



2022

Annual Report



Mission Statement

We contribute to Bermuda's financial stability, protect customers of financial services and protect Bermuda's currency through:

- Maintaining effective and proactive regulatory frameworks through our highly skilled and engaged workforce
- Delivering efficient operations and sustainable business practices
- Supporting responsible innovation locally and in global markets

Our Value Proposition

Stability

A stable environment in which financial services can flourish

Predictability

Certainty about the Authority's regulatory philosophy and how we will apply our brand of supervision

Reputation

Recognition that Bermuda-based entities are regulated to an internationally recognised standard

Value for money

Efficient and effective supervision at a reasonable cost proportionate to risk

Adaptability

A framework of regulations that can be adapted to reflect changes in the local and/or global environment

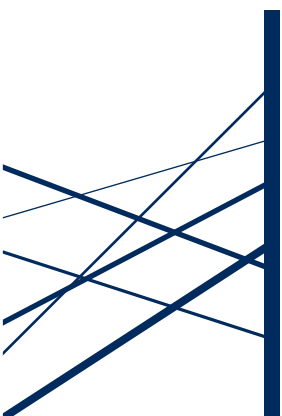
Pragmatism

The ability to make decisions based on what is right for Bermuda while seeking global recognition for our supervisory regime

Publication

The Annual Report is published in print and electronic format. The electronic version is available on the Authority's website (www.bma.bm) and can be downloaded as a PDF file.

If you wish to receive an email notice when the electronic version is available, you may sign-up to our e-alert subscription through our website and select the 'Annual Report/Business Plan' email list.





About Us

The Bermuda Monetary Authority (Authority or BMA) is the sole regulator of the financial services sector in Bermuda. Established by statute in 1969, the Authority supervises, regulates and inspects financial institutions operating within the jurisdiction.

The BMA develops risk-based financial regulations that it applies to the supervision of Bermuda's insurance companies*, banks, trust companies, investment businesses, investment funds, fund administrators, money service businesses, corporate service providers, digital asset businesses and digital asset issuances. The Authority also regulates the Bermuda Stock Exchange and the Bermuda Credit Union.

In addition, the BMA issues Bermuda's national currency, manages exchange control transactions, assists other authorities in Bermuda with the detection and prevention of financial crime, and advises the Bermuda Government and other public bodies on banking and other financial and monetary matters.

**For the purpose of this Annual Report, insurer includes reinsurer and insurance includes reinsurance.*



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**Craig
Swan**

Chief Executive Officer's (CEO) Report

Over the past three years, all eyes and every effort globally have focused on seamless pivots and skilful agility. Short-term became the de facto planning style, alongside changing it several times over. Yet, as the dust settles, we realise that, despite the intransigent disruption, the overarching, long-term financial services trend has more or less remained: the convergence of industries and fusion of technologies continue to proliferate an increasingly intertwined financial services ecosystem. This blurring of sectoral constructs—accompanied by the urgent challenges of financial inclusion, cyber risk, protection gaps, and Environmental, Social and Governance (ESG) considerations—are here to stay. They serve as confirmation that, while we must keep a foothold in traditional prudential regulation, we must also secure a bolt-hold in farsighted regulation.

Therefore, in 2022, the BMA focused on building on our decades of experience and entrepôt of expertise alongside forward thinking and actions.

Our efforts stretched across sectors. For banking, we enhanced our framework to align with the latest Basel III reforms. For the Digital Asset Business (DAB) regime, we streamlined obligations with other sectors to further the BMA's borderless supervision objective and reduce redundancy for entities with multiple licences. For investment business, we completed substantial modernisation to the *Investment Business Act 2003* (IBA). For insurance, we continued our focus on fostering innovation balanced by prudence. For example,

we added a new innovative licence class, but also amended the *Insurance Act 1978* (Insurance Act) to require insurers to seek the BMA's approval before transferring assets between their long-term business balance sheet and general business balance sheet.

These sectoral framework adjustments were the next necessary iterations of our regime to keep them aligned with international standards. They were also farsighted in how they help maintain a regulatory framework that recognises and embraces the long-term trend of sectoral convergence. For example, the new innovative licence class (Class IILT) creates another point of intersection between insurance and other financial services. This will become increasingly important with the rise in technologies' use cases across the industry, such as web3 applications.

Similarly, we achieved milestones in our efforts to address the risks and challenges that span multiple financial services sectors.

The conduct of business continues to be a flagship initiative for the BMA. As standard-setters, such as the International Association of Insurance Supervisors (IAIS), spotlight this financial services bulwark, the BMA is keeping pace.^{1,2} In 2022, we made significant progress by (1) amending the *Bermuda Monetary Authority Act 1969* (BMA Act) to add the conduct of business as a principal object, (2) amending the *Banks and Deposit Companies Act 1999* (BDCA) to allow for the BMA to issue codes of conduct for the sector, (3) issuing said code of conduct for banks, and (4) revising the existing *Insurance Code of Conduct* (Insurance Code) to include a conduct of business section. While the BMA has always had an eye on consumer protection, this work carves out clear parameters beyond breaches of law and specific to customers, which will be essential as financial services evolve.

One such evolutionary path that every financial service is traversing is technology. Entities are innovating and rethinking services and products to reach even more people and reach them better. Nonetheless, many of these same technologies can be used for activities that fall well beyond the pale. This has become a widespread concern among regulators and the regulated alike, with 88% of boards of directors considering cybersecurity a business risk in 2021 compared to 58% just five years prior.³ The BMA wants to increase its focus on this and—given that cyber risk is particularly unique due to factors such as the lack of long-term historical data and that attacks that can go undetected for lengthy stretches—we will continue to codify our expectations across sectors. In 2022, this focus included the introduction of the *Operational Cyber Risk Management Code of Conduct: Corporate Service Providers, Trust Companies, Money Service Businesses, Investment Businesses and Fund Administrators, Banks and Deposit Companies* (BTCSI Cyber Code). For the DAB sector, we aligned cyber risk obligations with the other sectors.

The BMA's risk-based approach, whether regarding the conduct of business or cybersecurity, is mutually beneficial. It ensures that we maintain a prudent framework grounded in traditional risk oversight, that is also forward-thinking towards emerging risks—a pillar of financial stability and line of sight into solvency. It also benefits entities, allowing them to accelerate growth and create greater agility in technical decisions and within business processes.

Given that the insurance sector also provides ESG-related capacity for others, this sector was the BMA's starting point for emerging ESG risk and we were able to achieve several notable milestones in 2022. Alongside the conduct of business provisions added to the Insurance Code, we amended it with sustainability provisions. Additionally, we consulted on the *Guidance Notes: Management of Climate Risk for Commercial Insurers*. This ESG mindset will become increasingly essential as the Bermuda insurance industry continues to pioneer climate risk solutions and shoulder a greater proportion of this risk, which the *Bermuda Insurance Property and Casualty Market Catastrophe Risk and Stress Testing Analysis 2021 Report* indicated. The report identified that Bermuda insurers' assuming gross estimated potential loss on major catastrophe perils increased from 24% of the global share in 2020 to 26% in 2021. This came to bear following Hurricane Ian, for which Bermuda (re)insurers may incur as much as 25% of industry losses.⁴

Understanding and moulding appropriate regulations for these and other arising risks is not accomplished in isolation. The BMA, and the wider Bermuda market, benefit from our engagement with peers and standard-setters. This meeting-of-the-minds approach brings together the top financial services regulatory subject matter experts from within and also outside the BMA. This approach is an opportunity to bend the ear of others, providing our insight, expertise and perspective while also benefiting from other jurisdictions' experiences. In 2022, the BMA did just that as it was represented on nearly all of the IAIS committees and sub-committees, contributing to such initiatives as the Common Framework (ComFrame) for the Supervision of Internationally Active Insurance Groups (IAIG), Holistic Framework for Systemic Risk (Holistic Framework), Insurance Core Principles, next steps for the multi-year work plan on climate-related risks, and work to progress IAIS' commitment to Diversity, Equity and Inclusion (DEI).

¹ <https://www.iaisweb.org/activities-topics/conduct-and-culture/>

² <https://www.bis.org/fsi/publ/insights42.pdf>

³ <https://www.gartner.com/en/articles/the-top-8-cybersecurity-predictions-for-2021-2022>

⁴ <https://www.bma.bm/viewPDF/documents/2022-12-06-14-22-19-Bermuda-Reinsurers-Losses-Survey-Hurricane-Ian-Florida-6-Dec-2022.pdf>

Chief Executive Officer's Report (Continued)

This participation extends across sectors. We represented Bermuda at meetings, plenaries and conferences with the International Organization of Securities Commissions, Caribbean Association of Insurance Regulators (CAIR), Group of International Finance Centre Supervisors, Group of International Insurance Centre Supervisors (GIICS) and Caribbean Group of Banking Supervisors meetings. We elevated the Bermuda's perspective in the Financial Stability Board's assessment of global and regional vulnerabilities and Organisation for Economic Co-operation and Development's (OECD) insurance statistics project and report. We also prioritised learning—for both ourselves and others, attending a number of training sessions hosted by peer regulators who are co-members in these standard-setting organisations and hosting multiple training sessions for others, too.

On the international innovation and technology stage, the BMA is a member of and serves on the Coordination Group of the Global Financial Innovation Network (GFIN). During the past year, we contributed to aligning GFIN's mission, primary functions and priority areas; led GFIN's Academia Workstream; and co-hosted the Supervisory Technology (SupTech) Academic Forum. In short, through GFIN, we have been able to work with other regulators and ground-breaking companies via cross-border testing, which complements our Innovation Hub and General Regulatory Sandbox. These are nascent steps in broadening financial inclusion, and I am proud to say that the BMA is participating at the forefront.

Regarding domestic innovation and technology efforts, the BMA completed the first phase of its Regulatory Technology (RegTech) solution initiative through meaningful engagement with internal and external stakeholders to understand pain points and ideate potential solutions. This is a major step towards developing a ground-breaking platform that substantially eases the regulatory burden and simplifies reporting for our registrants while simultaneously giving the BMA actionable insights to drive smart policy reforms and promote financial stability.

These and the other targets we hit in 2022 were prefixed by the leaders who stepped up during the year. Our Executive Committee reverted to its pre-pandemic size with Shanna Lespere appointed as Deputy CEO, Ricardo Garcia was promoted to Managing Director and Yvette Pierre filling the Chief Policy and Strategy Officer role. We also added two new members to the BMA's Board of Directors (Board)—Mark Crockwell and Tom Jessop. This is a deep bench of financial services expertise, which will serve the BMA well as it continues to integrate the conduct of business, ESG and cybersecurity, among the other sure-to-come emerging risks on the financial services horizon.

Our work over the year was doubly fuelled by our operational units. After all, our success will always hinge on focused learning and development, strategic recruitment, robust financial controls, circulation of sufficient notes and coins, engaging communication channels, secure and collaborative technology, and project execution that is on time and within the budget. Our support units—from Management Services and Human Resources to Communications and Public Relations, Finance and Currency Operations, and the Project Management Office—are the lifeblood of our work.

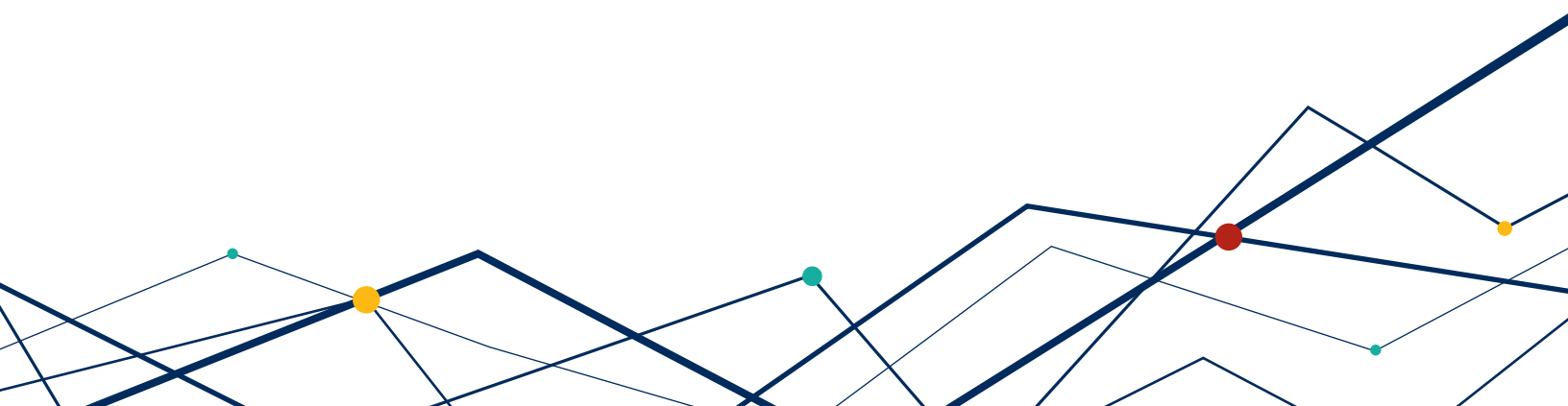
Just as operational deployment has cultivated successful external accomplishments, it has also capacitated our culture initiative. Driven by a cross-section of staff, the Culture Influencer Team spent 2022 reviewing the BMA's progress and designing new methods to further embed the BMA's Target Culture Statement ("We pursue excellence and continual improvement") into how we think, behave and produce outcomes. We are already seeing the fruits of this labour, most visibly through widespread involvement in voluntary endeavours, such as the BMA's second annual Tech and Innovation Week and our first annual Community Day Clean-up, where we donated our time and efforts to coastal clean-ups with Keep Bermuda Beautiful. Both events were successes and exemplified how staff, on a large scale, are pursuing excellence and continual improvement—within the BMA and for our community.

Bermuda's regulatory framework has an impeccable lineage. Over decades, it has been built by and for problem-solvers, not only for the world's current challenges but those to come. This tradition continued in 2022 as the BMA developed a financial services framework built for tomorrow's innovators.



Craig Swan

Chief Executive Officer



2022 Business Plan Milestones Completed

Insurance

- Published climate risk exposure survey report, revised the *Insurance code* and issued Guidance Notes for industry consultation as part of ESG Initiatives
- Made amendments to the Insurance Act related to the designation of an IAIG, the designation of the Head of an IAIG and recovery plan requirements
- Maintained an active role in international matters and engagement including at the IAIS level and several bilateral engagements.
- Consulted on enhancements to the innovation and dual-licensed insurer regulatory regimes

Investment Business

- Introduced the enhanced investment business framework

Banking

- Consulted on the proposed adoption of final Basel III reforms and changes
- Consulted on amendments to credit risk charges for banks
- Implemented modernisation initiatives concerning the BDCA to expand allowable business models and practices

Digital Asset Business

- Published new guidance notes regarding risk management and net assets
- Developed a video series to further inform prospective applicants
- Hosted a series of bi-annual industry webinars
- Established a sandbox express programme built for the BMA's existing registrant base

Investment Funds

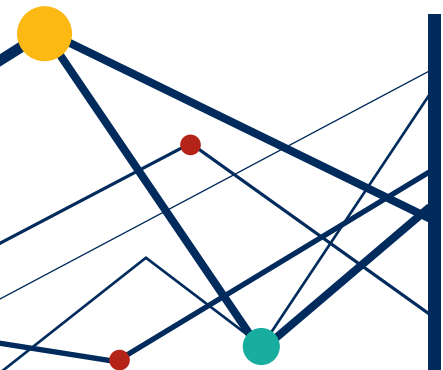
- Successful assessment of the Bermuda investment funds regime by the Directorate-General for Taxation and Customs Union (TAXUD)
- Rolled out INTEGRA® for the investment funds sector

Conduct of Business

- Launched the insurance and banking conduct of business supervision frameworks
- Consulted on the introduction of conduct of business frameworks for the DAB and investment business sectors

Anti-Money Laundering/Anti-Terrorist Financing

- Presented Bermuda's Mutual Evaluation Follow-Up Report (FUR) to the Caribbean Financial Action Task Force (CFATF) Plenary
- Completed the first sectoral risk assessment of the DAB sector



**2022 Business Plan
Milestones Completed**
Continued

Cyber Risk

- Published the BTCSI Cyber Code
- Consulted on the *Digital Asset Business Operational Cyber Risk Management Code of Practice* (DAB Cyber Code)

Legislation

- Proposed legislative amendments to provide legal clarity for the latest DAB industry developments
- Amended the BMA Act to introduce the new principal object to cover matters regarding financial institutions' conduct of business
- Enhanced investment business legislation
- Amended the BDCA to allow for codes of conduct to be published

Craig Swan
CEO

Shanna Lespere
Deputy CEO

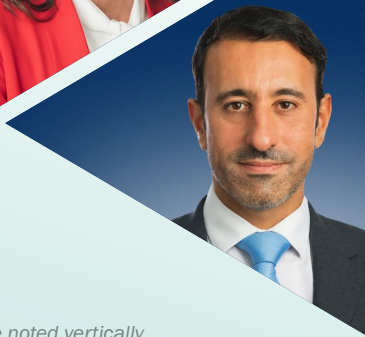
Michael J. Burns
Director, Legal Services
and Enforcement

Ricardo Garcia
Managing Director

Yvette Pierre
Chief Policy and Strategy Officer,
Policy Development

as of 31
December 2022

**Executive
Team**



Photos and names are noted vertically.

A portrait of Donald Scott, an older man with a grey beard and glasses, wearing a dark suit, a blue and white striped shirt, and a yellow patterned tie. He is smiling slightly. The background of the portrait is a teal geometric pattern.

**Donald
Scott**

Chairman's Report

The 2022 year was the cusp of a new beginning as the world emerged from two years of pandemic lockdowns, and the financial services industry converged across sectors and technology. The BMA was prepared for this. Years of experience, planning and groundwork allowed it to step into the next era confidently.

Over the last year, the BMA maintained this pace. The rest of the *2022 Annual Report* details these triumphs; therefore, I will not use too much ink here but rather highlight a few particularly proactive accomplishments.

Domestically, the BMA made substantial progress with remarkable efficiency on legislative amendments, regulatory updates and supervisory enhancements. Internationally, the BMA continued to build bridges before it needed them, preparing itself and Bermuda to navigate the transforming landscape and future fault lines.

The Board's monitoring and supporting of these and other initiatives make it highly aware of the BMA's differentiating factor: our people. When we receive feedback from peer regulators and standard-setters, there is unanimity on the organisation's size-to-impact ratio—the BMA produces noteworthy outcomes in relation to its comparatively smaller scale.

Impeccable senior leadership has fostered this, which is why, in 2022, the Board was delighted to further augment these capabilities with Shanna Lespere's promotion to Deputy CEO and Ricardo Garcia and Yvette Pierre's placement on the Executive Committee, through their respective promotions to Managing Director and Chief Policy and Strategy Officer. As of the end of 2022, the Executive Committee held well over 50 years of combined experience in

Chairman's Report *Continued*

leadership positions at the BMA, during which each of them has contributed to the BMA's reputation as a centre of excellence for supervision and regulation.

More important than their tenure is how well the Executive Committee reflects and champions the wider BMA's blended cultural lens and diversity of expertise across sectors. This has led to untold synergy, skill and intellectual horsepower that the Board witnesses through its knowledge-sharing exercises with BMA subject matter experts and on the pages of every quarterly report we receive. We see senior leadership not just achieving objectives but working with the Board to set the right ones—objectives that, when taken in aggregate, create a future-ready BMA. One that evolves and continuously improves, both in terms of maintaining prudent and pragmatic regulation and supervision and in terms of remaining competitive and attractive as an employer of world-class staff. Likewise, this BMA operational pattern of proactivity enabled the Board to maintain its anticipatory approach—structurally and functionally.

The most notable 2022 structural Board change was the addition of two new members to our ranks: Mark Crockwell and Tom Jessop. Mr Crockwell is a BMA alum, Bermuda investments sector veteran, and well-versed in financial services governance (through his seats on the Bermuda Deposit Insurance Corporation and Financial Intelligence Agency's (FIA) boards). His perspective from the regulatory and industry angles and his demonstrative dedication to Bermuda's financial stability and security are welcome additions to our roster. Mr Jessop has been pioneering financial services convergence since the turn of the century, leading strategic investment teams as they selected the earliest financial technology opportunities to elevate the entire financial stack. He is a renowned trailblazer, earning spots on the *Fintech Finance 35* and *Tech Power Players 50* lists. These vertical and complementary competencies amplified the Board's ability to be intuitive in 2022 and supported its move to make the most profound type of functional transformation—a change to the BMA's vision and mission.

The Board pursued this vision and mission realignment because our purpose is paramount. It is a strategy lodestar. Therefore, as the BMA's mandate evolves and financial services converge, our purpose must pivot so that our strategy can too, and can do so sustainably.

This latter aspect is laid out explicitly in our new mission ('delivering efficient operations and sustainable business practices'). While the BMA has always endeavoured to operate sustainably, the Board formalised it in 2022, adding environmental, social and governance considerations as a corporate goal. During the year, we also put it into motion, with the Investment Committee deciding to take on an active

manager. This is a signal change for the BMA and required legislative amendments. The focus is to make the BMA increasingly sustainable by achieving slightly higher investment returns.

Another tenet of sustainability, DEI acquired a sharper focus around the Board. The BMA has always valued diversity and strove to create an inclusive workplace. In 2022, it magnified this by adding DEI as a key strategic initiative as we planned for the future. This aspiration is already reflected at the Board level, with over half of our Board members being people of colour and a third being female—three of whom chair three of the Board's five committees and one of whom is the Board's Deputy Chair.

Regarding governance, while I could say more about the BMA's embedding of its Enterprise Risk Management (ERM) framework, I will put it succinctly—some significant ERM work was accomplished at the Board level last year, truly facilitating risk culture in Board governance. This work was supported by our committee Chairs seeking greater alignment between the committees and the organisation. While no major charter changes were made last year, such a fresh approach keeps one eye on the horizon so that committees can flex their focus, not just year to year but at a moment's notice. A Board that functions in this way—as an agile decision-maker—is a better partner to the operational arm of the organisation.

The rest of the 2022 *Annual Report* will illustrate just how indefatigable the BMA continues to be. On behalf of the Board, I applaud every department and each individual. It was another exceptional year during which sound leadership and strategic execution allowed the Board to focus on the future and, in turn, helped the BMA to keep pace with trends and remain a leading regulatory voice.

Donald Scott
Chairman

**Board of
Directors**

About the Board

(as of December 2022)

Under section 4A of the BMA Act, the functions of the Board are to manage the affairs and business of the BMA and to determine the policy objectives and strategy of the Authority.

The Board, in accordance with section 4 (1) of the Act, consists of a Chairman, Chief Executive Officer and eleven non-executive directors appointed by the Minister of Finance from various sectors of industry.

To enhance independence, non-executive directors are appointed for terms up to five years. Board conflicts are strictly managed in accordance with requirements under the Act. The Minister of Finance appoints the Chairman pursuant to section 4E of the Act, who also chairs the Non-Executive Directors Committee.

Donald Scott
Chairman

Tracy Tepper
Deputy Chair
Director, Lombard Odier Trust
(Bermuda) Limited (retired)

Michael Leverock
President, Leverock
Advisors & Associates

Tammy Richardson-Augustus
Partner, Appleby (Bermuda)
Limited

Craig Swan
CEO and Executive Director

Walter A. Bell
Chairman, Swiss Re America
Holdings Corporation (retired)



Photos and names are noted vertically.

Karel Van Hulle
Professor at KU Leuven and
Goethe University Frankfurt, Head
of Insurance and Pensions at the
European Commission (retired)

Francine Mason
Partner, Rawlinson & Hunter

Tom Jessop
President, Fidelity Digital
Assets

Philip Butterfield
Chairman, HSBC Bank
of Bermuda (retired)

Robin Masters
Treasurer & Chief Investment Officer,
ACE Limited (retired)

Mark Crockwell
Treasurer, Saïd Holdings
Limited



Photos and names are noted vertically.

