – 2022 Report

## LEGISLATIVE

### Bermuda Monetary Authority Amendment (Polymer Currency Forms and Designs, etc.) Regulations 2023

These regulations were issued to mainly allow for the form and design of currency notes issued by the Authority to be updated to introduce new security features and reflect the image of the new sovereign, His Majesty King Charles III. The regulations came into force on 13 February 2023.

## INTERNATIONAL AFFAIRS

### International Association of Insurance Supervisors (IAIS)

The BMA is represented in nearly all IAIS committees and sub-committees and actively participated in the work conducted by these groups during Q1-2023.

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

- Discussed the 2024-2025 committee meetings and milestone events planning
- Received a progress report on the implementation of the IAIS Environmental Policy
- Approved the aggregate report entitled *Peer Review Process (PRP) on Insurance Core Principles (ICPs) 9 (Supervisory Review and Reporting) and 10 (Preventive Measures, Corrective Measures and Sanctions)*
- Discussed the draft *Report on the Targeted Jurisdictional Assessment of the Implementation of the Holistic Framework Supervisory Material*
- Agreed on the design elements for the continued assessment of the implementation of the Holistic Framework supervisory material
- Approved the project plan for revisions to IAIS supervisory material
- Approved Policy Development Committee (PDC) recommended revisions for the candidate Insurance Capital Standard (ICS) as a prescribed capital requirement

- Approved the criteria that will be used to assess whether the aggregation method provides comparable outcomes to the ICS
- Discussed work underway to progress the IAIS' commitment to diversity, equity and inclusion
- Approved the first climate risk consultation document
- Approved the publication of the *Global Insurance Market Report 2023: Special Topic Edition - Cyber*
- Approved the changes to the individual insurer monitoring assessment methodology for 2023-2025
- Received an update on the recent activities of the Strategic Plan and Financial Outlook Task Force and approved its mandate
- Discussed the findings and conclusions taken from the 2022 self-assessment of ExCo membership principles surveys
- Elected Gary Anderson (United States, Massachusetts) as ExCo Vice Chair
- Approved the appointment of the BMA's Director of Financial Stability and Research, Marcelo Ramella, as a Vice Chair of the Macprudential Committee (MPC)

The PDC, MPC and Implementation and Assessment Committee provided input on the above mentioned matters before the ExCo meeting and received myriad updates on projects under their respective remits. The BMA continues to actively participate in all four mentioned committees and on a wide number of sub-committees working on the Common Framework for the Supervision of Internationally Active Insurance Groups, Holistic Framework, Insurance Core Principles and other supervisory material work.

### Global Financial Innovation Network (GFIN) Co-ordination Group Meeting

The BMA is a member of the GFIN and serves on its Co-ordination Group, which met in Q1-2023 to discuss the implementation of GFIN's strategy, pinpoint key focus areas and develop relevant workstreams. Additionally, they assessed the status of planned micro-projects for the year to ensure progress in fostering innovation in the financial sector.



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