



ANNIVERSARY

2019 BUSINESS PLAN

History has proven that challenging times disrupt our conventional ways of thinking; driving us to expand our minds and to forge ahead – internationally and for Bermuda.



Jeremy Cox

Executive Chair

Executive Chair's Message

With 2019 off to a solid start, it is hard to imagine that the BMA has entered into its golden year, marking our 50th anniversary. It is nearly impossible to look at how much the world has changed over the past five decades, especially in the financial services industry globally, and in Bermuda. The BMA is proud of its role in its significant contributions to fostering Bermuda's continued reputation as a world-class international financial centre. When facing challenging times over the past five decades, we forged ahead and embraced the driving forces of change that lead us onto this new path. The BMA challenged itself at the highest level to "lean forward" and translate these drivers of change into opportunities. We will continue this trajectory, through our drivers: our people – the BMA team; the alignment and enhancement of our regimes; improvement in our infrastructure and innovation projects; monitoring and maintaining financial stability; and working with our community.

What is our strongest driver?

Our People. In 2017, we began the implementation of BMA's multi-year plan to align its human capital needs with its strategic goals and objectives. In 2019, we will continue to build capacity for a strong and diverse team comprised of individuals who have unique areas of expertise and are amplified when working together and leverage one another's skills. The synergy amongst us and internal collaboration between colleagues and departments is what keeps this regulatory body in motion and thriving under the increasing demands of an environment that is driven by constant and rapid change on a global scale. Additionally, we will continue to focus on organisational sustainability, employee development and investing in the next generation who will lead this organisation into the future. We believe that succession planning, combined with the implementation of our Leadership Development Programme, Graduate Training Programme and the Target Operating Model (TOM) are vital to growing the BMA's regulatory talent and future success. I can say with absolute assurance and a sense of pride that our ability to adapt to change and maintain our integrity as a regulator is due to our team of committed professionals.

How do the drivers of change engage in shaping regulations and dealing with emerging industries?

Align and Enhance. The face of the regulator has changed. Globalised markets have become more complex and interdependent on national and international standards. This statement holds true and does not escape Bermuda. The BMA will continue to focus on protecting Bermuda by managing threats to our credibility and ensuring that regulatory frameworks are aligned with international standards, whilst maintaining pragmatism. We have increased our dialogue nationally and internationally to ensure alignment with international standards and to improve our responsiveness and ability to adapt to change, including our capacity to detect, monitor, mitigate and prevent financial crime. The BMA will continue to work closely with our regulatory colleagues to adopt national and international regulatory bodies and standard setters:

- International Association of Insurance Supervisors (IAIS)
- Basel Committee on Banking Supervision (BCBS)
- International Organisation of Securities Commissions IOSCO
- Financial Action Task Force (FATF)
- Group of International Finance Centre Supervisors (GIFCS)

Infrastructure and Innovation. Today's regulatory environment requires modern thinking and a wide range of tools to face the many challenges that are presented with a constant increasing 'scope change' and the quickening pace of regulatory change. As we forge ahead, we will remain diligent and nimble, making the necessary moves to meet the demands of this fast-moving landscape, regulatory changes, leading by example and exploring new grounds. To support these changes we are strengthening the infrastructure, technology and our back-end systems, underpinned by staff who have a clear understanding of the BMA's role as a regulator, as well as the legislation that must be upheld and administered.

Executive Chair's Message continued

The BMA recognises the growing importance of 'disruptive innovation' to the global financial sector. The BMA will continue to work closely with the financial sector in Bermuda in maintaining focus and understanding of the BMA's regulatory framework, whilst creating a protective environment that allows innovation to flourish. As a forward-looking regulator, we will continue focusing on our Sandbox and Innovation Hub initiatives for the insurance industry, and we will launch a separate Sandbox and Innovation Hub for FinTech firms that specialise in digital asset businesses. Additionally, we will be implementing risk-based supervision for limited purpose insurers in the insurance sector.

Financial Stability. Our comprehensive macroprudential regulatory approach has become an integral part of our toolkit in reducing the risk of instability of the financial services sector. Coupled with this approach is the BMA's support of Bermuda's overall framework, working through the Financial Policy Council (FPC), to create a secure and stable financial environment in Bermuda, whilst ensuring that the island remains an attractive jurisdiction for conducting local and international business. We will continue our focus on several key areas in relation to financial stability: strengthen Bermuda's resolution framework; macroprudential surveillance; international and domestic engagement; and research.