Board Committees

(as of 31 December 2022)

Non-Executive Directors

Donald Scott (Chairman)
Tracy Tepper (Deputy Chair)
Walter A. Bell
Philip Butterfield
Mark Crockwell
Tom Jessop
Michael Leverock
Francine Mason
Robin Masters
Tammy Richardson-Augustus
Karel Van Hulle

- Ensures the Authority is discharging its functions in accordance with the policy objectives and strategy determined by the Board
- Oversees the Authority's internal financial controls
- Determines the remuneration and other terms of service of the Authority's CEO

Investment

Robin Masters (Chair)
Philip Butterfield
Mark Crockwell
Donald Scott
Craig Swan

- Ensures prudent investment of the Authority's portfolio of assets in accordance with the requirements of the BMA Act and the investment policy guidelines that are established by the Board

Legislative & Policy

Tammy Richardson-Augustus (Chair)
Tom Jessop
Donald Scott
Karel Van Hulle

- Reviews legislative and regulatory priorities as established by the Board, and oversees the agenda for the development of legislation related to financial services regulation
- Reviews proposed changes to primary and subsidiary legislation administered by the Authority and submitted by management
- Makes recommendations to the Board on regulatory policy

Audit & Risk Management

Tracy Tepper (Chair)
Michael Leverock
Francine Mason
Robin Masters
Karel Van Hulle

- Monitors (i) the Authority's accounting and financial reporting process, including its internal accounting and financial controls, and (ii) the integrity of the Authority's financial statements
- Retains and oversees the independent auditors of the Authority's financial statements and determines their remuneration
- Oversees the Authority's risk management process
- Provides the Board with the results of its monitoring and recommendations, as well as additional information about significant financial matters that require the Board's attention
- Oversees the Authority's internal audit function

Corporate Governance & Ethics

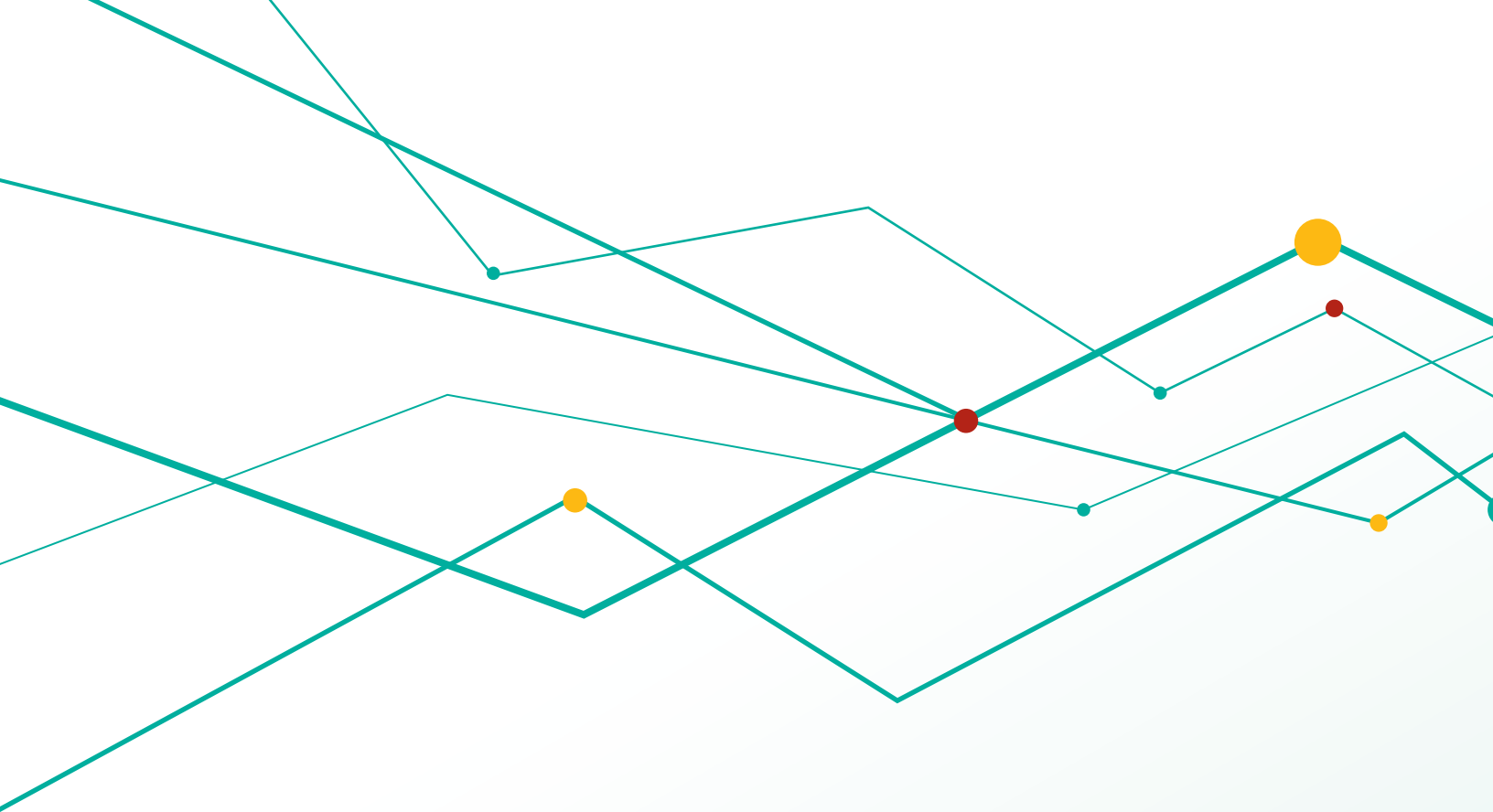
Michael Leverock (Chair)
Walter A. Bell
Philip Butterfield
Donald Scott
Craig Swan

- Develops, implements and monitors effective corporate governance principles, policies and procedures
- Oversees all policies and programmes to ensure that the Authority's Board, management and staff carry out their functions in an ethical manner and apply policies that meet corporate governance best practice standards

Human Capital

Donald Scott (Chair)
Walter A. Bell
Michael Leverock
Tracy Tepper
Craig Swan

- Approves the Authority's overall compensation framework as well as the individual remuneration levels for directors and above
- Makes recommendations to the Non-Executive Directors Committee on the terms and conditions of the CEO's employment
- Oversees succession planning
- Oversees human resources policy and programme development and implementation



The background features a light teal gradient. On the left, a large teal triangle points right, containing the white text '01'. To its left is a vertical teal line and a network of intersecting teal lines with a dot. In the top right, a small teal triangle contains a photo of a smiling woman. Scattered across the lower half are several smaller teal triangles pointing in various directions.

01

Community Matters

Community Matters

In 2022, with public health restrictions eased, the BMA seized the opportunity to augment the virtual charitable efforts it maintained over the previous two years with in-person action. This included sponsoring a corporate team at the Xtreme Sports Games in support of the Family Centre, competing in the Bermuda Corporate Blood Drive Competition and hosting a holiday season staff donation drive that collected over 350 items for nursing home residents across the island.

Most notably, though, it allowed the BMA to return to the philanthropic activity model it developed in 2018. In BMA's first Annual Community Day Clean-Up event and first Community Day since 2019, staff were afforded the option to sign up for coastal clean-up shifts with Keep Bermuda Beautiful. On the day, over 100 staff donated more than 200 hours of time to cleaning up Bermuda's coastal habitats.

In addition to our combined community efforts, the BMA staff made individual contributions to the causes that mean the most to them.



Donna
Mae

"I am inspired to continue running because every time I train and enter a race for charity, not only does it help me, it also helps others. For that, I give thanks for my health and strength."

— Donna Mae Arorash

Donna Mae participated in seven running and walking races in 2022 to raise money for various charitable causes in Bermuda. The races included:

- Goslings & Hamilton Princess Rum to Beach Race for the Woman's Resource Centre (September)
- Butterfield & Vallis 5k for the Bermuda Heart Foundation (January)
- PALS 34th Annual Walk for PALS Charity (February)
- You Go Girl race for the Women's Resource Centre (June)
- Partner Re 5K for the Centre Against Abuse (Bermuda) (October)
- Swan's Running Club 5K Charity Race for St. John's Ambulance Brigade (October)
- Red Cross Jingle Bell 5k Run for the Bermuda Red Cross (December)



Chris

"I am inspired to contribute to this charity by one of my high-school classmates, who has met her MS challenges with grace and determination. This small charity punches above its weight when it comes to fundraising for its members. I am proud to offer my support."

— Chris Brown

Chris Brown has been a keen supporter of the Multiple Sclerosis Society of Bermuda's annual 'Swim-a-thon' since its inception six years ago.

The Multiple Sclerosis Society of Bermuda's mission is to support and work with persons with Multiple Sclerosis (MS) and their families to better understand and cope with the many varied symptoms of the disease. The organisation works to increase public awareness and understanding of MS, including what can be done to help and the available resources for people with MS. Additionally, the Multiple Sclerosis Society of Bermuda raises necessary funds to finance the society and assist MS sufferers with medical needs.

Most of the funds earned from the Swim-a-thon support its members with medically related costs, such as medication, personal hygiene, insurance and equipment to make their lives more comfortable.



Ifor

"Having the opportunity to support and raise the profile of the amazing children who have attended Hope Academy over the last twenty years and their families has been tremendously rewarding."

— Ifor Hughes

Ifor is the President of The Friends of Hope Academy (TFoHA), a Bermuda-registered charity.

TFoHA's mission is to enhance the lives of young persons with severe to profound multiple learning disabilities. The charity raises funds to support programming and equipment needs at Dame Marjorie Bean Hope Academy and the broader special needs community. Dame Marjorie Bean Hope Academy is a Government-funded school established in 2003 to better meet the needs of students (ages 4 to 18) who require intensive learning support and therapeutic and medical interventions.

Among other things, TFoHA funds specialised camps during school breaks, which provide young persons with enjoyable and developmental activities that would otherwise be unavailable, and their families with much-needed respite. The charity also provides financial support to other individuals and organisations for purposes beneficial to educating and caring for young persons with special needs.

One of TFoHA's key annual activities is the 'Team Hope' fundraiser. The charity encourages those signed up for the Bermuda Day Half Marathon to join Team Hope and run with a purpose—and in so doing, spread awareness and raise funds on behalf of TFoHA.



“The banquet successfully met the WIS Committee’s goal and objective of being a learning activity and showcasing the vibrant history of Bermuda’s successful women in sport. We gave these women a platform to tell stories of their journeys and how they impacted Bermuda and the rest of the world. Bermuda has a lot of reasons to be proud.”

— Donna Raynor

Donna volunteers as a Member of the Bermuda Olympic Association Executive Board and is the Chair for the Women In Sports (WIS) Committee. The Bermuda Olympic Association highlights the benefits of sport, health, discipline, education and becoming a good citizen and ambassador for the country.

As part of this role, Donna hosts a yearly event highlighting the successes of Bermudian women in sports and encourages young women to get and stay involved in sporting activities. On 12 November 2022, Donna supported the association by helping to host the 'Women In Formation' banquet at the Rosewood Tucker's Point. The event highlighted several achievements of Bermudian women in their respective sports, including past and present athletes, administrators, sporting organisation leaders and officials.



“I’ve been volunteering at the BFF for as long as I have lived in Bermuda. During this time, the BFF has started to see greater interest and consistency in the sport. It is a joy to see growth and the additional opportunities that come with it, such as the capacity to compete as a team globally.”

— Donald Treanor

Every Wednesday evening for over ten years, Donald has volunteered with the Bermuda Fencing Federation (BFF). He coaches young fencers interested in competing against other athletes in overseas tournaments.

In 2022, Donald successfully led a team of four fencers at the 2022 Commonwealth Fencing Championships, which took place in London. The four fencers competed in nine events across different age groups, using various fencing sports weapons (foil, epee and sabre).

Fencing continues to grow in popularity across the island, with over 15 BFF members training each week for fun or with the goal of competing and representing Bermuda in overseas competitions.

Additionally, because the BFF currently has enough active competitive fencers, they can participate in team events, such as senior epee and junior sabre.



Regulatory Developments

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

A primary focus in 2022 for the Bermuda National Anti-Money Laundering Committee (NAMLC) and, therefore, by extension, the Authority was the work to address all the recommendations in Bermuda's Mutual Evaluation Report (MER), published on 17 January 2020. The major milestone achieved during 2022 was the successful submission of Bermuda's first FUR to the CFATF Plenary in May. The Authority provided all requested contributions for the FUR submission per the required deadlines. Of particular note, as reflected in the BMA's *2021 Annual Report*, was the enactment in February 2022 of the legislative and regulatory changes to the proceeds of crime framework driven by the Authority.

The next milestone in the MER process, targeted to bring the process to a conclusion, is the submission of Bermuda's second FUR in November 2023 for consideration by the CFATF Plenary in May 2024. The Authority has been actively supporting the second FUR's planning and delivery in several specific areas:

- Provided significant input into the refinement of Bermuda's AML/ATF national action plan
- Provided significant input into the finalisation of the public AML/ATF national risk assessment report, due for publication by NAMLC in early 2023
- Commenced planning for the execution of the DAB sectoral risk assessment
- Co-chaired the NAMLC Supervisory Forum and provided active, ongoing participation in the Sanctions Working Group and the Operations Working Group

The Authority's revisions to its various AML/ATF guidance notes, including the stakeholder feedback step of the consultation process, were concluded in 2022. The full revisions were presented to the appropriate Ministers for their review and approval. Following this, the guidance notes are anticipated to be published in the first quarter of 2023.

Innovation continues to be a cornerstone of the Supervision (AML/ATF) Department, under the overarching objective of enhancing efficiency and effectiveness. Work conducted during 2022 resulted in data calls being moved to a web-based platform to streamline the data collection and submission process. Over the year, the department made continuous improvements to leverage its data better to enhance supervision.

The Authority continued to collaborate on various Government initiatives with potential regulatory implications. One such initiative is Bermuda's commitment to a public beneficial ownership register. In 2022, the Authority continued to contribute to these efforts via its support of the Registrar of Companies and their team on this project. This included helping to ensure that Bermuda updates its frameworks appropriately by staying abreast of the Financial Action Task Force's initiatives to refine their recommendations related to transparency of beneficial ownership for both legal persons and legal arrangements. Another initiative the Authority supported in 2022 was the Government's Family Office initiative, for which the BMA gave specific feedback on the AML component of the overall risk assessment related to public benefit companies.

The Authority continued to actively support combating of financial crime aspects of the IAIS framework by chairing the Financial Crime Forum. This forum was created as a successor to the Financial Crime Task Force upon completion of its mandate and met four times throughout the year.

Conduct of Business

The legislation necessary to empower the Authority to promote the protection of customers who use products and services provided by financial institutions through the oversight of the conduct of business became operative in August 2022. The Authority published the *Banks and Deposit Companies Act 1999 Code of Conduct* (BDCA Code) and a revised version of the Insurance Code incorporating, among other things, the conduct of business requirements shortly thereafter. A six-month transition period was established for both sectors to provide time for the affected entities to become fully compliant.

The Authority held outreach sessions with all affected entities in November to provide the opportunity for questions with respect to both codes' implementations. These sessions provided useful feedback for both the Authority and industry.

In preparation for the completion of the codes' transition periods, the BMA finalised its groundwork to initiate its compliance supervision programme.

Banking, Trust, Corporate Services and Investment (BTCSI)

Banking

Consistent with the Basel Committee on Banking Supervision (BCBS), the Authority introduced the latest Basel III amendments to remain fully aligned with BCBS global standards. In 2022, the Authority published consultation papers on the revised Basel III standards for the standardised approach for operational risk, the large exposure framework, operational risk principles, output floor and credit risk. All revisions to the Basel III guidance for Bermuda banks will take effect from 1 January 2024.

Other actions taken by the Authority in 2022 included:

- Approval of the installation of three new Automated Teller Machines pursuant to the Bermuda Monetary Authority (Financial Institutions) (Control) Regulations 1994
- Non-objections for five material outsourcing arrangements as per the Authority's outsourcing guidance, which became effective in May 2020

Trust and Corporate Service Providers

The Authority continued its ongoing supervision of these entities throughout 2022 in accordance with the provisions of the *Corporate Service Provider Business Act 2012* (CSP Act) and the *Trusts (Regulation of Trust Business) Act 2001* (Trusts Act).

Investment Business

During 2022, the Authority finalised and implemented a series of enhancements to its regulatory and supervisory programme for investment businesses in Bermuda.

This was part of a key strategic initiative to support the modernisation of the sector and ongoing compliance with international standards and best practices. Among the primary changes were:

- Widening the framework's scope to encompass all Bermuda-formed or incorporated entities that carry on investment business as defined, irrespective of the geography of those entities' operations
- Replacing the existing exemptions regime with a more robust system of relevant persons' registration to allow for more effective, but still proportionate, monitoring of their investment business activities and designation of certain regulated persons and public bodies as 'Non-Registrable Persons'
- Adding a new 'Test Licence' to provide the opportunity for eligible persons to test innovative products and methods within a controlled environment
- Introducing the 'Promotion of Investments to the Public' as a new investment activity
- Strengthening entities' reporting requirements
- Introducing new rule-making powers

The enhancements to the investment business regime took effect on 27 July 2022.

Fund Administration Provider Business

The Authority continued its ongoing supervision of these entities throughout 2022 in accordance with the provisions of the *Fund Administration Provider Business Act 2019*.

Financial Stability and Research

The BMA's 2022 financial stability and research efforts included macroprudential surveillance and systemic risk monitoring, international engagement, recovery and resolution framework enhancements, Financial Policy Council (FPC) involvement and research contributions.

Macroprudential Surveillance and Systemic Risk Monitoring

During 2022, macroprudential work covered both international and domestic developments. On the international front, particular attention was paid to reviewing activities in the various financial sectors under the BMA's mandate, identifying and assessing risks and vulnerabilities and proposing actions at the macro- and micro-prudential supervisory leads. The BMA's domestic-level analysis concentrated on Bermuda's banking and real estate sectors. These analyses' results were placed in the public domain (e.g., the *Quarterly Banking Digest*, the *Bermuda Insurance Property and Casualty Market – Catastrophe Risk and Stress Testing Analysis 2021 Report*, the *Catastrophe Risk Modelling 2021 Report* and *Bermuda's Coordinated Portfolio Investment Survey 2021 Report*). Further, the BMA presented and discussed its macroprudential surveillance work during Bermuda's FPC meetings.

International Engagement

The BMA continued to participate in and contribute to a number of committees, working groups and initiatives from the Financial Stability Board (FSB), Bank of International Settlements (BIS), IAIS, OECD, Insurance and Private Pensions Committee and the Global Insurance Market Trends Report.

Recovery and Resolution

During the year, the BMA continued building out Bermuda's recovery and resolution framework, particularly in the insurance sector. During the year, the BMA consulted with the public on amendments to the Insurance Act, which aimed to introduce recovery planning powers. Additionally, as a member of the IAIS Resolution working group's drafting team, the Authority contributed to ongoing IAIS work on recovery and resolution.

Financial Policy Council (FPC)

The BMA maintained its dual role as a member of the FPC and FPC Secretariat, with the BMA CEO actively participating in the three 2022 FPC meetings. The meetings were arranged under a hybrid format and focused on reviewing key risks to Bermuda's financial stability, discussing vulnerabilities and developing potential solutions. The FPC's 2022 key topics of interest included an analysis of the volatile global geopolitical environment and trends in the international life insurance sector and digital finance.

Research Resource

The Financial Stability and Research Department completed several in-house research projects throughout the year. The department also represented Bermuda in domestic and international research initiatives. These included:

- International Monetary Fund (IMF): providing detailed work for the IMF's *Coordinated Portfolio Investment Survey* and *Securities Held as Foreign Exchange Reserves Survey*
- BIS: compiling quarterly locational banking statistics data
- OECD: compiling OECD insurance statistics
- Bermuda Department of Statistics: aggregating the economic activity survey data and continuing the development of an economic database

Digital Asset Business (DAB)

Enhancements to the DAB Framework

In early 2022, the Authority completed its consultation on a paper regarding proposed amendments to *Digital Asset Business Act 2018* (DABA) as well as enhancements to the DAB rules that will provide further clarity to several sections of DABA. Other changes are also proposed to facilitate more effective administration of DABA. These proposed amendments included, but were not limited to, the introduction of new definitions for digital asset lending and repurchase transaction activities and a change in approach to the exemptions procedure. Whereas the Authority originally proposed to consolidate all current exemptions and exclusions currently found under DABA under the DAB rules, such exemptions and exclusions will be embedded in an exemption order that includes exemptions and exclusions found under sections 2, 4 and 11 of DABA.

International Developments

The BMA remains an active member of the GFIN Co-ordination Group, which aims at helping to shape the mission and vision of the 60+ GFIN member network and influence the digital transformation of financial services across borders. In 2022, the group also spearheaded an Academia workstream and co-led a GFIN-wide Academic Forum alongside the United States Securities and Exchange Commission.

The GFIN Co-ordination Group and Annual General Meeting meeting were held in Q4-2022, where the BMA participated in a presentation showcasing its blockchain forensic capabilities and participated on a panel alongside other regulators.

Insurance

The process of updating Bermuda's regulatory regime to ensure it remains well suited to the Bermuda market and aligned with the IAIS Insurance Core Principles requirements continued in 2022. The enhancements included the following:

Internationally Active Insurance Groups (IAIG)

The Authority introduced a number of regulatory and supervisory changes over the last two years designed to ensure Bermuda's IAIG regime is aligned with international standards and expectations while remaining fit for purpose for the Bermuda insurance market. These changes include amendments to the Insurance Act related to the designation of an IAIG, the designation of the Head of an IAIG and recovery plan requirements. The Authority also initiated the groundwork for enhancing its group supervisory framework with the introduction of IAIG supervision rules, which are expected in 2023.

Climate Change and Sustainability

Integrating sustainability and climate change into the BMA's regulatory and supervisory framework is one of the Authority's key corporate objectives. In 2021, the BMA committed to supporting the industry's pursuit of opportunities to mitigate climate change and address the global insurance protection gap. True to its statement, four companies that were admitted to the Authority's regulatory sandbox and innovation hub in 2022 had an ESG agenda embedded in their business models. Furthermore, the Authority frequently engages with international peer regulators and thought leaders and is an active member of the United Nations-convened Sustainable Insurance Forum and the IAIS Climate Risk Steering Group.

On 10 May 2022, the Authority published the *2021 Climate Risk Exposure Survey Report* based on climate risk exposure data collected from the 2021 survey of insurance groups and commercial insurers. The report outlines statistics, findings and challenges based on physical risk exposures, transition risk exposures and a qualitative assessment.

In August 2022, the Authority issued *Guidance Notes: Management of Climate Risk for Commercial Insurers* for public consultation. The guidance note provides further details on the BMA's expectations regarding climate risk in the context of ESG risk aspects, as well as its consideration of governance and risk management requirements, which are part of the revised Insurance Code.

Special Purpose Insurers (SPI)

The Authority continued to provide oversight of the Insurance-Linked Securities (ILS) market through company-specific supervision, the review of annual and ad hoc data requirements, and various market engagements to ensure the framework remains well-suited to addressing existing and emerging risks.

All of the twenty restricted SPIs that the Authority successfully registered through a three-day licensing and registration process in 2022 that the Authority first introduced in August 2021 for catastrophe bond structures of restricted SPIs.

Regulatory Regime for Innovative Insurers and Innovative Intermediaries

In 2022, the BMA admitted more companies that offer innovative products or operate under innovative and non-traditional structures. In total, three companies were admitted to the innovation hub, while three other companies registered under the insurance regulatory sandbox. In addition, two companies (an innovative long-term insurer and an innovative broker) were approved in principle at year-end 2022 and are expected to register in the first quarter of 2023. Furthermore, two other companies graduated to full classes (a Class IIGB and an Insurance Agent) after being regulated in the sandbox for almost two years.

On 31 May 2022, the Authority issued its *Consultation Paper: Legislative Enhancements to Innovative Classes, Introduction of Innovative Long-term Insurer Class and Enhancements to Section 24 Dual-licensed Insurers to Maintain Separate Accounts*. Industry feedback was addressed during the consultation stage. The enhancements to the Insurance Act were passed into the law before year-end 2022 and became operative from 1 January 2023.

The insurance industry's ability to contain costs and its work to reduce the global coverage gap can be partially accredited to growth in this new sector, which continues to support the use of technology to bring greater efficiency to various insurance models. Furthermore, as the Authority continues to enhance its regulatory frameworks to supervise Bermuda's evolving financial services ecosystem, the sector remains a critical resource, providing valuable lessons and insights.

Recovery Planning Regime for the Insurance Sector

The Authority intends to transpose the ComFrame for IAIGs and the Holistic Framework into the Bermuda commercial regulatory regime. Regarding the latter, the Authority continued its multi-year efforts to institute a recovery planning regime for insurers (particularly for IAIGs, large domestic insurers and insurance groups). These efforts are guided by international developments, including work done at the IAIS level.

On 30 July 2022, the BMA published its *Consultation Paper: Proposed Introduction of Recovery Planning Regime for the Insurance Sector* to set out a proposed approach to regulating recovery planning for the Bermuda insurance sector. On 11 October 2022, the Authority issued a response to stakeholder feedback on the consultation paper.