Community Matters. Throughout the years, the BMA has quietly supported Bermuda's charitable community by participating in fundraising denim days that aligned with island-wide tag days and

other internal fundraising events. This year the BMA, in honour of its five decades of service to Bermuda, is expanding our community outreach initiatives to include: children and families; arts and culture; the environment; education; and seniors. In 2019 we have identified five local non-profit organisations for 'BMA Days of Giving' community service projects. Staff will select a charity and donate a half-day as a group to complete specific projects that have been identified by the charity. A total of twenty-one (21) Bermuda charities will benefit from monies raised by staff participating in the BMA's 'Charitable Fridays' denim days throughout 2019, which are designated denim days.

As we progress throughout this year with anticipation and commitment, honouring the BMA's 50 years of service to Bermuda, we will draw from the past and challenge ourselves in the present, making a difference together.



Jeremy Cox
Executive Chair



Craig Swan

Managing Director, Supervision

Insurance

The BMA will ensure that Bermuda's regulatory framework keeps pace with evolving international standards. In 2019, the BMA will engage with the National Association of Insurance Commissioners (NAIC), the European Insurance and Occupational Pensions Authority (EIOPA) and the Organisation for Economic Co-operation and Development (OECD) in this regard.

The BMA will continue its day-to-day supervisory activities for (re)insurers and insurance managers, which include effective and efficient on-site inspections, qualitative and quantitative analysis, and supervisory colleges. Additionally, the BMA will embed Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF), sanctions and suspicious activity reporting requirements into its existing supervisory frameworks.

Having already built an enhanced risk-based regulatory framework for commercial (re)insurers and introduced the electronic Statutory Financial Return (e-SFR) application, the additional information obtained from the e-SFR will be used to enhance the BMA's risk-based supervision for limited purpose insurers in 2019.

While the BMA received favourable feedback in relation to its supervisory college meetings conducted in 2018, the aim for 2019 is to identify opportunities to further enhance supervisory colleges to ensure they remain first-class.

In 2019, the BMA will develop legislative frameworks with regard to new regulatory regimes for:

- Special Purpose Insurers (SPIs)
- New class of intermediaries and exchanges

The BMA will also consult with stakeholders about two proposed new (re)insurance Classes:

- Collateralised Re Class
- Non-Sandbox Innovation Class

In addition to the above, in 2019 the BMA will work on:

- Cyber regulation and supervision – issuing Returns and Cyber Risk Code consultation paper

Financial Technology

Operationally, the BMA will continue to embrace its Supervision Technology (SupTech) strategy through the continued preparation for the adoption of artificial intelligence and machine learning to enhance regulatory efficiency and risk-based supervision. The BMA will also commence construction of an internal Innovation Lab to facilitate the conceptualisation and implementation of SupTech.

This will include making legislative amendments to the regulatory framework for Digital Asset Businesses (DABs), including publishing a Digital Asset Custody Code of Practice to supplement the existing DAB Code and legislation.

Public outreach will continue. By the end of Q1-2019, the BMA had already participated in a dozen outreach sessions to help educate industry and other regulators about Bermuda's expectations for DABs.

In this vein, the BMA will continue to contribute actively among international peers from the Global Financial Innovation Network, the International Organisation of Securities Commissions' Fintech Network and the Caribbean Group of Securities Regulators' Fintech Working Group.

EU Economic Substance

While EU Economic Substance falls under the remit of the Bermuda Government, the BMA will assist by ensuring that Bermuda's financial institutions continue to comply with Economic Substance requirements.

Additionally, the BMA will adopt changes to its supervisory framework as required and advise Government on ongoing policy issues related to financial institutions and compliance with the requirements, including the introduction of legislative amendments.