International Affairs

In 2022, the Authority maintained an active role in international matters and engagement.

At the IAIS level, the Authority is represented in the Executive Committee and nearly all committees and sub-committees and actively participated in the work conducted by these, namely regarding the Insurance Capital Standard, the Holistic Framework, the Insurance Core Principles, implementation assessment, climate change, reduction of the protection gap and development of supervisory material. The Authority holds several leadership positions, including Vice-Chair of the Policy Development Committee, Vice-Chair of the Macro Prudential Committee, Chair of the Financial Crime Forum, Vice-Chair of the Signatory Working Group and Leader of the Targeted Jurisdictional Assessment Core Team.

The BMA continues to be actively involved in the development of Insurance International Standards on Climate Change Risk through the Sustainable Insurance Forum and IAIS Climate Risk Steering Group.

A BMA delegation attended the 2022 IAIS Annual Conference, which took place in person in Santiago, Chile in November 2022 and the 2022 IAIS Global Seminar, which took place in person in Dubrovnik, Croatia, in June 2022. The BMA has also attended in person the GIICS annual conference, which took place in London in June 2022 and the CAIR conference and annual meeting, which took place virtually in April 2022.

The BMA participated in several bilateral engagements throughout 2022 and met with regulators and agencies on both sides of the Atlantic, to discuss topics of common interest, including the National Association of Insurance Commissioners, the EIOPA, the European Commission, the United Kingdom's Prudential Regulation Authority, the Swiss Financial Market Supervisory Authority, the Missouri Department of Insurance, the Connecticut Insurance Department, the New York Department of Financial Services, the Iowa Insurance Division, the Texas Department of Insurance, the Arizona Department of Insurance and Financial Institutions, the Illinois Department of Insurance, the Massachusetts Division of Insurance, the Federal Insurance Office, the Australia Prudential Regulatory Authority, the Gibraltar Financial Services Commission, the Insurance the Financial Services Commission of Barbados and the Financial Services Commission of Mauritius.

In 2022, the BMA continued to be in regular dialogue with EIOPA to discuss supervisory and regulatory matters following the Solvency II equivalence assessment that was concluded in Q3 2022.

From a regulatory perspective, the BMA has also been monitoring the evolution of the European Union Solvency II review proposals to assess Bermuda's potential implications.

The BMA provided/sponsored training to GIICS on the IAIS 2022-2023 Roadmap, corporate governance and anti-money laundering matters.

Operational Cyber Risk

The BMA's Cyber Risk Department collaborated with the supervisory departments to continue promoting the stable and secure management of regulated entities' Information Technology (IT) systems.

On 14 March 2022, the BMA issued a response to industry feedback on the *Consultation Paper: Cyber Risk Management Code of Conduct: Banks, Deposit Companies, Corporate Service Providers, Trust Companies, Money Service Businesses, Investment Businesses and Fund Administration Providers* (published in October 2021). On 15 March 2022, the BMA published the *Operational Cyber Risk Management Code of Conduct: Corporate Service Providers, Trust Companies, Money Service Businesses, Investment Businesses and Fund Administration Providers*, which came into force and formalised the minimum requirements and expectations of these entities regarding cybersecurity risk, incident management and reporting. On 26 September 2022, the BMA published the revised version of this code to include banks and deposit companies. All relevant licensed entities were required to become compliant by 15 February 2023.

On 12 April 2022, the Authority published the *Bermuda Cyber Underwriting Report 2021* based on the 2020 annual filings of commercial insurers, insurance groups and limited purpose insurers. This was the third year such a report was published. The report outlines key statistics, findings and general recommendations to the industry regarding enhancements to governance and risk management surrounding cyber underwriting. Furthermore, the Authority introduced three BMA-prescribed cyber underwriting stress scenarios to gather key information on the resilience of Bermuda's commercial insurance sector based on extreme but plausible situations. The new stress scenarios are designed to gather the impacts on a cyber insurer's affirmative cyber policies and non-affirmative (silent) cyber exposures for non-cyber writers. These stress scenarios were added to the Bermuda Solvency Capital Requirement models for commercial insurers in 2022 and the Authority expects to analyse and publish the results of the first-year submissions in subsequent cyber underwriting report publications.

In May 2022, as part of its commitment to foster and encourage the prudent development of the growing DAB sector in Bermuda, the Authority posted for consultation the DAB Cyber Code along with a revised *Digital Asset Business Custody Code of Practice, Digital Asset Business Act 2018 Code of Practice and Digital Asset Business (Cyber Risk) Rules 2022* (together, the Consultation Documents). The consultation documents streamline DABs' obligations with those of other sectors. Considering the heightened inherent cyber risk pertaining to DABs, the consultation documents contain more stringent requirements in key areas.

Surveys and Reports

Quarterly Banking Digest

Quarterly Regulatory Update

Bermuda Cyber Underwriting Report 2021

published date April 2022

2021 Climate Risk Exposure Survey Report

May 2022

BMA Captive Report 2021

November 2022

Bermuda Insurance Sector Artificial Intelligence and Machine Learning Survey 2022 Report

November 2022

Catastrophe Risk Modelling 2021 Report

December 2022

Bermuda Insurance Property and Casualty Market: Catastrophe Risk and Stress Testing Analysis 2021 Report

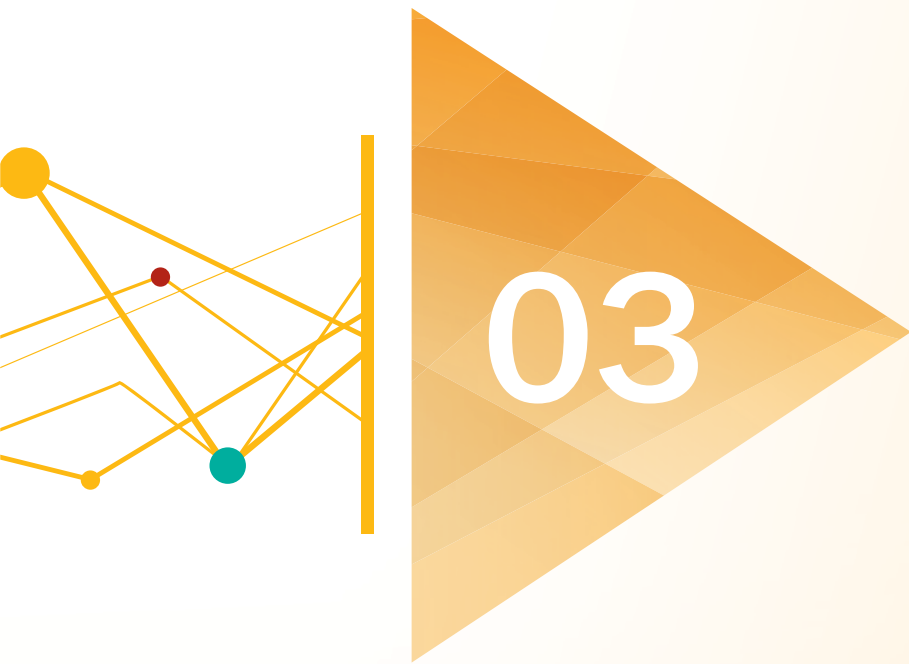
December 2022

Bermuda's Coordinated Portfolio Investment Survey (CPIS) 2021 Report

December 2022

FY-2021 Macprudential Risk: Annual Statutory Filings Report

February 2023



Legislative Developments

With the aim of maintaining regulatory frameworks that are prudent, pragmatic and aligned with international standards, the BMA contributed to numerous legislative enhancements in 2022.

Bermuda Monetary Authority Amendment Act 2022

This amendment to the BMA Act was passed in August 2022 to make provision for the Authority to expand its 'principal objects' under section 3 to include oversight of the conduct of financial institutions (i.e., by introducing the obligation of the Authority to promote and protect customers using products and services provided by Bermuda's financial institutions). The measures came into force in August 2022. The Authority has commenced the rollout of the proposed conduct framework across all financial sectors by issuing and revising codes of conduct, beginning with the banking and insurance sectors.

Bermuda Monetary Authority Amendment (No. 2) Act 2022

This amendment to the BMA Act addressed certain housekeeping matters, such as the update of certain definitions and the correction of fees. The amendments were passed in August 2022 but came into force retroactively from 1 January 2022.

Bermuda Monetary Authority Amendment (No. 3) Act 2022

This amendment to the 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 IBA and DABA, and introduce an annual fee payable by Class A Registered Persons and Class B Registered Persons (as such terms are defined under the IBA)

The amendments came into force on 20 December 2022.

Banks and Deposit Companies Amendment Act 2022

In connection with the expansion to the Authority's mandate under the BMA Act, the BDCA was amended to provide power for the Authority to issue codes of conduct. It also allows the Minister of Finance to act on the advice of the Authority to regulate the imposition of certain bank customer fees, penalties and charges by way of regulations issued pursuant to the new subsection 60(2) (ab). The amendment came into force in August 2022.

Investment Business Amendment Act 2022

The IBA was amended in April 2022 to make provisions for aligning the investment business regime with international standards and best practices. In this regard, measures were introduced to, among other things:

- Expand the scope of the regime by amending the definition of 'carrying on investment business in or from Bermuda such that it is no longer limited to persons who 'maintain a place of business in Bermuda
- Introduce new categories of registered persons and add the additional investment activity of 'promoting investments'
- Introduce a power for the Authority to make prudential standards or technical rules

The amendments became operable on 27 July 2022 through a Commencement Day Notice published by the Minister of Finance on 21 July 2022.

Investment Business (Exemptions) Order 2004 Revocation Notice

The Minister of Finance, by this notice, revoked the Investment Business (Exemptions) Order 2004 on 27 July 2022. In its place, the Minister of Finance issued the Investment Business (Non-Registrable Persons) (Designation) Order 2022.

Investment Business (Client Money) Amendment Regulations 2022

These regulations amended the Investment Business (Client Money) Regulations 2004 to, among other things, revise the definitions of 'high net worth private investor' and 'high income private investor' and introduce definitions of 'approved investor', 'investment fund' and 'investment provider'. In addition, it requires an investment provider to implement controls based on the nature, scale and complexity of its business.

Investment Business Amendment Regulations 2022

The Investment Business Regulations 2004 were amended on 27 July 2022 to make provision to, inter alia:

- Revoke regulation 4, 'contents of register'
- Amend regulation 5 to ensure the provisions thereunder are aligned with the requirements of the minimum criteria for licensing
- Revise regulation 6 to align such provisions with the requirements of the IBA
- Amend regulation 7 to require the portfolio statement to be made quarterly (unless advised by the client)
- Amend regulation 8 regarding the keeping of accounting records at the requisite offices of persons subject to the IBA

Investment Business (Prudential Standards) (Standard Licences, Test Licences and Class A Registered Persons) (Capital, Net Assets and Liquidity) Rules 2022

These rules make provision for, inter alia, capital and liquidity requirements applicable to licensed and Class A Registered Persons and became operable on 27 July 2022.

Investment Business (Prudential Standards) (Statutory Return) Rules 2022

These rules seek to embed various reporting requirements, which became applicable to all categories of investment providers when the revised regime became operable on 27 July 2022.

Investment Business (Class B Registered Persons) Order 2022

This order, which came into force on 27 July 2022, makes a provision for persons to be defined as a 'Class B Registered Person' for the purposes of the IBA.

Investment Business (Non-Registrable Persons) (Designation) Order 2022

The Minister of Finance, via this order, has designated persons as 'non-registrable persons' for the purposes of the IBA. Persons under this order include (but are not limited to) the Authority, the Bermuda Government, public authorities and investment funds. The order became operable on 27 July 2022.

Insurance Amendment Act 2022

This amendment to the Insurance Act 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.

Insurance Amendment Act (No. 2) 2022

An amendment was passed regarding section 6A of the Insurance Act. The amendment provides the BMA with powers to issue rules on 'recovery planning'. The amendment is expected to come into force in 2023.

Proceeds of Crime Amendment Act 2022

The AML/ATF-related legislative developments commenced in 2020 and were further pursued in 2021, with the related amendment passing on 27 February 2022. The amendment was driven by Bermuda's MER, changes to the Financial Action Task Force's Recommendations relating to virtual asset service providers (captured in Bermuda's legislation as DABs) and the BMA's ongoing review of the legislative framework. The changes were all minor technical amendments.



04

Supervision and Licensing

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

The Supervision (AML/ATF) Department delivered its core tasks of risk-based supervision and the ongoing reviews of licence applications throughout 2022. The Authority was responsible for supervising more than 1,300 licensed or registered entities for AML/ATF purposes during the year. As the Department continued to evolve its approach based on data analytics, reliance upon on-site inspection was rebalanced to enable more close and continuous supervision of the higher-risk banking and DAB sectors.

The risk modelling results concluded in late 2021 provided information that served as the basis of the selection of specific entities for on-site supervisory examinations in 2022, which covered a broad range of sectors and registrants. As a result, the Authority conducted 21 on-site supervisory examinations at regulated financial institutions. To achieve this, remote protocols that were first established in 2021 in response to the COVID-19 pandemic were used.

As noted above, close and continuous supervision of banks and DABs continued in 2022. Monthly or quarterly meetings facilitated the enhanced oversight of these critical sectors. These meetings were conducted based on regular and consistent information flow from the selected entities, allowing the Supervision (AML/ATF) Department to focus more closely on matters of exception or interest.

Without exception, supervisory activities in 2022 resulted in the creation of a remediation plan for each registrant. The tracking of each registrant's progress remains an important priority for the Supervision (AML/ATF) Department and such tracking, whether for activities conducted in 2022 or in prior years, continued throughout the year. Generally, registrants met their remediation requirements. Whenever entities did not progress as expected, the Supervision (AML/ATF) Department made appropriate referrals to the BMA's Enforcement Team, with whom the Supervision (AML/ATF) Department has continuous and close collaboration.

During 2022, the Supervision (AML/ATF) Department reviewed 16 applications for licensing and authorisation, including 11 applications from the DAB sector. Improvement in the quality of the AML/ATF materials supporting these applications was evident as a result of the BMA's Service Provider Training. A total of four new Non-Licensed Persons (NLP) were registered by the Supervision (AML/ATF) Department and two were deregistered. At year-end, a total of 95 NLPs were registered.

Banking Supervision

The Authority's risk-based supervisory and regulatory regime continues to include a consistent risk assessment of each financial institution. All licensees provide periodic returns, which are reviewed to assess idiosyncratic risks and changes in risk profile. In 2022, the Authority, as the lead supervisor for one banking institution, hosted a supervisory college.

The Authority's Supervisory Review and Evaluation Process (SREP), which combines the Capital Assessment and Risk Profile (CARP) process with the on-site review process, is on a two-year cycle. In 2022, two banks were subject to the SREP process. As part of this process, the Authority issued revised capital requirements for these institutions based on the results of the on-site examination, the CARP review and desk-based assessments.

Asset Quality

The banking industry's Non-Performing Loans (NPL) at the end of 2022 were \$597 million, representing a 7.7% decrease from the \$647 million recorded at the end of 2021. NPLs represented 6.5% of gross loans at the end of the year (2021: 7.3%). Total industry provisions at the end of 2022 were \$163 million, representing a 14.9% decrease from the \$191 million recorded at the end of 2021. The industry recorded a 3.3% increase in gross loans throughout 2022, with this balance increasing from \$8.9 billion at the end of 2021 to \$9.2 billion at the end of 2022.

Balance Sheet

Total consolidated banking industry assets decreased by 2.9%, or \$0.8 billion, to \$26.0 billion in 2022. This change was in line with the decrease in deposit liabilities and is evidenced primarily by cash and deposits decreasing by 16.4% to \$4.2 billion (2021: \$5.0 billion).

In terms of balance sheet composition, investments remained the largest share of total assets at 46.0% (2021: 46.2%), followed by loans at 34.7% (2021: 32.6%), cash and deposits at 16.2% (2021: 18.8%), premises and equipment at 1.0% (2021: 1.1%) and other assets at 2.1% (2021: 1.3%).

Deposit liabilities decreased by 2.6%, or \$0.6 billion, to \$23.5 billion in 2022 (2021: \$24.1 billion). Demand deposits recorded a 1.6% decline from \$12.4 billion in 2021 to \$12.2 billion in 2022, savings deposits recorded an 11.4% decline from \$7.9 billion in 2021 to \$7.0 billion in 2022, while time deposits recorded an 10.3% growth from \$3.9 billion in 2021 to 4.3 billion in 2022.

Demand deposits accounted for 51.9% (2021: 51.3%) of total deposits, savings deposits accounted for 29.9% (2021: 32.7%), and time deposits accounted for 18.2% (2021: 16.0%).

At the end of 2022, the industry's other liabilities balance was \$665 million, representing a 22.2% increase from the \$544 million recorded at the end of 2021.

Earnings and Profitability

Aggregate sector profitability increased by \$147 million or 62.1% from \$236 million in 2021 to \$383 million in 2022.

Total banking industry income for 2022 was \$925 million, representing an 18.3% increase from the \$782 million recorded in 2021. In 2022, total operating expenses amounted to \$543 million, representing a 1.0% increase from \$538 million in 2021. The largest contribution to total operating expenses were staff expenses at 50.3% (2021: 51.1%), other expenses at 30.4% (2021: 31.9%), occupancy expenses at 12.4% (2021: 9.3%) and expenses related to services by external service providers at 7.0% (2021: 7.6%).

Net interest income continues to be the largest component of the banking industry's income at \$620 million in 2022 (2021: \$484 million), representing 67.0% (2021: 61.8%) of total income for the year. Other banking income during 2022 amounted to \$169 million (2021: \$169 million), accounting for 18.2% (2021: 21.6%) of total income. Non-banking income during the year amounted to \$129 million (2021: \$124 million), accounting for 13.9% (2021: 15.8%) of total income, while dividends/other income accounted for less than 1% of total income in both 2022 and 2021.

Capital Adequacy

The aggregated consolidated Risk Asset Ratio (RAR) for the banking industry was 24.7% at the end of 2022, compared with 22.8% at the end of 2021. The aggregated Common Equity Tier 1 (CET1) capital ratio was 22.4% (2021: 20.5%) at the end of 2022, with each bank exceeding its minimum requirement. The average Basel III leverage ratio for the industry was 7.1% (2021: 6.5%) at the end of 2022. Each bank exceeded the 5% minimum requirement.

Total risk-weighted assets at the end of 2022 amounted to \$8.5 billion, representing a 4.2% decrease from the \$8.8 billion recorded at the end of 2021. The risk-weighted assets density at the end of 2022 decreased to 32.5% from 33.0% at the end of 2021.

Credit Union Supervision

Presently, the sole credit union in Bermuda is the Bermuda Credit Union Co-operative Society. Accordingly, the Authority continued its ongoing supervision of this entity throughout 2022 per the provisions of the *Credit Unions Act 2010*.

Money Service Business (MSB) Supervision

Presently, there are three licensed MSB providers in Bermuda. The Authority continued its ongoing supervision of these entities throughout 2022 in accordance with the provisions of the *Money Service Business Act 2016*.

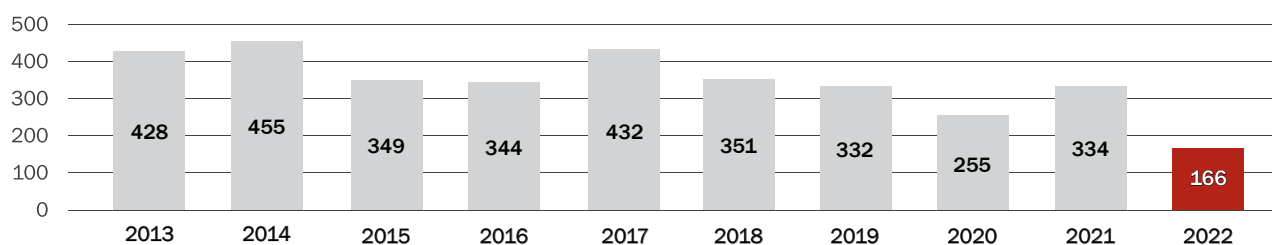
The Bermuda Stock Exchange (BSX)

International debt issues listed on the BSX increased by 14% to 252 in 2022 (2021: 222), and the nominal value of the listings grew by \$1.3 billion to \$30.7 billion (2021: \$29.4 billion).

The number of new ILS listings fell to 142 in 2022 (2021: 281), reflecting the downturn in market activity. Nonetheless, the total number of ILS-listed securities increased by 2% to 773 at the end of 2022 (2021: 757) with a combined nominal value of \$52.03 billion (2021: \$50.97 billion).

The total equity market capitalisation on the BSX totalled \$166.05 billion at the end of 2022, with domestic bond market capitalisation reaching \$4.78 billion, while trading volume decreased to 1.42 million shares, and the value of shares traded totalled \$13.13 million.

A total of 1,337 securities were listed on the exchange at the end of the year, an increase of 3% (2021: 1,294).

BSX — Market Capitalisation (BD\$ Billions)**Digital Asset Business (DAB) Supervision**

In 2022, the BMA's Supervision (Financial Technology) Department supervised eight Class F licences, four Class M licences and four Class T licences. The Class F licensed entity supervisory regime consists of annual on-sites and the provision of data returns. Class M licensed entities conduct regularly scheduled supervisory meetings that cover a range of areas based on the business's nature, scale, complexity and risk profile. Such supervisory meetings may include an examination of governance, risk management, cyber risk, AML/ATF, financial position, net assets, segregation, custody of client assets and customer protection, or others depending on the specifics of the entity. The Authority continues to receive a greater number of applications that introduce complex business models spanning various licensing sectors, requiring collaboration and joint-supervisory efforts, growing to 16 licensed entities at year-end.

Insurance Supervision**Existing and Emerging Risks**

The global economy continues to experience major challenges. The COVID-19 pandemic, which at its peak severely disrupted world economies, continues to linger and impact various parts of the world. The global economy is now confronted with high inflation levels, a rising cost of living, the fallout from the Russia/Ukraine conflict, geopolitical tensions, climate change and energy constraints that are impacting the transition to net-zero or a carbon-neutral world. Rapid technological advancement, including developments in artificial intelligence and virtual reality, continues to push the boundaries of what is possible while simultaneously increasing cybersecurity risks. The size and frequency of weather-related catastrophic events continue to increase and wreak havoc on communities around the world. As (re)insurers contended with these macroprudential headwinds and increased losses from devastating events, the Authority continued to fulfil its mandate to ensure policyholder protection and promote financial stability.

Supervisory efforts in 2022 focused on monitoring developments relating to the macroprudential risks and the pandemic in an effort to ensure that the Bermuda insurance industry remained resilient with strong capitalisation levels and sufficient liquidity to absorb projected worst-case loss scenarios. The results of statutory filing reviews, analyses and surveys conducted in 2022 affirmed the strength and readiness of Bermuda insurers to withstand the financial impact of significant natural catastrophe losses and prevailing macroeconomic stresses. The surveys included data calls on claims losses paid by Bermuda insurers to policyholders globally for losses relating to natural catastrophes, property and casualty insurance and life insurance claims. Nevertheless, potential vulnerabilities remain given uncertainties about the global economic conditions and the increasing frequency and severity of natural catastrophes. Therefore, the Authority will continue to monitor developments in these areas.

The supervisory efforts in 2022 also focused on the continuous process of ensuring that the Bermuda regulatory regime remains sound and appropriately aligned with the evolving international regulatory landscape. Towards this end, the Authority undertook targeted enhancements to Bermuda's regulatory regime.

Despite the emphasis on these key focus areas, the Authority continued its day-to-day supervisory activities, including conducting effective and efficient on-site inspections, qualitative and quantitative analyses, and supervisory colleges.

Group Supervision

The BMA's 2022 insurance groups' supervisory activities included 12 on-site reviews and 25 annual supervisory colleges, covering groups for which the Authority is the group supervisor. Furthermore, the Authority participated in 32 supervisory colleges hosted by other competent regulators. The colleges continue to serve as a forum for coordinating supervisory plans and sharing information with overseas regulators for insurance groups with Bermuda-related operations. In addition, the BMA continued to establish memoranda of understanding with the applicable jurisdictions.

Alternative Capital Market

Bermuda's alternative capital market continues to be resilient, despite almost six years of elevated catastrophe losses and concerns over trapped collateralised capital.

Bermuda's reputation as a trusted centre for insurance risk securitisation remained strong during 2022. Catastrophe bond issuances continued to be active during 2022, with property catastrophe/retrocession continuing to be the main business line written. Mortgage bonds continued to be a notable segment within the ILS bond market. Based on market reports by Artemis, the global ILS issuance outstanding market size was US\$37.9 billion at year-end 2022, of which approximately 79% represents bond issuances of catastrophe risk covers, 11% represents mortgage ILS, with the remaining 10% representing a variety of private and other ILS issuances. Given the alternative capital market's significance in Bermuda, the Authority continues to track data and promote ILS transparency globally.

Summary of supervisory activities across sectors for 2022

Sector	Focus of supervisory activity	Supervision activity
AML/ATF	<ul style="list-style-type: none"> Risk-based approach to AML/ATF supervision underpinned by the output of the national risk assessment 	Execution of risk-based supervision across all sectors including: <ul style="list-style-type: none"> 15 remote on-site supervisory examinations at regulated financial institutions, seven desk-based reviews Ongoing quarterly and monthly continuous supervision and monitoring meetings
Insurance	<ul style="list-style-type: none"> On-site inspections focused on a number of key areas, including risk management, corporate governance and capital adequacy 	<ul style="list-style-type: none"> 12 group on-site reviews 24 solo on-site reviews Three intermediary on-site reviews Seven cyber on-site reviews
DAB	<ul style="list-style-type: none"> On-site inspections focused on corporate governance, risk management, compliance, cyber risk management, AML/ATF, client asset segregation and reconciliation, systems and controls in place to combat market manipulation, disclosures, and group updates 	<ul style="list-style-type: none"> One remote on-site supervisory examination was held for a Class F entity and one hybrid on-site supervisory meeting was held for a Class F entity All Class M and Class T entities were subject to monthly supervision and reporting submissions
Cyber Risk	<ul style="list-style-type: none"> Risk-based approach to cyber risk supervision through annual returns' data, documentation reviews, meetings, and on-site inspections, focused on assessing compliance with the relevant sector's Cyber Code of Conduct and assessment of controls' maturity and effectiveness. 	<ul style="list-style-type: none"> Two FinTech on-site reviews Ongoing quarterly and monthly supervision meetings
Banking	<ul style="list-style-type: none"> Pillar 2 supervisory reviews of all licensed banks based on their submission of the CARP reports On-site reviews focused on key risk areas of banking operations on a rotational basis, in coordination with the CARP evaluations 	<ul style="list-style-type: none"> Two on-site reviews, including cyber
Trust	<ul style="list-style-type: none"> On-site inspections focused on corporate governance, enterprise risk, cybersecurity and compliance with the Trusts Act and the relevant code of practice 	<ul style="list-style-type: none"> Five on-site reviews
CSP Business	<ul style="list-style-type: none"> On-site inspections focused on corporate governance, enterprise risk, cybersecurity and compliance with the CSP Act and the relevant code of practice 	<ul style="list-style-type: none"> 16 on-site reviews
Investment Business	<ul style="list-style-type: none"> On-site inspections focused on corporate governance, enterprise risk, cybersecurity and compliance with the IBA and its related code of general business conduct and practice 	<ul style="list-style-type: none"> Four on-site reviews
Credit Union	<ul style="list-style-type: none"> Off-site review assessing compliance with the requirements of the Credit Unions Act 2010 	<ul style="list-style-type: none"> Ongoing

Enforcement

Enforcement Activity

The Authority completed the following enforcement matters in 2022:

- Imposed a prohibition order under the Insurance Act against Mr. Nicholas Mark Cooke (Cooke) arising from extensive failings in his role as director of an insurance brokerage company. Cooke is prohibited from performing the functions of director, controller, chief executive officer, senior executive and associate and conducting any regulated activity that is carried on by way of business requiring registration, or other authority, by the Authority under any provision of the Insurance Act for an indefinite period
- Cancelled the registration of Signify Insurance Ltd. under the Insurance Act due to breaches of the minimum solvency and liquidity margins applicable under the Insurance Act
- Levied civil penalties against Conyers Corporate Services (Bermuda) Limited and Conyers Trust Company (Bermuda) Limited totalling \$2,099,500 due to breaches of the POCR, CSP Act and Trusts Act
- Issued a censure and civil penalties totalling \$425,000 against two companies arising from breaches of the Trusts Act, CSP Act and the POCR
- Filed winding-up petitions with the Supreme Court and obtained winding-up orders in relation to the following companies:
 1. General Professional Indemnity Ltd., a Class 3 insurer, for failures to file accurate statutory financial returns for a protracted period and a failure to file audited financial statements;
 2. Anaplan Institutional Insured Credit Receivables Fund Limited, a Standard Fund, as a result of extensive failures by the fund to comply with requirements of the Investment Funds Act 2006 (IFA), *Investment Fund Rules 2019* and *Investment Fund Offering Document Rules 2019*; and
 3. British Steamship Protection and Indemnity Association (Bermuda) Limited, a Class 2 insurer, for sustained issues of non-compliance with the Insurance Act.

The Authority commenced the following enforcement matters in 2022 that are currently following the applicable statutory procedures:

- A decision notice was issued to an insurance broker with the intention of cancelling its registration for breaches of the Insurance Act, *The Insurance Brokers and Insurance Agents Code of Conduct*, *Companies Act 1981* and *Exchange Control Regulations 1973*. A notice of appeal was filed on behalf of the insurance broker, and the hearing of the appeal is pending
- A decision notice was issued against a director of an insurance broker with the intention of issuing a prohibition order arising from extensive failings of the broker company in relation to its obligations under the Insurance Act. The director filed a notice of appeal and the hearing of the appeal is pending
- A decision notice was issued to a Class C commercial long-term insurer confirming the previous issuance of urgent directions, where there was a significant risk of it not being able to meet policyholder obligations due to uncertainty surrounding financial transactions and failure to comply with reasonable requests made of it by the Authority. A notice of appeal was filed on behalf of the insurer and the hearing of the appeal is pending
- A notice of objection was issued under the Insurance Act to a company domiciled in Delaware, United States of America on the basis that the company was not a fit and proper person to become a controller of a Class 3 insurer. A notice of appeal was filed on behalf of the company and the hearing of the appeal is pending
- A warning notice proposing to revoke the licence and impose civil penalties was issued to a CSP business and its directors arising from failure to meet the minimum criteria for licensing due to repeated failures to comply with obligations of the CSP Act

Policing the Perimeter

In 2022, the Authority, with assistance from the Central Bank of Ireland, issued one public warning with respect to Renfrew Capital Management, which is an unlicensed company.

Additionally, an online publication in March 2022 mistakenly claimed that FTX Trading Ltd. was Bermuda-based, which was corrected after notification from the Authority.

The Authority issued cease and desist letters to three Bermuda companies that are not licensed by the Authority for the following reasons:

1. Offering director services to companies licensed in Bermuda under DABA, an activity which requires a licence to be issued under the CSP Act;
2. Providing trade execution and investment reviews, which requires a licence issued under the IBA; and
3. Providing corporate administrative and secretarial services to companies in Bermuda when such activities require a licence issued under the CSP Act.

Information Sharing

International

The Authority received two foreign requests that were not compliant with the applicable memorandum of understanding governing the requests. In one case, the Authority was able to provide an alternative resolution for the overseas regulator, while the other was declined. A separate request required the Authority to obtain information from other governmental agencies; therefore, assistance was provided without using the Authority's compulsory powers under section 30B of the BMA Act. The final request required information from a formerly regulated entity that had surrendered its licence and left the jurisdiction. This matter remains ongoing.

Domestic

In 2022, the Authority continued to share information with the Bermuda Police Service (BPS) and the FIA. The FIA discontinued its practice of serving notices on the Authority under the provisions of section 16 of the Financial Intelligence Agency Act 2007 (section 16 notices) when seeking corporate information regarding companies incorporated in Bermuda. This accounted for the reduction in the total number of section 16 notices received by the Authority in 2022 compared to 2021. The FIA now obtains this information directly from the company at its registered office. The BPS continues to assist overseas law enforcement authorities in relation to cross-border investigations, which accounts for the increased number of subjects in its requests to the Authority.

Information Sharing with Domestic Agencies

Year	FIA				BPS					
	Disclosures received from FIA	FIA section 16 request for information from BMA	Suspicious activity reports filed by the BMA	BMA request for information from FIA	BPS request for information from the BMA	Number of subjects	Production orders issued to the BMA	BPS voluntary disclosure to the BMA	BMA voluntary disclosure to BPS	BMA request for information from BPS
2019	1	4	7	4	5	20	0	*	6	1
2020	1	2	9	6	13	42	1	2	8	1
2021	5	3	3	1	18	172	1	5	9	4
2022	2	0	4	1	6	251	1	3	12	3

Licensing

Banking Registration

In June 2022, under section 14 of the BDCA, the Authority licensed Bermuda's first new bank in over 20 years, issuing a licence to Jewel 2265 Ltd., subsequently re-registered as Jewel Bancorp Limited. This brings the number of entities licensed to conduct deposit-taking business in and from within Bermuda to five. Jewel Bancorp Limited is also licensed according to Section 2 of the DABA as a Class F DAB.

Insurance Registrations*

In 2022, 84 new insurance entities registered with the BMA comprising 80 insurers and four intermediaries. The 80 new insurer registrations were comprised of 18 captives (23%), 24 SPIs (30%), 14 general business commercial insurers (18%), 18 long-term commercial insurers (23%), two collateralised insurers (2%), one innovative general business insurer (1%) and three sandbox companies writing innovative general and long-term business (3%). Of the 80 new insurance registrants, 61 underwrite general business exposures and the remaining 19 underwrite long-term business exposures. Additionally, the Authority became the group supervisor of one new insurance group in 2022.

Summary — Approved Applications*

Class 1	14
Class 2	7
Class 3	6
Class 3A	12
Class 3B	6
Class 4	2
Collateralized Insurer	2
Class II GB	1
Sandbox, IGB Insurer	2
Sandbox, ILT Insurer	1
Class C	14
Class E	13
Restricted SPI	23
Unrestricted SPI	3
Insurance Broker	3
Insurance Agent	3
Sandbox, Insurance Broker	1
Total Approved Insurance Applications	113

*Companies are required to apply for registration after they are approved for licensing

Summary of BTCSI-related Licensee Status as at the year ended 31 December 2022

Sector	Licensing activity	2021	2022
Banking	Total licensees at the end of the year	4	5
	New licences issued	0	1
Trust	Total licensees at the end of the year	26	26
	Licences surrendered	1	1
	New licences issued	0	1
	New private trust companies	9	5
Investment Business	Total licensees at the end of the year	51*	48
	Licences surrendered	1	3
	New licences issued	2	0
	Declined licences	2	1
Fund Administration	Total licensees at the end of the year	24*	24
	Licences surrendered	0	1
	New licences issued	1	1
CSP Business	Total licensees at the end of the year	94	94
	Licences surrendered	4	3
	New limited licences issued	1	3
	New unlimited licences issued	0	0
	Declined licences	0	0
	New CSP exemptions	1	3
Credit Union	Total at the end of the year	1	1
MSB	Total licensees at the end of the year	3	3
	New licences issued	0	0
	Declined licences	0	1
Stock Exchanges	Total at the end of the year	1	1

*Restated number

Companies, Partnerships and Permits Statistics

	2021 Full Year	2022 Full Year	Q1-2022	Q2-2022	Q3-2022	Q4-2022
Companies*	866	870	226	246	194	200
Exempted Partnerships (partnerships established in Bermuda to carry on business in or from within Bermuda)	136	257	52	25	31	28
Overseas Partnerships (overseas partnerships applying for permits to carry on business in or from within Bermuda)	0	1	0	0	0	0
Overseas Permit Companies (overseas companies applying for permits to carry on business in or from within Bermuda)	4	0	4	0	0	0
Total Applications Approved	1006	1128	282	271	225	228

**Companies includes continuations into Bermuda, exempted, exempted limited by guarantee, local (including 60/40), local limited by guarantee and limited liability companies*



Designing an Improved Authority

Information Technology (IT)

Building upon the foundation first laid out in 2015, the Authority continued to progress with its IT Strategy: Vision 2025. The goal of this strategy is to unite three key domains effectively and efficiently—people, processes and technology. Foundational to this is recognising the importance of an effective strategy to build cyber resilience in the workplace and the workforce. Additionally, to keep pace with workplace best practices, in 2022, the BMA continued redefining culture and redesigning workplaces and workflows by investing in new collaboration tools, technology and end-user training.

BMAConnect

The BMA's new intranet, BMAConnect, went live in mid-2022, replacing the Authority's previous intranet. The BMAConnect's new software as a service solution approach is a key part of the BMA's digital transformation strategy. As a result, the BMA has a user-friendly intranet that facilitates effective workplace communication and has significantly enhanced employee engagement in the post-COVID-19 hybrid workforce.

INTEGRA®

The Authority continued to implement INTEGRA®—a multiyear, multiphase project designed to automate the entire supervisory lifecycle by improving turnarounds and data quality, thereby enabling more effective supervision. Focused on the licensing and supervision of investment funds, Phase III of INTEGRA® was rolled out in mid-2022.

Electronic Records and Information Management (ERIM)

In 2022, the Authority commenced ERIM, which is one of its key initiatives under IT Strategy: Vision 2025 and an integral part of the BMA's digital transformation strategy. The ERIM system is a multiyear, multiphase project designed to create and manage documents, automate business processes with workflows, and build compliant, yet invisible, governance and retention capabilities. ERIM also uses artificial intelligence and a low-code platform to extract even more value from documents and the knowledge they contain. As a result, the system will enhance both the workplace and industry experiences, improve decision-making and accelerate services to market.

Data Management Strategy

As data security remains a top priority for the BMA, it is enhancing its entire existing data management strategy as one of the critical initiatives of IT Strategy: Vision 2025. In 2022, the BMA continued to roll out its data lake while also enhancing business intelligence and analytical reporting capabilities. The BMA's strategy is to continue to add data-centricity, which utilises building tools that act on data to drive the organisation. Over the next few years, the Authority will continue its digital transformation journey and the implementation of a new data management strategy.

Project Management Office (PMO)

The PMO maintains its support of the Authority's continued evolution and transformation, ensuring projects, from ideation to completion, are managed consistently and uniformly. The PMO's domain includes the following areas of responsibility:

- **Project support:** In 2022, the PMO continued to provide assistance and direction with project initiatives across the Authority. These efforts ranged from 'light-touch' project planning support to extensive, ongoing engagement throughout the project life cycle, such projects included BMA House exterior refurbishment, ERIM document management project phase I launch and phase II initiation and INTEGRA® incremental enhancement release and Phase IV initiation
- **Ownership of the project management process:** Over the year, the PMO leveraged best-practice operational processes in addition to shared principles, methodologies and templates to maintain high-quality project delivery
- **Gathering project information:** New initiatives were submitted, monitored and managed within the BMA's project management solution, Proggio, through redesigned project approval and onboarding processes
- **Portfolio management:** In 2022, key stakeholders and the Project Portfolio Governance Committee worked together to implement and enhance the formal portfolio management framework first put in place in 2021
- **Effective delivery:** The agile methodology concepts and competencies launched in 2021 were expanded upon in 2022, working alongside multiple internal stakeholders and outside vendors

BMA Management Team (as at 31 December 2022)

Craig Swan	Chief Executive Officer
Shanna Lespere	Deputy Chief Executive Officer

Supervision

Ricardo Garcia	Managing Director, Supervision
Jeferino Dos Santos	Chief Actuary, Supervision (Actuarial Services)
Gary Thomas	Deputy Director, Supervision (Actuarial Services)
Chris Brown	Director, Supervision (AML/ATF) and Conduct Regulation
Bruce Law	Senior Advisor, Supervision (AML/ATF)
Moad Fahmi	Senior Advisor, Supervision (Financial Technology)
Ashley Kibblewhite	Director, Supervision (BTCSI)
Keyon Swaby	Deputy Director, Supervision (BTCSI)
Shaka James	Deputy Director, Supervision (BTCSI)
Gerald Gakundi	Director, Supervision (Insurance)
Martin Maringi	Deputy Director, Supervision (Insurance)
Mellisa Burgess	Deputy Director, Supervision (Insurance)
Kofi Takyi	Deputy Director, Supervision (Insurance)
Ralf Kuerzdoerfer	Deputy Director, Supervision (Insurance)
Moses Muoki	Deputy Director, Supervision (Insurance)
George Alayon	Deputy Director, Supervision (Insurance)

Data Science and Artificial Intelligence

Eric Donkoh	Head of Data Science and Artificial Intelligence
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Legal Services and Enforcement

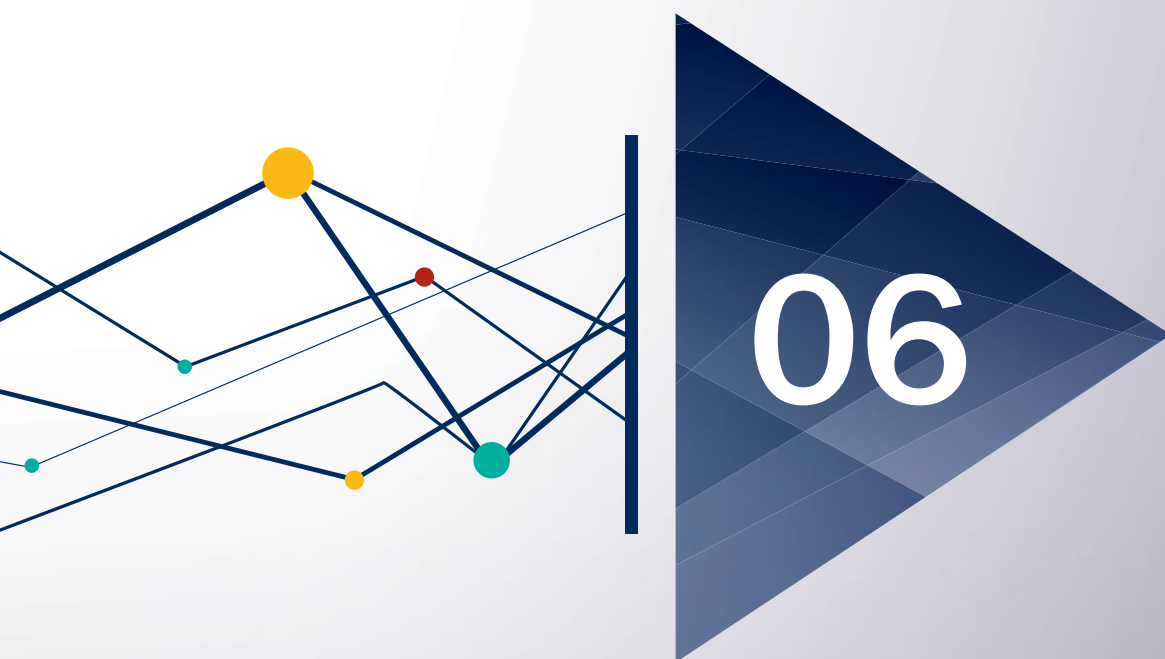
Michael J. Burns	Director, Legal Services and Enforcement
Dina Wilson	Deputy Director, Legal Services
Susan Davis-Crockwell	Deputy Director, Enforcement

Financial Stability and Research

Marcelo Ramella	Director, Financial Stability and Research
Leo Mucheriwa	Financial Stability Advisor, Head of Research

BMA Management Team *(Continued)*

Policy Development	
Yvette Pierre	Chief Policy and Strategy Officer
Ifor Hughes	Deputy Director, Policy
Collin Anderson	Deputy Director, Strategy and International Affairs
Operations	
Terry Pitcher	Director, Finance and Currency Operations
Adrian Mendoza	Deputy Director, Finance and Currency Operations
Michael Albouy	Deputy Director, Project Management Office
Sheridan Smith	Director, Management Services
Michael Dearing	Deputy Director, Management Services
Mesheiah Crockwell	Director, Human Resources
Michael Bean	Senior Manager, Compensation & Benefits (Human Resources)
Julie Dill	Senior Business Partner, People & Talent Management (Human Resources)
Elizabeth Amyoony	Senior Business Partner, People & Culture (Human Resources)
Marianne Suschak-Matvey	Director, Communications and Public Relations
Martin Schembri	Deputy Director, Cyber Risk



Statistics

Financial Highlights 2022

The Authority's total comprehensive income amounted to \$5.45 million in 2022, down from \$13.30 million in the previous year. Total revenue increased by 8.98% year on year to \$79.65 million, up from \$73.09 million. The increase is mainly due to a \$2.47 million growth in revenue from contracts with licensees due to increased revenue from supervisory and licensing fees. Revenue from fines, penalties and other income also grew by \$1.69 million due to increased AML, insurance, trust, and CSP fines. Investment income increased by \$2.41 million, mainly due to increased interest from repurchase agreements and fixed-income securities. Additionally, the quality of the Authority's held-to-maturity portfolio of investments remained very high, with all securities maintaining a rating of AA+ or better.

Expenses increased by 24.12% to \$74.20 million, up from \$59.79 million in the prior year. The increase is mainly due to the \$8.75 million in increased salaries and benefits, which supported increased headcount and a staff benefits amendment following a comprehensive review of the Authority's benefits structure to identify enhancements to attract talent, improve engagement and increase employee retention. General expenses increased by \$3.26 million, mainly due to increased repairs and maintenance of the BMA House building and increased computer hardware and software maintenance expenses. In addition, circulation currency expenses increased by \$1.11 million due to inventory write-off following the passing of Her Majesty Queen Elizabeth and the forthcoming introduction of polymer banknotes (initially the \$2 and \$5 notes) in the first quarter of 2024. The remainder of the increase in expenses is due to increases in professional fees (\$589,000), amortisation of intangible assets (\$244,000), Expected Credit Loss (ECL) allowance for receivables (\$239,000), depreciation of property and equipment (\$196,000) and ECL for cash and cash equivalents of (\$35,000). These were offset by the decrease in finance costs of (\$12,000).

The organisation's headcount increased to 235 as of 31 December 2022 (compared to 219 at 2021 year-end). This much-needed increase was critical to support the BMA's rapidly expanding supervisory remit across numerous sectors. The growing need for highly skilled technical staff in data analytics, actuarial science, risk analytics, enterprise risk management and conduct supervision has largely driven the steadily increasing resourcing demands post-lifting of the multi-year hiring freeze imposed during the COVID-19 pandemic.

The headcount is expected to continue to increase in the coming year as staffing levels in the supervisory and operational areas increase to ensure ongoing alignment with growing regulatory and operational support needs.

Learning and development activities during the year were primarily focused on supporting individual effectiveness in coaching and leadership, as well as fostering staff's continued development in ever-evolving and technical supervisory arenas.