Marcia Woolridge-Allwood

Senior Advisor, Banking, Trust, Corporate Services and Investment (BTCSI)

Banking, Trust, Corporate Services & Investment

In 2019, the BMA will develop legislative proposals for the supervision and regulation of investment businesses and investment funds in accordance with current international standards promulgated by the International Organisation of Securities Commissions (IOSCO) including:

- Issuing and finalising the consultation paper and draft legislation for the introduction of a stand-alone Fund Administration Business Act
- Issuing a consultation paper and draft legislation covering a new Investment Business Act (IBA) and Investment Funds Act (IFA)
- Assessing the extent to which new “exchange” models can be accommodated in the BMA’s existing legislative regimes or the need for amendments to accommodate them

In addition, the BMA will update legislation and rules covering Trust Undertakings and Corporate Service Providers (CSPs), including:

- Consulting on and producing amendments to the Trust (Regulation of Trust Business) Act 2001 and the Corporate Service Provider Business Act 2012 to ensure that Bermuda meets the requirements of the Group of International Finance Centre Supervisors (GIFCS) Standard for Trust and Company Service Providers (TCSPs)

- Updating the Statement of Principles and Code of Conduct as required in line with the changes made to the legislation

Preparing and executing the project plan for Bermuda’s GIFCS assessment of the TCSP sector.

Finally, the BMA will continue to assess its strategy for Bermuda’s banking sector in 2019 in light of the following:

- Recent amendments to the Banks and Deposit Companies Act 1999 creating a new class of banks
- The need to ensure that the community is adequately serviced by bank licensees
- Proposed initiatives to introduce innovative improvements to clearing/settlement procedures
- The development of enhancements to the recovery and resolution framework covering the sector



George Pickering

Senior Advisor, Financial Stability

Financial Stability

During 2019, the BMA will be focused on several key areas in relation to its broader financial stability objectives:

We will continue working with the Ministry of Finance to strengthen Bermuda's **resolution framework**: focussing on completing the development of Bermuda's framework for the resolution of domestic systemically important banks and engaging on a global scale in the development of an international recovery and resolution framework for internationally active insurance groups and large domestic insurers. This work will continue to be guided by international developments, particularly the 'Key Attributes for Effective Resolution' established by the Financial Stability Board (FSB), and recovery and resolution work currently underway at the International Association of Insurance Supervisors (IAIS).

With respect to **macroprudential surveillance**, the BMA will continue developing surveillance tools that capture the unique features of Bermuda's domestic and international financial sectors, in particular global (re)insurers and domestic banks.

In order to **support international engagement in the area of financial stability**, the BMA will actively participate in the work of the FSB's Regional Consultative Group for the Americas, the Organisation for Economic Co-operation and Development's

(OECD) Insurance and Private Pensions Committee, and the IAIS' Macroprudential Committee, Resolution Working Group, and Macroprudential Policy and Surveillance Working Group.

The BMA will continue to support Bermuda's **Financial Policy Council (FPC)** by undertaking analysis, research and policy recommendation on economic and financial development affecting Bermuda and monitoring and managing risks, both international and domestic, to financial stability in Bermuda .

Furthermore we will conduct in-house research projects as well as representing Bermuda in domestic and international research initiatives, such as cross-border portfolio investment stocks and detailed Balance of Payments flows for the International Monetary Fund (IMF) and quarterly cross-border banking data for the Bank of International Settlements (BIS).



Shanna Lespere

Chief Operating Officer

Operations

In 2019, the BMA will improve the efficiency and effectiveness of our BMA's operations, including the use of technology and its application to the regulation of financial services. Specifically this year, we will:

- Implement policies that address the threat to the BMA from cyber risk and strengthen the BMA's technological infrastructure
- Monitor, enhance and strengthen the IT infrastructure to improve stability, consistency and performance of the network
- Continue the roll out of the 'IT Vision 2020' roadmap which encompasses the electronic document management system and our integrated portal, INTEGRA®

The BMA will continue executing the Total Operating Model (TOM) report to attract, develop and retain a team of highly-skilled professionals. This includes:

- Setting succession plans for all executives and senior management positions

- Aligning staff resources with strategic priorities
- Execution of the learning and development programmes and training goals
- Enhancement of the efficiency and performance of the BMA workforce

Moreover, the BMA will parallel with international best practices and support the development of a governance framework for the Board and management.

Other objectives for 2019 include:

- Undertaking the BMA's mission in an efficient, cost-effective and sustainable manner to supply quality local currency that is readily accepted and secured against counterfeiting
- Implementation of the new fee structure



Shauna MacKenzie

Senior Advisor, Legal Services and Enforcement

2019 Legislative Agenda

The BMA's policy and legislative agenda is wide-ranging with key initiatives highlighted below.