Currency

Currency Coins Issued and Redeemed (Bermuda Dollar)

Month	Coins Issued	Coins Issued and O/S* at End of Month	Net Issues During Month	
			Change	% Change
January	0	18,431,873	0	0.00%
February	0	18,431,873	0	0.00%
March	0	18,431,873	0	0.00%
April	0	18,431,873	0	0.00%
May	0	18,431,873	0	0.00%
June	6	18,431,879	6	0.00%
July	189,401	18,621,280	189,401	1.03%
August	7	18,621,287	7	0.00%
September	2	18,621,289	2	0.00%
October	11	18,621,300	11	0.00%
November	1	18,621,301	1	0.00%
December	0	18,621,301	0	0.00%
Year				
2022	189,428	18,621,301	189,428	1.03%
2021	705,100	18,431,873	705,100	3.98%

Currency Notes Issued and Redeemed (Bermuda Dollar)

Month	Notes Issued				Notes Issued and O/S* at End of Month	Net Issues During Month	
	New	Reissued	Total	Notes Redeemed		Change	% Change
January	0	2,000,000	2,000,000	0	184,789,336	2,000,000	1.09%
February	2,600,000	0	2,600,000	14,360,000	173,029,336	(11,760,000)	-6.36%
March	1,200,000	9,010,000	10,210,000	14,950,000	168,289,336	(4,740,000)	-2.74%
April	0	3,000,000	3,000,000	1,367,000	169,922,336	1,633,000	0.97%
May	311	9,000,000	9,000,311	2,491,945	176,430,702	6,508,366	3.83%
June	499	4,300,000	4,300,499	9,203,000	171,528,201	(4,902,501)	-2.78%
July	90,004	19,466,000	19,556,004	12,638,938	178,445,267	6,917,066	4.03%
August	70,586	2,100,000	2,170,586	6,713,000	173,902,853	(4,542,414)	-2.55%
September	2,006	2,500,000	2,502,006	6,875,000	169,529,859	(4,372,994)	-2.51%
October	77,394	7,600,000	7,677,394	3,675,600	173,531,653	4,001,794	2.36%
November	14	3,000,000	3,000,014	2,558,922	173,972,745	441,092	0.25%
December	420,197	4,080,000	4,500,197	4,500,000	173,972,942	197	0.00%
Year							
2022	4,461,011	66,056,000	70,517,011	79,333,405	173,972,942	(8,816,394)	-4.82%
2021	10,246,000	56,620,000	66,866,000	43,652,000	182,789,336	23,214,000	14.55%

*Outstanding

Banking

Bermuda Money Supply

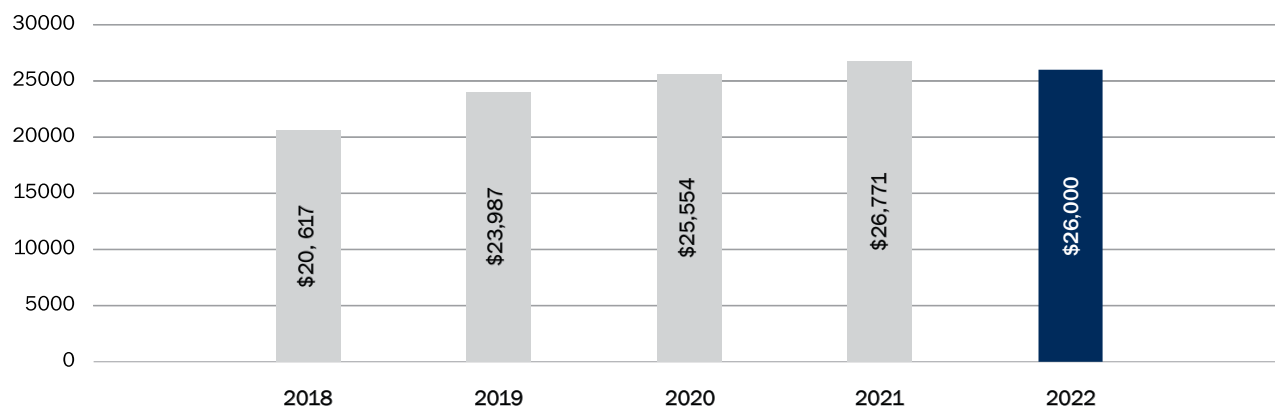
(BD\$ millions)	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021
Notes and coins in circulation*	193	188	190	187	201
Deposit liabilities:	3,832	3,918	3,991	3,999	3,963
Total	4,025	4,106	4,181	4,186	4,164
Less: cash at banks and deposit companies	70	65	66	61	76
BD\$ Money Supply	3,955	4,041	4,115	4,125	4,088
% Change on previous period	-2.13%	-1.80%	-0.25%	0.91%	0.99%
% Change year on year	-3.25%	-0.17%	1.86%	2.21%	3.60%

Totals may not add due to rounding.

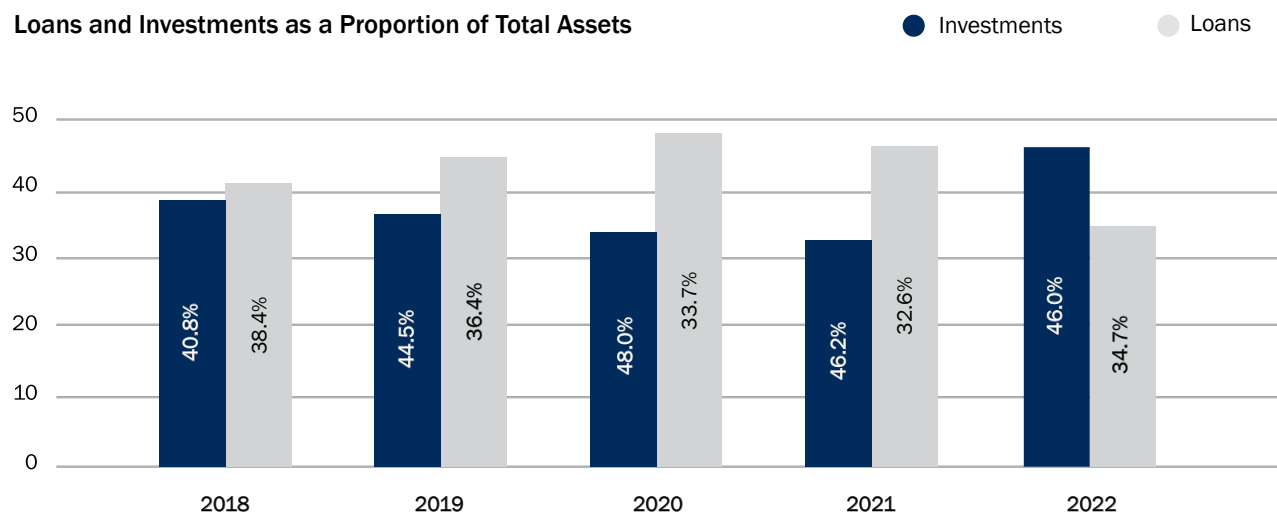
*This table includes the supply of Bermuda dollars only.

United States currency is also in circulation in Bermuda but the amount has not been quantified.

Bermuda Bank and Deposit Companies Total Assets (BD\$ Millions)



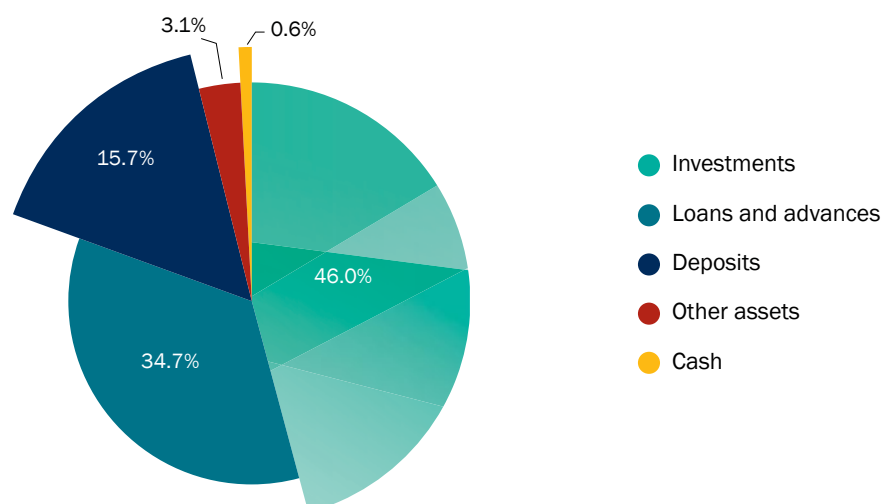
Loans and Investments as a Proportion of Total Assets



Banking Sector Assets and Deposits

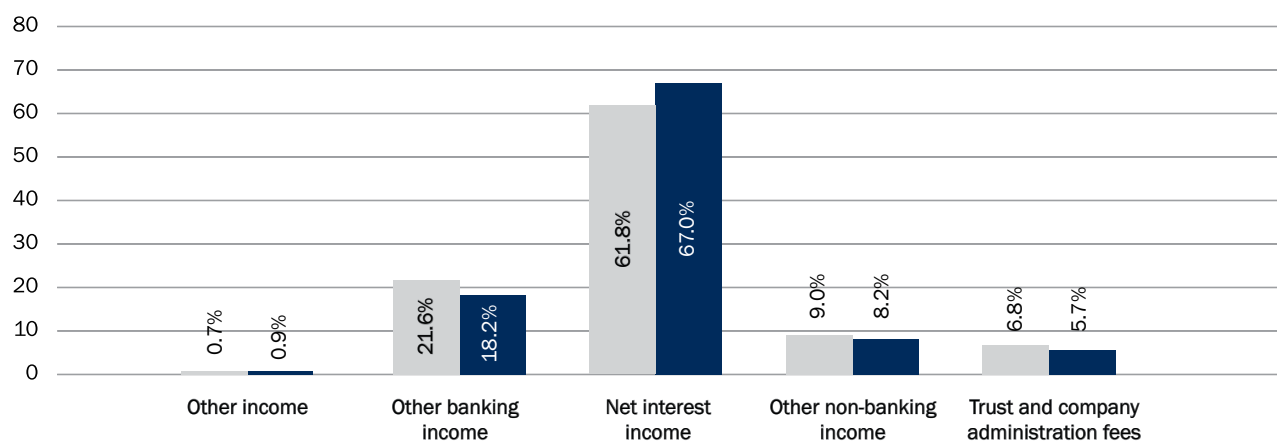
(BD\$ millions)	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
Total assets	26,000	25,531	26,668	28,003	26,771	27,233
Quarterly changes (%)	1.8%	-4.3%	-4.8%	4.6%	-1.7%	12.8%
Total deposits	23,501	23,026	24,178	25,413	24,134	24,564
Quarterly changes (%)	2.1%	-4.8%	-4.9%	5.3%	-1.8%	13.8%

Composition of Banks' Assets (as at 31 December 2022)

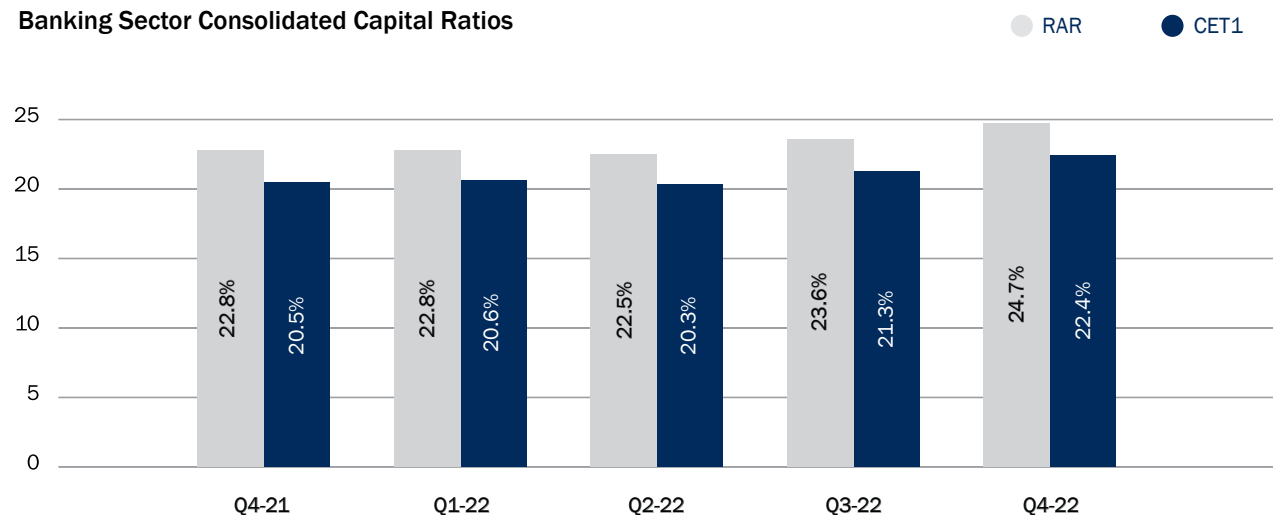


Banks and Deposit Companies Revenues (Consolidated)

● 2021 ● 2022



Banking Sector Consolidated Capital Ratios



Combined Banks and Deposit Companies Foreign Currency Position (Consolidated)

(BD\$ millions)	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
Total foreign currency assets	22,718	22,172	23,323	24,651	23,357	23,787
Less: other assets	482	434	380	345	336	356
Less: foreign currency loans to residents	904	910	906	916	923	876
Net foreign currency assets	21,332	20,828	22,037	23,390	22,098	22,555
Foreign currency liabilities	20,033	19,610	20,604	21,833	20,386	20,873
Add: BD\$ deposits of non-residents	59	60	61	59	61	61
Net foreign currency liabilities	20,092	19,670	20,665	21,892	20,447	20,934
Net foreign currency position	1,240	1,158	1,372	1,498	1,651	1,621

Totals may not add due to rounding.

BD\$ Deposit and Loan Profile – Combined Banks and Deposit Companies (Unconsolidated)

(BD\$ millions)	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
Deposit liabilities	3,832	3,918	3,991	3,999	3,999	3,963
Less: loans, advances and mortgages	3,103	3,134	3,150	3,172	3,215	3,264
Surplus/(deficit) deposits	733	789	846	831	755	664
Percentage of deposits loaned	80.9%	79.9%	78.8%	79.2%	81.0%	83.1%

Combined Balance Sheet of Bermuda Banks and Deposit Companies (Consolidated)

	Q4-2022			Q3-2022			Q2-2022		
(BD\$ millions)	Total	BD\$	Other*	Total	BD\$	Other*	Total	BD\$	Other*
Assets									
Cash	144	70	74	145	65	80	142	66	76
Deposits	4,074	17	4,057	3,189	23	3,166	4,267	24	4,243
Investments	11,952	27	11,925	12,496	25	12,471	13,054	26	13,028
Loans and advances	9,028	2,848	6,180	8,902	2,881	6,021	8,487	2,891	5,596
Premises and equipment	269	157	112	270	159	111	300	188	112
Other assets	533	163	370	529	206	323	418	150	268
Total Assets	26,000	3,282	22,718	25,531	3,359	22,172	26,668	3,345	23,323
Liabilities									
Demand deposits	12,199	1,650	10,549	11,773	1,726	10,047	12,449	1,803	10,646
Savings	7,018	1,552	5,466	7,455	1,589	5,866	7,955	1,609	6,346
Time deposits	4,284	630	3,654	3,798	603	3,195	3,774	579	3,195
Sub total - Deposits	23,501	3,832	19,669	23,026	3,918	19,108	24,178	3,991	20,187
Other liabilities	665	301	364	822	320	502	736	319	417
Sub total - Liabilities	24,166	4,133	20,033	23,848	4,238	19,610	24,914	4,310	20,604
Equity and subordinated debt	1,834	1,999	(165)	1,683	1,876	(193)	1,754	1,835	(81)
Total Liabilities and Capital	26,000	6,132	19,868	25,531	6,114	19,417	26,668	6,145	20,523

*Other includes United States Dollar (USD) and other currencies

Combined Balance Sheet of Bermuda Banks and Deposit Companies (Consolidated)

	Q1-2022			Q4-2021			Q3-2021		
(BD\$ millions)	Total	BD\$	Other*	Total	BD\$	Other*	Total	BD\$	Other*
Assets									
Cash	118	61	57	137	76	61	136	70	66
Deposits	6,526	18	6,508	4,906	24	4,882	5,384	20	5,364
Investments	12,366	26	12,340	12,355	25	12,330	12,386	25	12,361
Loans and advances	8,320	2,919	5,401	8,718	2,970	5,748	8,649	3,009	5,640
Premises and equipment	299	187	112	299	188	111	301	191	110
Other assets	374	141	233	356	131	225	377	131	246
Total Assets	28,003	3,352	24,651	26,771	3,414	23,357	27,233	3,446	23,787
Liabilities									
Demand deposits	13,415	1,813	11,602	12,376	1,784	10,592	13,361	1,738	11,623
Savings	8,120	1,612	6,508	7,900	1,582	6,318	7,313	1,567	5,746
Time deposits	3,878	574	3,304	3,858	598	3,260	3,890	620	3,270
Sub total – Deposits	25,413	3,999	21,414	24,134	3,964	20,170	24,564	3,925	20,639
Other liabilities	728	309	419	544	328	216	552	318	234
Sub total – Liabilities	26,141	4,308	21,833	24,678	4,292	20,386	25,116	4,243	20,873
Equity and subordinated debt	1,862	1,897	(35)	2,093	1,939	154	2,117	1,916	201
Total Liabilities and Capital	28,003	6,205	21,798	26,771	6,231	20,540	27,233	6,159	21,074

*Other includes United States Dollar (USD) and other currencies

Investment Funds

Fund Count Statistics	Q4-2022	Q4-2021
Administered Funds	2	4
Professional Class A Funds	71	73
Professional Class B Funds	49	45
Professional Closed Funds	90	73
Institutional Funds	161	169
Private Funds	209	215
Standard Funds	86	89
Designated Overseas Funds	136	131
Total Number of Funds	804 (0.63%)	799 (0.38%)
Net Asset Value (\$BD billion)	\$ 292.71 (33.29%)	\$ 219.60 (6.76%)

**The NAV for Overseas Funds is not included in the NAV total, because these funds are not subject to the Authority's supervision and regulation; rather they are subject to the laws and regulations in their home country.*

Administered Funds must appoint a Bermuda-licensed fund administrator and participants are required to invest a minimum amount of \$50,000; or the fund must be listed on a stock exchange recognised by the Authority. Administered funds are not restricted to qualified participants.

Class A Professional Funds are limited to qualified participants; the fund must have an officer, trustee or resident representative in Bermuda, being a person who has access to the books and records of the fund; the fund must appoint fit and proper service providers in accordance with the IFA. The investment manager appointed to the fund must be either licensed in Bermuda; authorised or licensed by a foreign regulator recognised by the Authority; or carrying on business i) in or from Bermuda, or ii) in a jurisdiction recognised by the Authority, being a person who has gross assets under management of an amount that is not less than \$100 million, or is a member of an investment management group that has consolidated gross assets under management of an amount that is not less than \$100 million; and the fund must file its audited Generally Accepted Accounting Principles (GAAP)/International Financial Reporting Standards (IFRS) financial statements on an annual basis.

Class B Professional Funds are limited to qualified participants; the fund must have an officer, trustee or resident representative in Bermuda, being a person who has access to the books and records of the fund; the fund must appoint fit and proper service providers in accordance with the IFA; and the fund must file its audited GAAP/IFRS financial statements on an annual basis.

Designated Overseas Funds means an investment fund incorporated or established in a jurisdiction outside Bermuda; Designated Overseas Funds are subject to regulatory and supervisory oversight by the relevant overseas regulator; on an annual basis the fund must verify its compliance with the applicable rules and requirements of the overseas regulatory authority in the country or territory in which it is incorporated or established, and comply with Bermuda laws.

Institutional Funds are limited to qualified participants investing at least \$100,000; they are required to have an officer, trustee or resident representative in Bermuda, being a person who has access to the books and records of the fund; the fund must appoint fit and proper service providers in accordance with the IFA; and the fund must have an annual audit.

Private Funds are restricted to 20 participants or less. The operator of the fund cannot market to the public and at least one of the service providers appointed must be licensed in Bermuda. If the Private Fund is open-ended, it must appoint a fund administrator and a custodian. If the Private Fund is closed-ended, it must appoint a fit and proper designate responsible for segregating and safekeeping the assets in the fund. Open-ended and closed-ended Private Funds must file management accounts or audited financial statements annually.

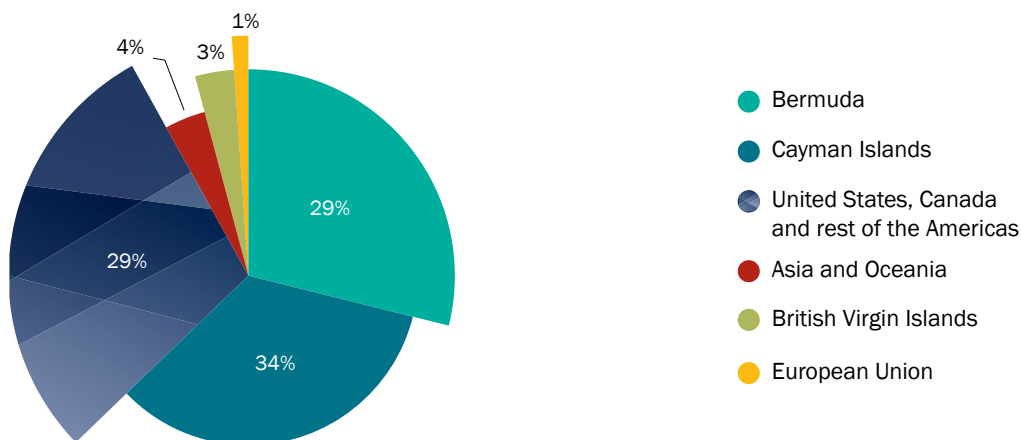
Professional Closed Funds are limited to 'qualified participants'. The fund must appoint fit and proper service providers in accordance with the IFA; the fund must appoint a service provider licensed in Bermuda or a resident representative with authority to access the books and records of the fund; the fund must appoint a fit and proper designate responsible for segregating and safekeeping the assets in the fund; the fund must provide an investment warning to its participants prior to the time of purchase of units in a form approved by the BMA; and the fund must file its audited GAAP/IFRS financial statements annually.

Standard Funds do not fit within any other class of fund. Such funds are not restricted to qualified participants and may include a significant number of retail investors. The fund must appoint fit and proper service providers in accordance with the IFA; and the fund must have an annual audit. Standard funds are subject to a higher degree of regulatory and supervisory oversight.

Total Funds By Jurisdiction

An aggregate total of US\$242.4 billion in assets under administration was reported by Bermuda fund administration business provider licensees as of 31 December 2022, up 12.26% from the aggregate total of US\$215.9 billion for the same period in 2021.

The total number of funds administered increased by 29.73%, from 1,991 in 2021 to 2,583, of which 285 are local incorporated funds with Bermuda-licensed fund administrators. The jurisdictional breakdown to the right reflects the total fund clients as of 31 December 2022.

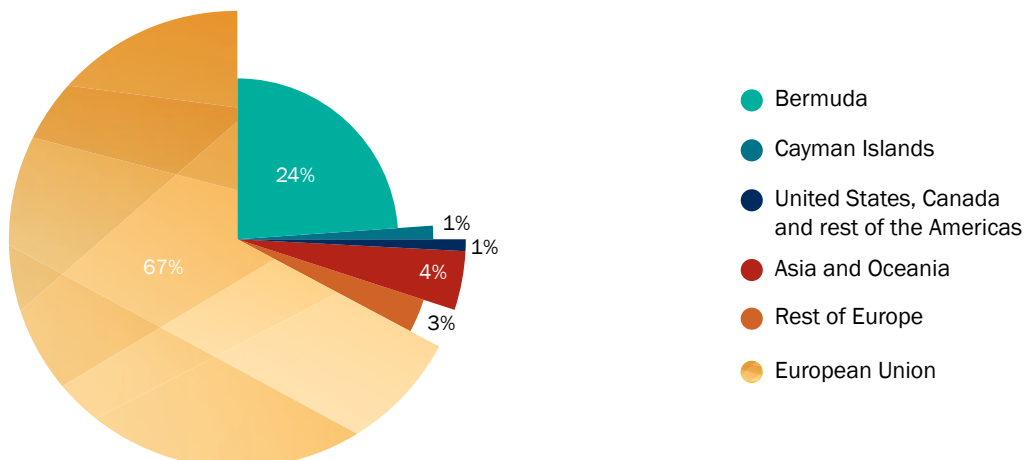


Total Assets Under Management (AUM) by Jurisdiction

The total aggregate AUM as at 31 December 2022 reported by investment business licensees was US\$216.2 billion compared to US\$253.2 billion reported for 2021; a decrease of 14.6%.

A significant proportion of these assets (67%) pertains to European Union clients, and 24% are Bermuda-based clients.

The graphic to the right shows the total market share of AUM by jurisdiction as of 31 December 2022.

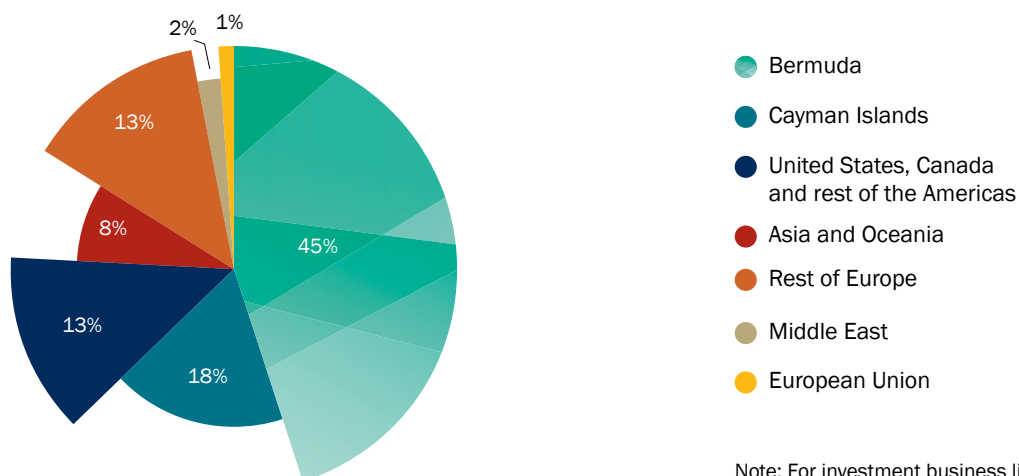


Investment Business Licensee Aggregate 2022 Data: Total Assets Under Administration (AUA) by Jurisdiction

The total aggregate AUA as at 31 December 2022 reported by investment business licensees was US\$26.8 billion, compared to US\$31.5 billion reported for 2021.

A significant proportion of these assets (45%) pertains to Bermudian clients followed by clients from the Cayman Islands and the United States, Canada, and the rest of the Americas.

The graphic to the right shows the total market share of AUA by jurisdiction as of 31 December 2022.



Note: For investment business licensees, AUA is classified as assets managed on behalf of investors on a non-discretionary basis.

Insurance

Analysis of All Insurers Registered

Class of Insurer by Licence	2022	%	2021	%
Class 1	170	14.2%	169	14.6%
Class 2	256	21.4%	252	21.8%
Class 3	186	15.6%	190	16.4%
Class 3A	120	10.0%	119	10.3%
Class 3B	33	2.8%	27	2.3%
Class 4	44	3.7%	43	3.7%
Class A	8	0.7%	8	0.7%
Class B	13	1.1%	13	1.1%
Class C	86	7.2%	83	7.2%
Class D	7	0.6%	8	0.7%
Class E	66	5.5%	57	4.9%
SPI	191	16.0%	178	15.4%
Collateralized Insurer	9	0.8%	7	0.6%
IGB	3	0.3%	2	0.2%
IIGB	3	0.1%	1	0.1%
Innovative Marketplace Provider	1	0.3%	1	0.1%
Totals:	1,196	100%	1,158	100%

Analysis of Additions to the Register

Class of Insurer by Licence	2022 Registrations	%	2021 Registrations	%
Class 1	9	11.3%	5	7.8%
Class 2	7	8.8%	8	12.5%
Class 3	2	2.5%	4	6.3%
Class 3A	9	11.3%	3	4.7%
Class 3B	4	5.0%	2	3.1%
Class 4	1	1.3%	1	1.6%
Class A	0	0.0%	0	0.0%
Class B	0	0.0%	0	0.0%
Class C	9	11.3%	5	7.8%
Class D	0	0.0%	0	0.0%
Class E	9	11.3%	8	12.5%
SPI	24	30.0%	27	42.2%
Collateralized Insurer	2	2.5%	0	0.0%
Innovative Long-term Insurer	1	1.3%	0	0.0%
IGB	2	2.5%	1	1.6%
IIGB	1	1.3%	0	0.0%
Totals:	80	100%	64	100%

Market Statistics by Class of Insurer

For the year ended 31 December 2021

Class of Insurer	No. of Licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
Class 1	169	2,333,121,374	1,960,081,842	18,120,135,559	13,925,207,443
Class 2	252	9,498,102,449	8,066,400,503	63,345,613,144	35,730,173,982
Class 3	190	16,440,071,299	11,653,073,128	63,278,503,798	21,589,610,070
Class 3A	119	27,087,153,507	19,264,620,994	67,539,789,913	27,566,198,558
Class 3B	27	8,927,141,999	7,265,021,165	46,907,810,721	21,237,052,202
Class 4	43	58,502,015,601	46,013,313,223	227,240,574,360	104,984,802,347
Class A	8	604,639,989	52,566,710	5,372,222,168	2,395,591,606
Class B	13	253,438,367	232,202,287	434,592,676	135,035,648
Class C	83	33,837,732,669	28,170,116,213	181,442,799,399	15,974,725,727
Class D	8	133,447,700	68,150,111	5,768,984,906	415,513,064
Class E	57	102,053,255,694	72,674,834,270	882,284,687,276	111,468,818,626
SPI	178	7,506,492,342	6,893,620,640	66,494,362,649	13,979,631,708
Collateralized	7	964,162,294	433,544,022	5,419,541,608	1,302,640,755
Total	1,154	268,140,775,285	202,747,545,107	1,633,649,618,176	370,705,001,734

*Underwriting statistics quoted are from insurance company Statutory Financial Returns (SFR). Companies submit filings on a phased basis throughout the year following the financial year-end. The initial submission deadline for 2021 SFRs was April 2022. Due to this schedule, the most recent complete year-end figures for this overview are from 2021 year-end.

Class 1: A single-parent captive insurance company underwriting only the risks of the owners of the insurance company and affiliates of the owners.

Class 1 insurers are required to maintain minimum capital and surplus which is equal to, or in excess of, an amount derived from the greater of premium and reserve-based formulas, subject to a \$120,000 floor.

Class 2: Multi-owner captives, which are defined as insurance companies owned by unrelated entities, provided that the captive underwrites only the risks of the owners and affiliates of the owners and/or risks related to or arising out of the business or operations of the owners and affiliates.

A Class 2 licence will also apply to single-parent and multi-owner captives writing no more than 20% of net premiums from risks that are not related to, or arising out of, the business or operations of their owners and affiliates.

Class 2 insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of premium and reserve-based formulas, subject to a \$250,000 floor.

Class 3: Applies to insurers and reinsurers not included in Class 1, 2, 3A, 3B or 4. This includes structured reinsurers writing third-party business; insurers writing direct policies with third-party individuals; single-parent, group, association, agency or joint venture captives where more than 20% of net premiums written is from risks that are unrelated to the business of the owners.

Class 3 insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of premium and reserve-based formulas, subject to a \$1 million floor.

Class 3A: Small commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or net loss and loss expense provisions and where the unrelated business net premiums are less than \$50 million.

Class 3A insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) a premium-based formula, 3) a reserve-based formula and 4) a \$1 million floor.

Class 3B: : Large commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or net loss and loss expense provisions and where the unrelated business net premiums are more than \$50 million.

Class 3B insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) a premium-based formula, 3) a reserve-based formula and 4) a \$1 million floor.

Class 4: Insurers and reinsurers underwriting direct excess liability insurance and/or property catastrophe reinsurance risks.

Class 4 insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) a premium-based formula, 3) a reserve-based formula and 4) a \$100 million floor.

SPI: In order for a company to receive consideration for registration as an SPI, it would have to meet the criteria discussed in the *Guidance Note: Special Purpose Insurers*. The SPI will be licensed as either restricted or unrestricted. A restricted SPI may conduct special purpose business with specific cedents approved by the Authority, while unrestricted SPIs may transact with any cedent, if the cedent is rated A- or higher, in terms of its financial strength, by AM Best or an equivalent rating from a rating agency recognised by the Authority.

Collateralized Insurer: means an insurer that carries on special purpose business, but is not a 'SPI'. Collateralized Insurers write business on a fully collateralized or fully funded basis.

Class IIGB: A body corporate who intends to carry on general business in an innovative manner (e.g., those intending to use digital assets or cryptocurrency for their insurance business).

Long-term (life insurance)

Class A: A single-parent long-term captive insurance company underwriting only the long-term business risks of the owners of the insurance company and affiliates of the owners.

Class A insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from an asset-based formula subject to a \$120,000 floor.

Class B: Multi-owner long-term captives, which are defined as long-term insurance companies owned by unrelated entities, provided that the captive underwrites only the long-term business risks of the owners and affiliates of the owners and/or risks related to or arising out of the business or operations of their owners and affiliates.

A Class B licence will also apply to single-parent and multi-owner long-term captives writing no more than 20% of net premiums from risks that are not related to, or arising out of, the business or operations of their owners and affiliates.

Class B insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from an asset-based formula, subject to a \$250,000 floor.

Class C: Long-term insurers and reinsurers with total assets of less than \$250 million; and not registrable as a Class A or Class B insurer.

Class C insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) an asset-based formula and 3) a \$500,000 floor.

Class D: Long-term insurers and reinsurers with total assets of \$250 million or more, but less than \$500 million; and not registrable as a Class A or Class B insurer.

Class D insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) an asset-based formula and 3) a \$4 million floor.

Class E: Long-term insurers and reinsurers with total assets of more than \$500 million; and not registrable as a Class A or Class B insurer.

Class E insurers are required to maintain minimum capital and surplus equal to, or in excess of, an amount derived from the greater of 1) a risk-based capital model reflective of tail risks, 2) an asset-based formula and 3) an \$8 million floor.

Market Statistics by Region of Beneficial Owner/s

For the year ended 31 December 2021

Domicile of Owners	No. of licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
Captives					
Africa/Middle East	9	141,913,483	50,630,643	252,575,558	142,041,752
Asia	29	1,311,909,476	1,177,581,712	1,430,634,368	1,080,913,441
Australia/New Zealand	10	145,994,231	107,607,824	435,435,043	996,472,815
Bermuda	57	5,764,076,260	3,028,577,936	31,301,691,354	12,001,389,157
Caribbean/Latin America	27	164,259,623	66,628,680	870,258,084	600,712,405
Europe	83	3,664,977,668	2,417,298,720	19,906,485,720	12,781,955,207
North America	417	17,936,242,738	15,115,998,957	96,353,987,219	46,172,133,972
Sub-Totals	632	29,129,373,479	21,964,324,470	150,551,067,346	73,775,618,748
Professional Insurers/Reinsurers					
Africa/Middle East	6	1,226,089,000	834,784,000	7,461,880,780	1,712,340,000
Asia	19	26,742,504,971	20,987,081,744	119,938,759,545	12,644,941,536
Australia/New Zealand	4	5,214,633,398	3,242,968,671	28,654,676,882	4,387,035,382
Bermuda	211	90,584,931,774	61,344,241,589	545,751,485,952	110,473,854,797
Caribbean/Latin America	31	13,071,135,819	12,246,958,946	56,887,690,884	16,950,056,756
Europe	81	30,148,762,028	22,253,664,906	138,133,545,454	40,838,712,005
North America	170	72,023,344,816	59,873,520,779	586,270,511,333	109,922,442,510
Sub-Totals:	522	239,011,401,806	180,783,220,636	1,483,098,550,830	296,929,382,986
Totals	1,154	268,140,775,285	202,747,545,107	1,633,649,618,176	370,705,001,734

Market Statistics by Company Type

For the year ended 31 December 2021

Company Type	No. Of Licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
Captives					
Captive writing third-party	190	16,440,071,299	11,653,073,128	63,278,503,798	21,589,610,070
Captive writing connected or related business	265	9,751,540,817	8,298,602,791	63,780,205,820	35,865,209,629
Single parent captives	177	2,937,761,363	2,012,648,552	23,492,357,728	16,320,799,049
Subtotals	632	29,129,373,479	21,964,324,470	150,551,067,346	73,775,618,748
Professional insurers/reinsurers	146	36,014,295,506	26,529,642,159	114,447,600,633	48,803,250,760
Class 4	43	58,502,015,601	46,013,313,223	227,240,574,360	104,984,802,347
Long-term (re)insurers	148	136,024,436,063	100,913,100,593	1,069,496,471,581	127,859,057,417
Special purpose vehicle	178	7,506,492,342	6,893,620,640	66,494,362,649	13,979,631,708
Collateralized	7	964,162,294	433,544,022	5,419,541,608	1,302,640,755
Sub Totals	522	239,011,401,806	180,783,220,636	1,483,098,550,830	296,929,382,986
Totals	1,154	268,140,775,285	202,747,545,107	1,633,649,618,176	370,705,001,734

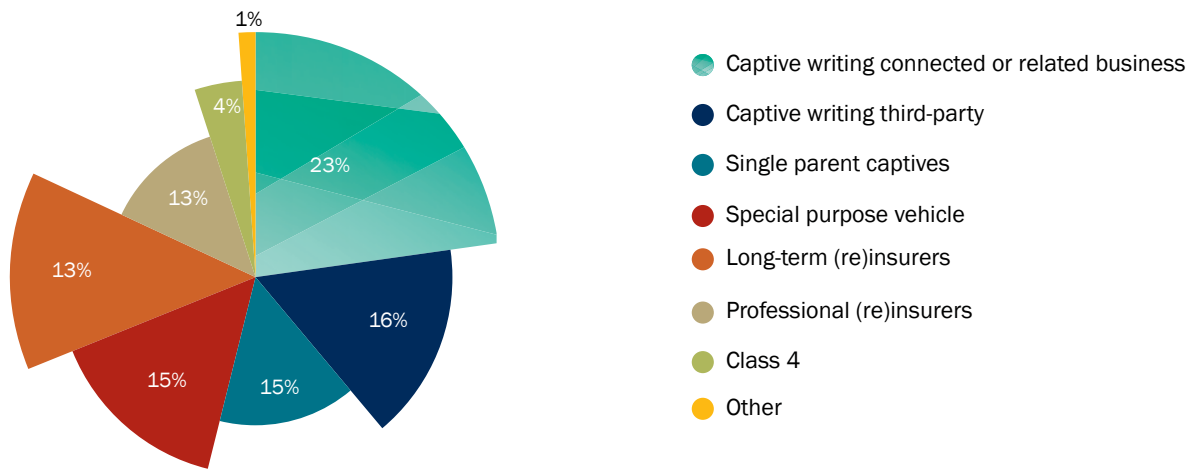
Captive writing third-party: (Re)insurer writing related-party risks but allowed to write up to 49% of its net premiums written arising from risks which are unrelated to the business of its owners and/or affiliates.

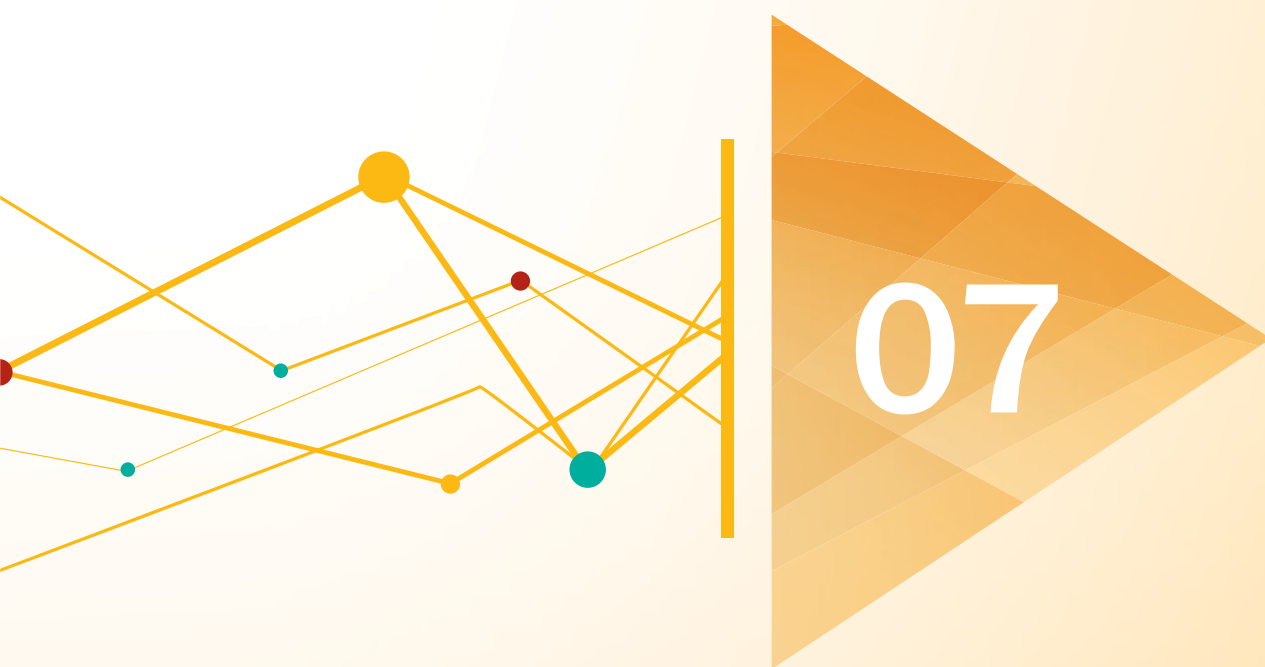
Captive writing connected or related business: (Re)insurer writing the risks connected or related to, or arising out of, the business or operations of its owners and/or affiliates.

Single-parent captive: Single-parent captive writing only the risk of its owners and/or affiliates.

Commercial insurers/reinsurers: Insurance company writing unrelated risks as a direct writer and/or reinsurer.

Actively Writing Insurers by company type





Financials

BMA House
43 Victoria Street
Hamilton HM 12
Bermuda

P.O. Box 2447
Hamilton HM JX
Bermuda

18 April 2023

The Hon. Premier E. David Burt
The Premier of Bermuda and Minister of Finance
Ministry of Finance
Hamilton

Dear Premier,

In accordance with section 28(1) of the Bermuda Monetary Authority Act 1969, I have the honour to submit to you a report of the operations of the Authority for the year 2022 together with the annual statement of accounts and the opinion of the Auditor General.

This document also contains the reports for the year 2022 which the Authority is required to make to you pursuant to:

- section 8(3) of the Banks and Deposit Companies Act 1999;
- section 8(3) of the Investment Business Act 2003; and
- section 5 of the Trusts (Regulation of Trust Business) Act 2001.

Yours sincerely,



Craig Swan
Chief Executive Officer

BMA House
43 Victoria Street
Hamilton HM 12
Bermuda

P.O. Box 2447
Hamilton HM JX
Bermuda

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with International Financial Reporting Standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalised with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors through the Audit and Risk Management Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit and Risk Management Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Audit and Risk Management Committee also review the financial statements before recommending approval to the Board.

The external auditors, the Office of the Auditor General, conduct an independent examination, and express their opinion on the financial statements. The financial statements have been approved by the Board. The accompanying Independent Auditor's Report is presented herein.

On behalf of the Bermuda Monetary Authority:



Craig Swan
Chief Executive Officer



Donald Scott
Chairman

Date: 18 April 2023

Date: 18 April 2023



Office of the Auditor General

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Hamilton HM 11, Bermuda

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Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Opinion

I have audited the financial statements of the Bermuda Monetary Authority, which comprise the statement of financial position as at December 31, 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Monetary Authority as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bermuda Monetary Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bermuda Monetary Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bermuda Monetary Authority or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bermuda Monetary Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bermuda Monetary Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Monetary Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Monetary Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of my auditor's report.

Hamilton, Bermuda
April 18, 2023



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA MONETARY AUTHORITY
Statement of Financial Position
As at December 31, 2022

(In thousands of Bermuda dollars)	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents	3, 5	131,866	146,514
Accounts and other receivables	3, 6	1,101	597
Prepayments		2,122	2,037
Stock of numismatic items	7	1,489	1,359
Stock of notes and coins for circulation	8	2,763	4,516
Investments	3	20,002	-
		159,343	155,023
Non-current assets			
Investments	3	69,525	80,642
Property and equipment	9	19,841	20,447
Intangible assets	10	6,428	6,135
		95,794	107,224
Total Assets		255,137	262,247
Liabilities			
Current liabilities			
Accounts and other payables	3, 11, 19	10,963	8,544
Deferred income	12	341	725
Lease liabilities	3, 13	177	263
Notes and coins in circulation	3, 14	192,594	201,221
Due to Consolidated Fund of the Government of Bermuda	3, 24, 25	2,723	6,652
		206,798	217,405
Non-current liabilities			
Lease liabilities	3, 13	84	261
		84	261
Equity			
Capital subscribed	15	20,000	20,000
General reserve	15	28,255	24,581
		48,255	44,581
Total Liabilities and Equity		255,137	262,247
Commitments (Note 22)			


Donald Scott, Chairman


Craig Swan, Chief Executive Officer

The accompanying notes are an integral part of these financial statements

BERMUDA MONETARY AUTHORITY

Statement of Comprehensive Income For the year ended December 31, 2022

(In thousands of Bermuda dollars)	Note	2022	2021
Revenues			
Revenue from contracts with licensees and customers	16	71,675	69,206
Revenue from fines, penalties and other income	17	3,760	2,074
Operating revenue		75,435	71,280
Investment income	18	4,216	1,809
Total revenues		79,651	73,089
Expenses			
Salaries and employee benefits	19	55,618	46,864
General expenses	20	10,756	7,496
Professional fees		3,289	2,700
Depreciation of property and equipment	9	1,718	1,522
Circulation note and coin expenses	8	1,811	698
Amortisation of intangible assets	10	802	558
Finance costs	13	20	32
Loss (Release of) allowances for ECL's of accounts receivable	6	183	(56)
Loss (Release of) allowances for ECL's of investments and cash and cash equivalents	3	7	(28)
Total expenses		74,204	59,786
Total comprehensive income for the year		5,447	13,303

All amounts reported above relate to continuing operations. There are no other components of comprehensive income.

The accompanying notes are an integral part of these financial statements

BERMUDA MONETARY AUTHORITY**Statement of Changes in Equity
For the year ended December 31, 2022**

(In thousands of Bermuda dollars)	Note	2022	2021
Capital		20,000	20,000
General Reserve			
Balance, beginning of year		24,581	17,930
Adjustment to General Reserve	15	950	-
Total comprehensive income for the year		5,447	13,303
Distribution payable to the Consolidated Fund of the Government of Bermuda		(2,723)	(6,652)
Balance, end of year		28,255	24,581
Equity		48,255	44,581

The accompanying notes are an integral part of these financial statements

BERMUDA MONETARY AUTHORITY

Statement of Cash Flows For the year ended December 31, 2022

(In thousands of Bermuda dollars)	Note	2022	2021
Cash flows provided by operating activities			
Total comprehensive income for the year		5,447	13,303
Adjustment for:			
Non-cash items included in total comprehensive income for the year	21	2,959	2,265
Change in operating assets	21	845	(464)
Change in operating liabilities	21	2,035	(184)
Net cash provided by operating activities		11,286	14,920
Cash flows (used in) provided by investing activities			
Additions of intangible assets	10	(1,095)	(1,651)
Additions of property and equipment	9	(1,144)	(1,083)
Purchase of investments		(9,100)	(20,213)
Proceeds from maturity of investments		17	30,065
Net cash (used in) provided by investing activities		(11,322)	7,118
Cash flows (used in) provided by financing activities			
Net (decrease) increase in notes and coins in circulation		(8,627)	23,919
Payment of lease liabilities	13	(283)	(282)
Distribution to the Consolidated Fund Of the Government of Bermuda		(5,702)	-
Net cash (used in) provided by financing activities		(14,612)	23,637
Net (decrease) increase in cash and cash equivalents		(14,648)	45,675
Cash and cash equivalents at beginning of year		146,514	100,839
Cash and cash equivalents at end of year	5	131,866	146,514
Operational cash flows from interest			
Interest received	18	1,904	2,059

The accompanying notes are an integral part of these financial statements

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2022
(In thousands of Bermuda dollars)

1. General information

The Bermuda Monetary Authority (the “Authority”) was established in Bermuda by an Act of the Legislature with initial capital provided by the Bermuda Government (the “Government”); its objects and powers being set out in the Bermuda Monetary Authority Act 1969 (the “Act”), as amended.

The primary responsibilities of the Authority are:

- acting as issuing authority for Bermuda dollar notes and coins;
- the supervision, regulation and inspection of all financial institutions operating in or from within Bermuda;
- the promotion of the financial stability and soundness of financial institutions;
- the supervision, regulation and approval of the issue of financial instruments by financial institutions or by residents;
- the fostering of close relations between financial institutions and between the financial institutions and the Government;
- assisting with the detection and prevention of financial crime;
- the management of exchange control and the regulation of transactions in foreign currency or gold on behalf of the Government;
- the provision of advice and assistance to the Government and public bodies on banking and other financial and monetary matters; and
- the performance of duties conferred on the Authority by Section 5 of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008.

The registered office of the Authority is BMA House, 43 Victoria Street, Hamilton HM 12, Bermuda.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements were authorised for issue by the Board of Directors (the “Board”) on April 18, 2023.

2.1 Basis of preparation (continued)

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4.

2.2 Foreign currency translation

(a) Functional and presentation currency

These financial statements are presented in Bermuda dollars, which is the Authority's functional and presentation currency. All financial information is rounded to the nearest thousand dollars, except as otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation dates where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.3 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and museum items. Museum items have been capitalised, but not depreciated, at a nominal amount and are included in property and equipment. Nominal values have been placed on these items with no material commercial value.

2.3 Property and equipment (continued)

(a) Recognition and measurement (continued)

The Authority holds land and buildings as office space. Changes in the expected useful life are accounted for prospectively by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates. Cost includes expenditure that is directly attributable to the acquisition of the items.

(b) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be reliably measured. Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of comprehensive income in the year the asset is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(c) Depreciation and impairment

Land and museum items are not depreciated. Depreciation is calculated using the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

• Building	40 years
• Building improvements	15 years
• Computer equipment	4 years
• Furniture and fixtures	4 years
• Right-of-use assets – office space (lease term)	5 years
• Right-of-use assets – IT equipment (lease term)	4 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Information about the Authority's accounting policies relating to right-of-use assets are provided in Note 2.6.