During the year, the BMA will be working on various assessments including the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation Assessment, the Economic Substance reporting assessment by the EU Code of Practice and the upcoming assessment of Bermuda's adoption of Group of International Finance Centre Supervisors (GIFCS) international standards pertaining to the supervision of TCSPs.

All of these assessments may give rise to additional consultations on policy and legislative matters.

Enforcement

The Authority's enforcement activities will continue in 2019 by:

- Conducting outreach sessions to embed the new Enforcement Statement of Principles
- Implementing a new documented strategy for policing the perimeter for all sectors
- Focusing enforcement action on new sectors, particularly: insurance brokers and agents, Digital Asset Businesses and non-licensed Anti-Money Laundering/Anti-Terrorist Financing regulated financial institutions, including private trust companies, lending, leasing and guarantee sectors, which were recently brought into scope

1. Insurance	
a	New Classes of Insurers • Finalise consultation on amendments to legislation
b	Segregated Account Cells (SACs) • Finalise consultation on amendments to legislation
c	Special Purpose Insurers (SPIs) • Finalise consultation on amendments to legislation
d	Eligible Capital • Finalise consultation on amendments to Rules
e	Reporting on Suspicious Activity Reports (SARs) and Sanctions • Propose and finalise new reporting form on SARs and sanctions for commercial insurers, general business as part of Bermuda Solvency Capital Return (BSCR) reporting
2. Fees	
	• Finalise consultation on Corporate Service Providers (CSPs)/ Mutual Funds and corrections
3. Investment Funds Act (IFA)/Investment Business Act (IBA) Reforms	
a	Funds • Finalise consultation on amendments to the legislation
b	Administrators • Finalise consultation on amendments to the legislation
c	Investment Business • Finalise consultation on amendments to the legislation
4. AML Legislation	
	• In coordination with NAMLC, address MER-related issues • AML guidance notes: update all existing guidance notes to incorporate legislative changes • AML guidance notes: draft new guidance notes for insurance managers
5	Special Banking Resolution Regime • Finalise the Code of Practice and consult on provisions for winding up banks
6	Digital Asset Business • Propose technical amendments to the legislation

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

The Mutual Evaluation Review (MER) of Bermuda's Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) framework being conducted by the Caribbean Financial Action Task Force (CFATF) is expected to be concluded in 2020. The BMA was extremely active last year in supporting the work of the National Anti-Money Laundering Committee (NAMLC) is preparing for and undertaking the off-site and on-site inspection phases of the MER process. The BMA will continue to focus resources on working with NAMLC and responding to comments on the MER draft reports and preparing for the review and challenge by the CFATF Plenary at its Plenary Meeting later in 2019.

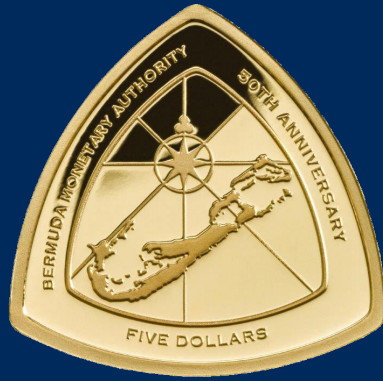
It is noteworthy that the AML/ATF legislative agenda executed in 2018 was, to Bermuda's credit, considerably accelerated in direct response to initial assessor feedback from the technical compliance submissions. Carrying on from this, more effort is needed in 2019 to ensure that all the enacted changes are fully operationalised and also to carefully prioritise and deliver the few outstanding changes required.

Concurrent with supporting the assessment, the BMA also executed a considerably enhanced on-site programme, helped to embed various legislative and national policy objectives and completed the first tranche to deliver its AML Strategy.

This momentum and focus need to continue in 2019 to ensure that the ongoing oversight of regulated financial institutions for AML/ATF is strong, consistent and effective.

Looking forward to 2019, the key broad objectives will be, in priority order:

1. Support the CFATF Mutual Evaluation Review
2. Continued execution of the BMA's supervisory agenda, with a specific focus on the supervisory on-site review regime and Digital Asset Business (DAB) licensing application reviews
3. Execution of the 'Year 2' change programme under the three-year AML Strategy, including management of the legislative change agenda



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Executive

Jeremy Cox, Executive Chair

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