2.4 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. The Authority's intangible assets comprise internally developed or externally acquired computer software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Authority are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Research costs are expensed as incurred. Costs associated with maintaining software programmes are recognised as an expense when incurred.

Computer software development costs are recognised as assets and are amortised over their estimated useful lives, which is estimated to be four years except for INTEGRA™. INTEGRA™ is a very specialised software developed specifically to meet the requirements of the Authority's daily operations in order to fulfil its mandate. The expected useful life of INTEGRA™ is ten years from its go live date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

The carrying value of internally developed costs are reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during the reporting year (see Note 2.7). Amortisation on the internal costs capitalised commences when the software goes live or becomes available for its intended use.

The intangible assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

2.5 Financial instruments

2.5.1 Recognition and initial measurement

Accounts and other receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the Authority becomes a party to the contractual provisions of the instrument. Financial assets (except accounts and other receivables) and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue. Accounts and other receivables are initially measured at the transaction price.

2.5.2 Classification and subsequent measurement

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial assets were acquired.

(a) Financial assets

The Authority classifies its financial assets at amortised cost. The Authority's financial assets classified at amortised cost consist of cash and cash equivalents, accounts and other receivables and investments (Investments in US Government, US Government Agency and Supranational Bank debt securities). The Authority determines the classification at initial recognition and re-evaluates this designation at every reporting date. Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss, or fair value through other comprehensive income:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Authority makes an assessment of the objective of the business model in which the financial asset is held at a portfolio level because this best reflects how the asset is managed and the information is provided to management. The information considered includes the stated policies and objectives of the portfolio and the operation of those policies in practice.

2.5.2 Classification and subsequent measurement (continued)

(a) Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. These include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Authority's claim to cash flows.

A prepayment feature is consistent with solely payment of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest in the principal amount outstanding.

Financial assets – Subsequent measurement and gains and losses

The Authority's financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) Financial liabilities

The Authority classifies accounts and other payables and notes and coins in circulation as other financial liabilities. These are subsequently measured at amortised cost using the effective interest method.

2.5.3 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows and either:
 - (i) the Authority has transferred substantially all the risks and rewards of the asset; or
 - (ii) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of comprehensive income, if any.

2.5.4 Impairment of financial assets

The Authority recognises loss allowances for Expected Credit Losses (“ECLs”) on financial assets measured at amortised cost. The Authority measures loss allowances at an amount equal to 12-month ECLs for all investments and cash and cash equivalents that are determined to have a low credit risk at the reporting date and for which credit risk has not increased significantly since initial recognition.

Loss allowances for accounts and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority’s historical experience and informed credit assessment and including forward-looking information.

The Authority assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and is in default when the financial asset is more than 90 days past due.

The Authority considers an investment to have a low credit risk when the credit risk rating is equivalent to the globally understood definition of “investment grade”. The Authority considers this to be BBB- or higher per Standard & Poor’s. However, to mitigate credit risk exposure, the Authority only invests in US dollar traded papers which are rated not less than AA by at least one of Fitch, Moody’s or Standard & Poor’s.

2.5.4 Impairment of financial assets (continued)

Lifetime ECLs are the ECLs that result from possible default events over the expected life of a financial asset. 12-month ECLs are the portion of the ECLs that result from default events that are possible within the 12 months after the report date (or shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial assets.

Credit-impaired financial assets

At each reporting date, the Authority assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- fee has not been received 90 days after the statutory due date;
- evidence of impairment on accounts receivable include that the regulated entity is experiencing significant financial difficulty, there is a probability that they will liquidate or deregister or there has been a long-term delinquency in payments;
- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset; or
- it becomes probable that the issuer or obligor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amounts of the assets. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating or an improvement in the ECLs), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of accounts and other receivables is described in Note 6. The difference between the carrying amount and realised balance is taken to the statement of comprehensive income.

Financial assets, other than accounts and other receivables, are only derecognised when contractual rights to cash flow expire. For accounts and other receivables, the gross carrying amount is written off when the Authority has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. For individual licensees, the Authority has a policy of writing off the gross carrying amount when

2.5.4 Impairment of financial assets (continued)

the licensee ceases operation and is deregistered by the Authority and the Bermuda Registrar of Companies ("ROC"). The Authority expects no significant recovery from the amount written off.

2.6 Leases

2.6.1 Recognition and Initial Measurement

The Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract has an identifiable asset from which the Authority obtains substantially all the economic benefits and conveys to the Authority the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority uses the definition of a lease in IFRS 16.

(a) As a lessee

At commencement of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Authority by the end of the lease term or the cost of the right-of-use asset reflects that the Authority will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority's incremental borrowing rate. The Authority uses its incremental borrowing rate of 4.75% as the discount rate.

The Authority determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

2.6 Leases (continued)

(a) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- the exercise price under a purchase option that the Authority is reasonably certain to exercise, lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Authority presents right-of-use assets in property and equipment and lease liabilities separately in the statement of financial position and Note 9.

The Authority did not enter into any contract as a lessor during 2022 or 2021.

(b) Short-term leases and leases of low-value assets

The Authority has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including cancellable leases. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.7 Impairment of property, equipment and intangible assets

Property, equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable at each statement of financial position date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Authority would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss is recognised in the statement of comprehensive income to the extent that an impairment loss for that class of asset was previously recognised.

2.8 Stock of notes, coins and numismatic items

2.8.1 Stock of notes and coins for/in circulation

The stock of notes and coins for circulation is stated at the lower of cost and net realisable value. Cost is determined using a "first in, first out" (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

When currency is issued, inventory is reduced and an expense is recorded within "Circulation note and coin expenses" in the statement of comprehensive income for currency issuance costs. The face value of the currency issued is also recognised as a liability within "Notes and coins in circulation" in the statement of financial position.

2.8.2 Stock of numismatic items

Numismatic items consist of commemorative coins, circulation notes and coins for resale. The stock of numismatic items is stated at the lower of cost determined on a FIFO basis, and net realisable value. The proceeds from sales of commemorative coins are included in "Revenue from contracts with licensees and customers" in the statement of comprehensive income.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash and deposits, unrestricted overnight balances held with the US Federal Reserve and demand deposits with maturity of ninety days or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Authority in the management of its short-term commitments. Cash at banks earns interest at floating rates, based on daily bank deposits. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.10 Employee benefits

(a) Short-term employee benefits

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to the statement of financial position date, annual leave earned but not yet taken at the statement of financial position date, and sick leave.

Sick leave costs do not accumulate or vest and therefore an expense and liability is only recognised when applied for and approved.

A liability and an expense is recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

(b) Post-employment benefits

Payments to defined contribution retirement benefit plans are recognised as expenses when employees have rendered service entitling them to the contributions.

(c) Other long-term employee benefits

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as special retirement benefits, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

2.10 Employee benefits (continued)

(c) Other long-term employee benefits (continued)

Expected future payments are discounted using market yields on Bermuda government bonds at the statement of financial position date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

2.11 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. The Authority has not recorded a provision in 2022 or 2021.

2.12 Revenue recognition

Information about the Authority's accounting policies relating to revenue from contracts with licensees and customers are provided in Note 16.

Supervisory fines are recognised as income once the Authority has determined a regulated entity is not in compliance with the relevant Act and imposes a fine.

Investment income is recognised using the effective interest method.

Realised gains on sale of quoted securities are recorded at the time of sale and are calculated as the excess of proceeds over amortised costs.

2.13 Going concern

Management has assessed that the Authority has the ability to continue as a going concern and has accordingly prepared these financial statements on a going concern basis.

2.14 Events after the year-end reporting period

Events after the reporting period that provide additional information about the Authority's financial position at the year-end (adjusting events) are reflected in these financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to financial statements, when material.

2.15 Changes in significant accounting policies

The Authority has consistently applied its accounting policies to all periods presented in these financial statements. A number of new standards are also effective from January 1, 2022 but they do not have a material effect on the Authority's financial statements.

2.16 New and amended standards not yet adopted

The following new and amended standards and interpretations are not expected to have a significant impact on the Authority's financial statements.

- Deferred Tax related to Assets and Liabilities arising from Single Transaction (Amendments to IAS 12).
- Classification of Liabilities as Current or Non Current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

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3. Financial risk management

(a) Fair value of financial instruments

(i) *Carrying amount and fair value of financial instruments*

The carrying amount and fair values of financial assets and liabilities are presented in the following table:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Current financial assets				
Cash and cash equivalents	131,866	131,866	146,514	146,514
Accounts and other receivables	1,101	1,101	597	597
Investments	20,002	19,912	-	-
Non-current financial assets				
Investments	69,525	66,165	80,642	82,903
Total financial assets	222,494	219,044	227,753	230,014
FINANCIAL LIABILITIES				
Current financial liabilities				
Notes and coins in circulation	192,594	192,594	201,221	201,221
Accounts and other payables	10,963	10,963	8,544	8,544
Lease liabilities	177	185	263	283
Due to Consolidated Fund of the Government of Bermuda	2,723	2,723	6,652	6,652
Non-current financial liabilities				
Lease liabilities	84	85	261	270
Total financial liabilities	206,541	206,550	216,941	216,970

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3. Financial risk management (continued)

(ii) Financial instruments at fair value

The fair value of investments, at amortised cost as per Note 3(a) (i) is classified using a fair-value hierarchy that reflects the significance of the inputs disclosed in making the measurements:

Level 1 – quoted prices in active markets

Level 2 – inputs are observable either directly or derived from quoted prices

Level 3 – no observable inputs

The fair-value hierarchy requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

	Level 1	Level 2	Level 3	Total
Financial instruments at fair value as at December 31, 2022				
Investments, current	19,912	-	-	19,912
Investments, non-current	66,165	-	-	66,165
Total financial instruments	86,077	-	-	86,077

Financial instruments at fair value as at December 31, 2021				
Investments, non-current	82,903	-	-	82,903
Total financial instruments	82,903	-	-	82,903

The Authority is exposed to credit risk, market risk, and liquidity risk as a result of holding financial instruments. There have been no transfers between levels during 2022 or 2021. The following is a description of those risks and how the Authority manages its exposure to them.

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3. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of loss of principal or interest due to uncertainty in counterparty's ability to meet its obligations. The Authority is exposed to credit risk arising from investments in US Government, US Government Agency and Supranational Banks' debt securities, cash and cash equivalents and accounts and other receivables. The Authority manages credit risk by adhering to the fund management policy guidelines set forth by the Board's Investment Committee. The Authority is exposed to a concentration of credit risk as 75% (2021 – 72%) of its income earning assets are in US Government and US Government Agency securities.

The Authority held no past due investments as at December 31, 2022 and 2021.

The Authority limits its exposure to credit risk from accounts receivables by establishing payment terms as follows:

All annual fees for regulated entities are legislated and due in accordance with the following Acts:

- The Banks and Deposit Companies Act 1999: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- The Banks and Deposit Companies (Fees) Act 1975: Annual fees in respect of this Act are due on or before January 31 of the calendar year.
- Money Service Business Act 2016: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Corporate Service Provider Business Act 2012: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Credit Unions Act 2010: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Digital Assets Business Act 2018: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Fund Administration Provider Business Act 2019: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Insurance Act 1978: Application and Registration Fees in respect of this Act are due upon application. Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Investment Business Act 2003: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Investment Funds Act 2006: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Trust (Regulation of Trust Business) Act 2001: Annual fees in respect of this Act are due on or before March 31 of the calendar year.
- Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008: Application fees in respect to this Act are due upon application. The first annual fee is payable upon registration. Succeeding annual fees in respect to this Act are due on or before March 31 of the calendar year.

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3. Financial risk management (continued)

(b) Credit risk (continued)

The credit quality of financial assets can be assessed by reference to the external credit rating and default rates published by Standard and Poor's:

	2022	2021
Investments		
AAA **	22,818	22,726
AA+ **	66,709	57,916
** Moody's equivalent grade is Aaa.	89,527	80,642
Cash and cash equivalents		
Cash at bank and in-hand		
AA+	293	256
A-	1,261	4,439
BBB+	2,697	1,898
Not rated	15	21
	4,266	6,614
Overnight repurchase agreements		
AA+	127,600	139,900
	131,866	146,514

Investments

This account consists of:

	2022	2021
US Government and US Government Agencies	66,709	57,916
Supranational Bank	22,818	22,726
	89,527	80,642

Impairment on cash and cash equivalents and investments held at amortised cost was measured on a 12-month ECL basis. This conclusion was based on the fact that:

- the Authority considers that its cash and cash equivalents and investments have a low credit risk based on the external credit ratings of the counterparties; and
- there was no significant change in the credit rating of any of the counterparties over the last 12 months.

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3. Financial risk management (continued)

(b) Credit risk (continued)

The Authority held cash and cash equivalents of \$131,866 at December 31, 2022 (2021 - \$146,514). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BBB+ to AA+, based on Standards and Poor's ratings with the exception of \$15 (2021 - \$21) which is cash in hand.

Impairment on cash and cash equivalents has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Authority considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Authority uses a similar approach for assessment of ECL's for cash and cash equivalents to those used for investments.

The following table presents an analysis of the credit quality of investments at amortised cost. It indicates whether assets measured at amortised cost were subject to a lifetime ECL allowance.

	2022	2021
Investments		
AAA	22,830	22,751
AA+	66,766	57,951
Gross carrying amount	89,596	80,702
Less loss allowance for ECL's	(69)	(60)
	89,527	80,642

The movement in the loss allowance for ECL's for investments at amortised cost during the year was as follows.

	2022 12-month ECL Credit impaired	2021 12-month ECL Credit impaired
Balance at January 1	60	83
Adjustment on loss allowance for ECL's	9	(23)
Balance at December 31	69	60

The increase in the loss allowance was mainly due to increase in credit risk as the lifetime of securities increases. The ECL for cash and cash equivalents as at December 31, 2022 was (\$2) (2021 – (\$5)).

Amortisation or accretion of the premiums/discounts on investments is included in "Investment income" (Note 18) in the statement of comprehensive income.

BERMUDA MONETARY AUTHORITY
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3. Financial risk management (continued)

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and price risk.

(i) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk in the form of fluctuations in future cash flows of existing financial instruments is limited to cash and cash equivalents, since these instruments are subject to variable interest rates. The remainder of the Authority's financial assets and liabilities have either fixed interest rates or are non-interest-bearing.

The interest rate risk table below is based on the Authority's contracted portfolio as reported in the Authority's statement of financial position. All financial instruments are shown at their repricing period which is equivalent to the remaining term to maturity.

Sensitivity to interest rate risk

The figures below show the effect on the Authority's comprehensive loss and equity of a movement of +/- 1 percentage point in interest rates, given the level, composition and duration of the Authority's foreign currency and Bermuda dollar financial instruments as at year end. The valuation effects shown are generally reflective of the Authority's exposure over the financial year.

	2022		2021	
	+1%	-1%	+1%	-1%
Change in comprehensive income/(loss)/equity due to movement of percentage point across yield curves:				
US dollar overnight repurchase agreement with the US Federal Reserve	1,524	(1,073)	1,199	(37)
US dollar quoted securities	810	(810)	865	(820)
Total	2,334	(1,883)	2,064	(857)

An increase in interest rates of 1% would result in additional income of \$2,334 (2021 - \$2,064). A decrease in interest rates of 1% would result in a decrease in income of \$1,883 (2021 - \$857).

3. Financial risk management (continued)

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

At December 31, 2022 and 2021, the Authority did not hold a significant amount of foreign currency other than US dollars, which are par with Bermuda dollars. The Authority has no other exposure to currency risk.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest and exchange rates), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market.

As the Authority only invests in fixed income securities and term deposits which are held to maturity, the Authority has no significant exposure to price risk.

(d) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with its financial liabilities.

The Authority's largest liability is notes and coins in circulation. As a counterpart to this non-interest bearing liability with no fixed maturity, the Authority holds a portfolio of highly liquid cash and cash equivalents and investments. In the event of an unexpected redemption of bank notes, the Authority has the ability to settle the obligation by selling its assets.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months are equal to their carrying balances as the impact of discounting is not significant.

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3. Financial risk management (continued)

The fair value of investments presented in the table below are based on year-end quoted market prices.

As at December 31, 2022

	Total	No fixed maturity	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
FINANCIAL ASSETS						
Cash and cash equivalents	131,866	131,866	-	-	-	-
Investments (fair value)	86,077	-	19,912	-	57,190	8,975
Accounts and other receivables	1,101	1,101	-	-	-	-
Total financial assets	219,044	132,967	19,912	-	57,190	8,975
FINANCIAL LIABILITIES						
Notes and coins in circulation	192,594	192,594	-	-	-	-
Due to Consolidated Fund of the Government of Bermuda	2,723	2,723	-	-	-	-
Accounts and other payables	10,963	10,963	-	-	-	-
Lease liabilities	270	-	67	118	85	-
Total financial liabilities	206,550	206,280	67	118	85	-
Net maturity difference	12,494	(73,313)	19,845	(118)	57,105	8,975

As at December 31, 2021

	Total	No fixed maturity	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
FINANCIAL ASSETS						
Cash and cash equivalents	146,514	146,514	-	-	-	-
Investments (fair value)	82,903	-	-	-	82,705	198
Accounts and other receivables	597	597	-	-	-	-
Total financial assets	230,014	147,111	-	-	82,705	198
FINANCIAL LIABILITIES						
Notes and coins in circulation	201,221	201,221	-	-	-	-
Due to Consolidated Fund of the Government of Bermuda	6,652	6,652	-	-	-	-
Accounts and other payables	8,544	8,544	-	-	-	-
Lease liabilities	553	-	67	216	270	-
Total financial liabilities	216,970	216,417	67	216	270	-
Net maturity difference	13,044	(69,306)	(67)	(216)	82,435	198

3. Financial risk management (continued)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all areas of the Authority's operations.

The Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Authority's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk.

Compliance with the standards is supported by a programme of periodic reviews undertaken by internal audit. The results of the internal audit reviews are discussed with line management, with summaries submitted to the Board's Audit and Risk Management Committee and senior management.

4. Critical accounting estimates and judgements

4.1 Fair value estimation

Given the short-term nature of the Authority's financial assets and liabilities, the carrying value of cash and cash equivalents, accounts and other receivables/payables, and notes and coins in circulation are assumed to approximate their fair values. The fair value of investments is based on quoted prices in active markets (Note 3(a) (i)).

4.2 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the Authority to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates in these financial statements include:

- loss allowance on ECL's of accounts and other receivables;
- economic use and life of property and equipment and intangible assets;
- provisions for impairment of stock of numismatic items;

4. Critical accounting estimates and judgements (continued)

4.2 Use of estimates and judgements (continued)

- assumptions made in the determination of the incremental borrowing rate;
- assumptions made in the determination of special retirement benefits; and
- loss allowance on ECL's for impairment of investments and cash and cash equivalents.

Actual results could differ from these estimates. Judgements in the preparation of these financial statements, apart from those involving estimation; are disclosed below:

- assessment on the ability to continue as a going concern; and
- assessment on the Authority's positive intention and ability to hold investments to maturity.

4.2.1 Assessment on the ability to continue as a going concern

The going concern basis of preparation assumption for the Authority's financial statements is dependent upon the future receipt of revenues from regulated financial institutions.

5. Cash and cash equivalents

This account consists of:

	2022	2021
Cash at bank and in hand	4,266	6,614
Overnight repurchase agreement with the US Federal Reserve	127,600	139,900
Total	131,866	146,514

Cash at bank earns interest at an effective rate of 1.78% (2021 – 0.03%)

Overnight repurchase agreements for terms of one business day are acquired through buyback transactions with the US Federal Reserve to earn an overnight interest rate.

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6. Accounts and other receivables

This account consists of:

	2022	2021
Trade accounts receivable	1,059	883
Less: loss allowance on ECL's on accounts and other receivables	(1,004)	(821)
Accounts receivable – net	55	62
Accrued interest and other receivables	1,046	535
Total	1,101	597

The ageing analysis of accounts receivable are as follows:

	2022	2021
Up to 3 months	55	62
Total	55	62

As at December 31, 2022, accounts receivable of \$1,004 (2021- \$821) were impaired and fully provided for. The individually impaired receivables mainly relate to fees charged to regulated entities. The ageing of these receivables is as follows:

	2022	2021
Up to 3 months	18	8
3 to 6 months	47	9
Over 6 months	939	804
Total	1,004	821

Movements on the loss allowance for ECL's of accounts receivable are as follows:

	2022	2021
Balance as at January 1	821	877
Loss (Release of) allowance for ECL's of receivables	183	(56)
Balance as at December 31	1,004	821

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6. Accounts and other receivables (continued)

The movement in the loss allowance for ECL's of receivables has been presented as a separate line in the statement of comprehensive income. The Authority provides 100% for all trade balances that are greater than 90 days past due. Amounts charged to the loss allowance for ECL's of accounts receivable are generally written off when there is no expectation of recovery. An ECL of 2.48% (2021 – 1.28%) was recognised on the balances less than 90 days due. However, a specific provision was made against late penalty fees less than 90 days past due.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

7. Stock of numismatic items

This account consists of:

	2022	2021
Commemorative notes and coins	1,544	1,386
Bullion for inventory production	102	122
Circulation notes and coins	16	17
Provisions	(173)	(166)
	<u>1,489</u>	<u>1,359</u>

8. Stock of notes and coins for circulation

This account consists of:

	2022	2021
Notes	1,858	3,543
Coins	905	973
	<u>2,763</u>	<u>4,516</u>

The cost of stocks recognised as expenses and included in "circulation note and coin expenses" amounted to \$1,811 (2021 - \$698).

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9. Property and equipment

This account consists of:

	Land, building and improvements	Computer equipment	Furniture and fixtures	Museum items	Total
At January 1, 2022					
Cost	31,734	4,946	3,227	81	39,988
Accumulated depreciation	(13,034)	(3,565)	(2,942)	-	(19,541)
Net book amount	18,700	1,381	285	81	20,447
Additions	-	1,115	27	2	1,144
Asset reclassification	-	68	(68)	-	-
Disposals – cost	-	(994)	-	-	(994)
Disposals - accumulated depreciation	-	962	-	-	962
Depreciation charge (Note 13)	(852)	(798)	(68)	-	(1,718)
Closing net book amount	17,848	1,734	176	83	19,841
At December 31, 2022					
Cost	31,734	5,135	3,186	83	40,138
Accumulated depreciation	(13,886)	(3,401)	(3,010)	-	(20,297)
Net book amount	17,848	1,734	176	83	19,841

This account consists of:

	Land, building and improvements	Computer equipment	Furniture and fixtures	Museum items	Total
At January 1, 2021					
Cost	31,734	4,299	2,998	79	39,110
Accumulated depreciation	(12,129)	(3,189)	(2,904)	-	(18,222)
Net book amount	19,605	1,110	94	79	20,888
Additions	-	852	229	2	1,083
Disposals – cost	-	(205)	-	-	(205)
Disposals - accumulated depreciation	-	203	-	-	203
Depreciation charge (Note 13)	(905)	(579)	(38)	-	(1,522)
Closing net book amount	18,700	1,381	285	81	20,447
At December 31, 2021					
Cost	31,734	4,946	3,227	81	39,988
Accumulated depreciation	(13,034)	(3,565)	(2,942)	-	(19,541)
Net book amount	18,700	1,381	285	81	20,447

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9. Property and equipment (continued)

Depreciation of \$1,718 (2021- \$1,522) has been charged in the statement of comprehensive income.

The cost of property and equipment fully depreciated and still in use are:

	2022	2021
Furniture and fixtures	2,847	2,845
Computer equipment	1,822	2,386
Building improvements	1,135	-

10. Intangible assets

This account consists of:

	Computer software					
	Internally developed	2022 Externally acquired	Total	Internally developed	2021 Externally acquired	Total
At January 1						
Cost	5,631	12,004	17,635	5,647	10,895	16,542
Accumulated amortisation	(5,631)	(5,869)	(11,500)	(5,647)	(5,843)	(11,490)
Net book amount	-	6,135	6,135	-	5,052	5,052
Additions	-	1,095	1,095	-	1,651	1,651
Disposals – cost	(5,057)	(279)	(5,336)	(16)	(542)	(558)
Disposals - accumulated amortisation	5,057	279	5,336	16	532	548
Amortisation charge	-	(802)	(802)	-	(558)	(558)
Closing net book amount	-	6,428	6,428	-	6,135	6,135
At December 31						
Cost	574	12,820	13,394	5,631	12,004	17,635
Accumulated amortisation	(574)	(6,392)	(6,966)	(5,631)	(5,869)	(11,500)
Net book amount	-	6,428	6,428	-	6,135	6,135

Amortisation of \$802 (2021 - \$558) is included in the statement of comprehensive income.

The cost of software fully amortised and still in use in 2022 is \$2,422 (2021 - \$7,707).

Included in the cost are software under development of \$360 (2021 - \$2,876). Amortization will commence on these software when they are completed and put into operation.

There were no research and development costs charged to the statement of comprehensive income in 2022 and 2021.

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10. Intangible assets (continued)

In 2021, the Authority conducted a review of economic useful lives estimates for its intangible assets, which resulted in changes in the expected useful life of the INTEGRATM software. INTEGRATM is a very specialised software developed specifically to meet the requirements of the Authority's daily operations in order to fulfil its mandate. The expected useful life of INTEGRATM increased from 4 years to 10 years from its go live date. In 2022 amortisation decreased by \$1,011 (2021 - \$1,215) due to this change in accounting estimate. The effect of the these changes on actual and expected amortisation expense is as follows.

	2023	2024	2025	2026	2027
Increase in amortisation	77	417	417	417	417

11. Accounts and other payables

This account consists of:

	2022	2021
Accrued expenses	8,032	6,437
Accounts payable	92	1
Amounts due to related parties (Note 24)	2,839	2,106
	10,963	8,544

12. Deferred income

This account consists of:

	2022	2021
Advances from licensees	303	70
Jardine property takeover fees	37	37
Incorporation and specific application fees	1	618
	341	725

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13. Leases

The Authority leases office space and IT equipment. The leases typically run for a period of 4 years for IT equipment and 5 years for office space.

The office space lease was entered into during 2019. The lease expires in 2024 with an option to renew for a further term of 5 years. The Authority has recognised a right-of-use asset and lease liability for this lease.

The Authority also leases museum space. This lease is cancellable at any time. The Authority elected not to recognise right-of-use assets and liabilities for this lease.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

	IT equipment	Office space	Total
Balance at January 1, 2022	146	311	457
Depreciation charge for the year (Note 9)	(114)	(124)	(238)
Balance at December 31, 2022	32	187	219

	IT equipment	Office space	Total
Balance at January 1, 2021	260	436	696
Depreciation charge for the year (Note 9)	(114)	(125)	(239)
Balance at December 31, 2021	146	311	457

Set out below are the carrying amounts of lease liabilities.

	IT equipment	Office space	Total
Balance at January 1, 2022	149	375	524
Accretion of interest	5	15	20
Payment of lease liabilities	(126)	(157)	(283)
Balance at December 31, 2022	28	233	261

	IT equipment	Office space	Total
Balance at January 1, 2021	264	510	774
Accretion of interest	11	21	32
Payment of lease liabilities	(126)	(156)	(282)
Balance at December 31, 2021	149	375	524

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13. Leases (continued)

	2022	2021
Lease liabilities, current	177	263
Lease liabilities, non-current	84	261
	261	524

The following are the amounts recognised in statement of comprehensive income:

	2022	2021
Depreciation expense on right-of-use assets	238	239
Expenses relating to short-term leases - Museum space rent	15	15
Interest on lease liabilities	20	32
Total amount recognised in the statement of comprehensive income	273	286

Amounts recognised in statement of cash flows :

	2022	2021
Total cash outflow for leases	283	282

14. Notes and coins in circulation

In accordance with Part IV, Section 11 of the Act, the Authority has sole authority to issue notes and coins for circulation in Bermuda. Notes and coins issued are a claim on the Authority in favour of the holder. Notes and coins in circulation are recorded at face value as a liability on the statement of financial position. These are non-interest bearing and are due on demand.

Section 19 of the Act requires the Authority to hold a reserve of external and local assets of an amount in value sufficient to cover 50% of the value of the total amount of notes and coins in circulation. As defined under the Act, the external and local assets held shall include, inter alia, (a) gold; (b) notes or coins or bank balances in Bermuda; (c) balances and money at call in overseas banks; (d) treasury bills maturing within 184 days, issued by a foreign government whose currency is freely convertible; or (e) specified securities.

At December 31, 2022, the Authority was required to hold a reserve of external assets of at least \$96,297 (2021 - \$100,611) and the actual external assets held are set out below:

	2022	2021
Balances and money at call in overseas banks	127,893	140,156
Specified securities - current investments (Note 3[a])	20,002	-
Specified securities - non-current investments (Note 3[a])	69,525	80,642
	217,420	220,798

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14. Notes and coins in circulation (continued)

As indicated in Note 3(d), at December 31, 2022, the fair value of the Authority's total financial assets exceeded its financial liabilities by \$12,494 (2021 - \$13,044).

15. Equity

The Authority manages its equity (capital and general reserve) in compliance with the requirements of the Act.

(a) Capital

The Authority's authorised capital of \$30,000 can be subscribed at such times and in such amounts as the Board, with the approval of the Minister of Finance (the "Minister"), may require. As at December 31, 2022 capital of \$20,000 (2021 - \$20,000) has been subscribed.

The Authority is not in violation of any externally imposed capital requirements at the statement of financial position date (see Note 14 - notes and coins in circulation).

(b) General Reserve

A general reserve of \$28,255 (2021 - \$24,581) has been established and maintained in accordance with Section 8 of the Act.

The Minister of Finance granted approval for an additional \$950 of 2021 net earnings to be transferred to the general reserve account.

16. Revenue from contracts with licensees and customers

(a) Revenue streams

The Authority generates revenue primarily from supervisory and licensing fees. Other sources of revenue include investment income, vault commission, incorporation fee and sale of numismatic items.

	2022	2021
Revenue from contracts with licensees and customers		
Contracts with licensees	71,549	69,122
Contracts with customers	51	9
Other contracts	75	75
	71,675	69,206
Other revenue		
Investment income (Note 18)	4,216	1,809
Revenue from fines, penalties and other income (Note 17)	3,760	2,074
	7,976	3,883
Total revenues	79,651	73,089

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16. Revenue from contracts with licensees and customers (continued)

(b) Disaggregation of revenue from contracts with licensees and customers

In the following tables, revenue from contracts with licensees and customers is disaggregated by type of fees and timing of revenue recognition.

(i) Type of fees

	2022	2021
Licensing fees		
Insurance fees	60,900	59,002
Bank and deposit company fees	5,582	5,585
Investment funds	1,652	1,650
Digital Asset Business Act Fees	845	369
Investment business licence fees	751	773
Trust company fees	732	732
Corporate Service Provider fees ("CSP fees")	501	478
Anti-money laundering fees ("AML fees")	83	80
Credit Union licence fees	3	3
	71,049	68,672
Other revenue		
Vault commission	500	450
Jardine property takeover	75	75
Sale of numismatic items	51	9
	626	534
Total revenues	71,675	69,206

(ii) Timing of revenue recognition

	2022	2021
At a point in time		
Incorporation and specific application fees	7,755	8,793
Sale of numismatic items	51	9
	7,806	8,802
Over time		
Supervisory and licensing fees (annual business fees)	63,294	59,879
Vault commission	500	450
Other contracts	75	75
	63,869	60,404
Total revenues	71,675	69,206

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16. Revenue from contracts with licensees and customers (continued)

(c) Contract balances

	2022	2021
Contract assets		
Receivables which are included in "trade and other receivables" (Note 6)	109	119
	109	119
Contract liabilities		
Deferred income (Note 12)	341	725
	341	725

(d) Performance obligations and revenue recognition policies

(i) Contracts with licensees

Revenue stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Supervisory and licensing fees	Supervisory and licensing fees are invoiced for a calendar year or part thereof. The Authority renders the performance obligation throughout the calendar year in the form of licensing and provision of supervisory duties. Payment is due by the last working day of January for the banks and due by March 31, for the rest of the licensees.	Revenue is recognised over the calendar year to which it relates.
Incorporation fees and specific application fees	Incorporation fees and specific application fees relate to applications for incorporations or any other specific applications by the registrants. The performance obligation is satisfied when the applications are completed and approved. Payment is due on demand as soon as the invoice is raised after the performance obligation has been satisfied.	Revenue is recognised at the point in time when the Authority's performance obligation has been satisfied.
Currency warehousing contracts (vault commission)	The performance obligation is the warehousing and vault facility services provided by the Authority to the respective Banks throughout the year. The payment is due on the last working day of January of every calendar year.	Revenue is recognised over the calendar year to which it relates.

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16. Revenue from contracts with licensees and customers (continued)

(d) Performance obligations and revenue recognition policies (continued)

(ii) Contracts with customer

Revenue stream	Nature and timing of satisfaction of Performance obligations, including significant payment terms	Revenue recognition policies
Sale of numismatic items	The performance obligation is the provision of special coins to customers in exchange for a consideration. The payment is due at a point in time when the performance obligation is satisfied.	Revenue is recognised at a point in time when the performance obligation is satisfied.

17. Revenue from fines, penalties and other income

This account consists of :

	2022	2021
Anti-money laundering fines ("AML fines")	1,950	1,250
Insurance fines	1,077	649
Trust Business Act fines ("TBA fines")	410	-
Corporate Service Providers fines ("CSP fines")	165	-
Late penalty fees	157	170
Other Income	1	5
	3,760	2,074

In accordance with Section 24 (5) of the Proceeds of Crime Regulations (AML and ATF Supervision and Enforcement) Act 2008, AML fees in the amount of \$92 (2021 - \$84) were recognised as revenue and expenses in the amount of \$2,935 (2021 - \$2,338) were incurred.

AML fines in the amount of \$1,950 (2021 - \$1,250) were recognised as other income.

18. Investment income

This account consists of:

	2022	2021
Interest earned on overnight repurchase agreement with the US Federal Reserve	2,472	38
Interest on investments	1,933	1,987
Net amortisation/accretion of premiums/discounts on Investments (Note 21)	(189)	(216)
	4,216	1,809

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19. Salaries and employee benefits

This account consists of:

	2022	2021
Salaries and bonuses	42,092	38,163
Payroll tax	5,008	4,305
Pension costs	3,498	1,774
Health insurance	2,855	1,595
Social insurance costs	803	379
Other benefits	495	(82)
Life insurance	451	444
Directors' fees	416	286
	55,618	46,864

The Authority has 235 employees at December 31, 2022 (2021 – 219).

Employee benefits include the following:

(a) Pension plans

The Authority provides various pension schemes to its eligible employees:

(i) Defined contribution plan

The Authority has a defined contribution plan administered by BF&M Life (the "Plan") for the majority of its eligible employees. A defined contribution plan is a post-employment benefit plan under which the Authority pays fixed contributions. The Authority has no legal or constructive obligations to pay further contributions.

Employee contributions to the Plan are 5% of gross salary matched by the Authority. These contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. During the year 2022, the Board approved a temporary adjustment to the cost sharing structure for employee contributions to cover between 0% - 2.5% of the mandated employee deduction. Effective January 2022. The Authority now covers 7.5% - 10% of gross salary. On January 2024, the benefit will revert to the Authority's standard policy of 5%. The Authority's contributions to the Plan during the year were \$3,435 (2021- \$1,686).

(ii) Defined benefit plan

The Authority contributes to the Public Service Superannuation Fund ("PSSF" or the "Fund"), which is a defined benefit plan, administered by the Government and covers the remainder of the Authority's eligible employees, all of whom were previous employees of the Government.

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19. Salaries and employee benefits (continued)

(a) Pension plans (continued)

(ii) Defined benefit plan (continued)

Contributions of 8% (2021 – 8%) of gross salary are required from both the employee and the Authority, and have been included in salaries and employee benefits. As part of the agreement to transfer this employee group to the Authority, the Authority is not required to make contributions to the Fund with respect to the quantified actuarial deficiencies. As a result, the current year contributions to the Fund represent the total liability of the Authority. The Authority's contributions to the Fund during the year were \$63 (2021 - \$88).

During the year 2022, the Board approved a temporary adjustment to the cost sharing structure for employee contributions to cover between 0% - 4% of the mandated employee deduction. Effective January 2022, the Authority now covers 12% - 16% of gross salary. On January 2024, the benefit will revert to the Authority's standard policy of 8%.

(b) Other employee benefits

Other employee benefits include maternity leave, paternity leave, sick leave, vacation days and special retirement benefits. All these benefits are unfunded.

Maternity and paternity leave costs do not accumulate or vest and therefore an expense and liability is only recognised when applied for and approved. There were no maternity and paternity benefits applied for or approved during the current year and therefore, no liabilities have been accrued in the financial statements.

Sick leave does not accumulate or vest, and like maternity and paternity leave, a liability is only recognised when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current year and therefore, no liabilities have been accrued in the financial statements.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as at December 31, 2022 was \$1,156 (2021- \$1,158) and is included in accounts and other payables.

Certain employees are entitled to special retirement benefits based upon their years of service at the time of retirement. The present value of the special retirement benefits obligation depends on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and salary inflation. Any changes in these assumptions will affect the carrying amount of the liability. During the year, special retirement benefits of \$42 (2021 – \$21) were paid or about to be paid out. The liability as at December 31, 2022 was \$221 (2021 - \$313) and is included in accounts and other payables.

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19. Salaries and employee benefits (continued)

The board approved a temporary benefit to provide a two year social insurance benefit to staff. Effective January 2022 to December 2023, the Authority pays 100% of employees' social insurance contribution.

20. General expenses

This account consists of:

	2022	2021
Premises and office	7,329	5,542
Conferences, seminars, education and training	999	447
Recruitment and repatriation	889	437
Other	672	325
Communication	601	497
Advertising	96	39
Net foreign exchange loss	88	91
Annual business fees written off	37	86
Loss on retirement of property and equipment and intangibles	31	12
Public relations	7	16
Provision for impairment on numismatic items	7	4
	10,756	7,496

21. Cash generated from operations

	2022	2021
Non-cash items included in total comprehensive income for the year		
Depreciation of property and equipment (Note 9)	1,718	1,522
Amortisation of intangible assets (Note 10)	802	558
Amortisation/accretion of premiums/discounts on investments (Note 18)	189	216
Loss on retirement of property and equipment and intangibles (note 20)	31	12
Lease interest expense (Note 13)	20	32
Increase in/(Release of) impairment allowance of investments (Note 3)	9	(23)
Increase in/(Release of) impairment allowance of receivables (Note 6)	183	(56)
Increase in provision for impairment on numismatic items (Note 20)	7	4
	2,959	2,265

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21. Cash generated from operations (continued)

	2022	2021
Change in operating assets		
Stock of notes and coins for circulation	1,753	(238)
Stock of numismatic items	(136)	(166)
Accounts and other receivables	(687)	768
Prepayments	(85)	(828)
	845	(464)
Change in operating liabilities		
Accounts and other payables	2,419	(149)
Deferred income	(384)	(35)
	2,035	(184)

22. Commitments

The Authority has some long-term contracts and agreements of various sizes and importance with outside service providers. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.

Annual contractual commitments are as follows:

	2022	2021
2022	-	2,556
2023	3,204	803
2024	1,634	235
2025	722	19
2026	703	19
Thereafter	742	-
	7,005	3,632

Capital commitments (included in contractual commitments), represent expenditure contracted for at the statement of financial position date but not yet incurred and are as follows:

	2022	2021
Intangible assets	726	448
	726	448

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23. Contingencies

A claim has been made against the Authority during the execution of its duties however given the preliminary stages of the proceedings financial impact is undetermined at this point. The Authority has D&O insurance liability coverage to protect it from claims or loss which arise from the performance of its statutory duties and functions.

24. Related-party transactions

The Authority is related to the Government in that the Act gives the Minister the ability to give the Authority, after consultation with the Authority, such general directions as appear to the Minister to be necessary in the public interest. Additionally, the Minister appoints all members of the Authority's Board of Directors and approves the Authority's annual expenditure budget.

The Authority maintains a position of financial and operational autonomy from the Government through its ability to fund its own operations without government assistance and through its management and corporate governance structures.

In the ordinary course of business, the Authority has transactions with the Government which are settled at the prevailing market prices and consist of the following:

	2022	2021
Staff expenses:		
Payroll tax	5,008	4,305
Social insurance	803	379
Pension costs - PSSF	63	88
Due to Consolidated Fund		
of the Government of Bermuda (Note 25)	2,723	6,652
Premises expense - land tax	268	268
Professional fees – audit	113	105
Other general expenses - immigration fees	195	102

At December 31, 2022, payroll tax amounting to \$2,839 (2021 - \$2,106) remains outstanding (Note 11).

During 2022 in the ordinary course of business, the Authority has professional fees with a company which is owned by a Board member totalling \$nil (2021 \$5). These transactions are settled at the prevailing market prices. There were no amounts outstanding at December 31, 2022 or 2021.

Board and key management compensation

The Directors of the Board of the Authority are appointed by the Minister to serve for fixed periods of time. The Board, through its Human Capital Committee, oversees the appointment, performance and compensation of the executive leadership team. Board members are paid an annual fee of \$26 (2021 - \$20), Board sub-committee Chairs are paid an annual fee of \$33 (2021 - \$25) and the Board Chairman receives an annual fee of \$96 (2021 - \$75). Travel expenses of \$35 (2021 - \$nil) were paid to overseas board members.

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24. Related-party transactions (continued)

Board and key management compensation (continued)

In accordance with Section 4E of the Bermuda Monetary Authority Act 1969, the Minister of Finance appointed an Executive Chairman to hold office with effect from January 1, 2019 for a three-year period concluding on September 30, 2021. By virtue of such appointment by the Minister of Finance, the law provides that the Executive Chairman shall be the Chief Executive Officer of the Authority. The Executive Chairman is paid an annual salary of \$500 in his capacity as CEO and was eligible for a performance-based bonus of up to 45% of base salary. The Executive Chairman also received the annual fee associated with his role as Chairman of the Board.

The new CEO was appointed with effect from October 1, 2021. The CEO is paid an annual salary of \$500 and in this capacity is eligible for a performance-based bonus of up to 50% of base salary.

Salaries of the other fourteen members of the executive team range from \$253 to \$450 (2021 - \$250 to \$425), with a performance-based bonus of up to 37% (2021– 35%) of salary.

The compensation paid or payable to members of the Board and key management is shown below:

	2022	2021
Directors' fees	416	286
Executive management salaries, bonuses and other		
short-term employee benefits	7,121	5,599
Post-employment benefits	603	294

25. Subsequent event

On April 11, 2023, the Minister approved a transfer to the Consolidated Fund of the Government of Bermuda of \$1,000.



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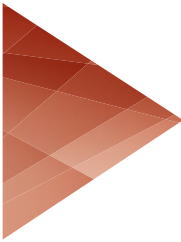
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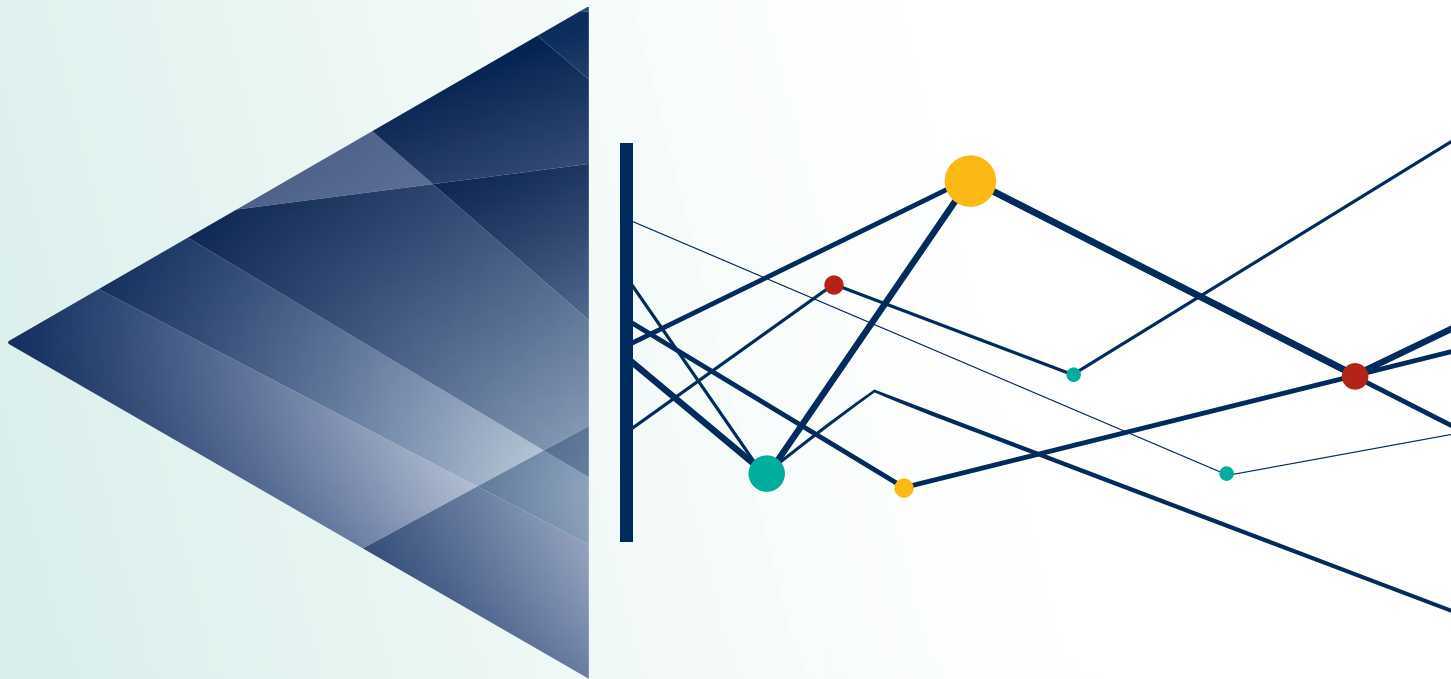
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Glossary

AML: Anti-Money Laundering	FIA: Financial Intelligence Agency
ATF: Anti-Terrorist Financing	FSB: Financial Stability Board
AUA: Assets Under Administration	FUR: Follow-Up Report
AUM: Assets Under Management	GAAP: Generally Accepted Accounting Principles
Authority or BMA: Bermuda Monetary Authority	GFIN: Global Financial Innovation Network
BCBS: Basel Committee on Banking Supervision	GIICS: Group of International Insurance Centre Supervisors
BDCA: Banks and Deposit Companies Act 1999	Government: Bermuda Government
BDCA Code: Banks and Deposit Companies Act 1999 Code of Conduct	IAIG: Internationally Active Insurance Groups
BFF: Bermuda Fencing Federation	IAIS: International Association of Insurance Supervisors
BIS: Bank of International Settlements	IBA: Investment Business Act 2003
BMA Act: Bermuda Monetary Authority Act 1969	IFA: Investment Funds Act 2006
BPS: Bermuda Police Service	IFRS: International Financial Reporting Standards
BSX: Bermuda Stock Exchange	IGB: Innovative General Business
Board: Board of Directors	ILS: Insurance-Linked Securities
BTCSI: Banking, Trust, Corporate Services and Investment	IMF: International Monetary Fund
BTCSI Cyber Code: Operational Cyber Risk Management Code of Conduct: Corporate Service Providers, Trust Companies, Money Service Businesses, Investment Businesses and Fund Administration Providers, Banks and Deposit Companies	Insurance Act: Insurance Act 1978
CAIR: Caribbean Association of Insurance Regulators	Insurance Code: Insurance Code of Conduct
CARP: Capital Assessment and Risk Profile	IT: Information Technology
CEO: Chief Executive Officer	MER: Mutual Evaluation Report
CET1: Common Equity Tier 1	MS: Multiple Sclerosis
CFATF: Caribbean Financial Action Task Force	MSB: Money Service Business
ComFrame: Common Framework (for the International Association of Insurance Supervisors' Supervision of Internationally Active Insurance Groups)	NAMLC: National Anti-Money Laundering Committee
CSP: Corporate Service Provider	NLP: Non-Licensed Person
CSP Act: Corporate Service Provider Business Act 2012	NPL: Non-Performing Loan
DAB: Digital Asset Business	OECD: Organisation for Economic Co-operation and Development
DABA: Digital Asset Business Act 2018	PIPA: Personal Information Protection Act
DAB Cyber Code: Digital Asset Business Operational Cyber Risk Management Code of Practice	PMO: Project Management Office
DAI: Digital Asset Issuance	RAR: Risk Asset Ratio
DEI: Diversity, Equity and Inclusion	SPI: Special Purpose Insurer
EIOPA: European Insurance and Occupational Pensions Authority	SREP: Supervisory Review and Evaluation Process
ERIM: Enterprise Records and Information Management	TfHA: The Friends of Hope Academy
ERM: Enterprise Risk Management	Trusts Act: Trusts (Regulation of Trust Business) Act 2001
ESG: Environmental, Social and Governance	WIS: Women In Sports





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