



2020

ANNUAL REPORT



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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OUR MISSION

To protect and enhance Bermuda's reputation and position as a leading international financial centre, utilising a team of highly skilled professionals acting in the public interest to promote financial stability, safeguard our currency and provide effective and efficient supervision and regulation.

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



Jeremy Cox

EXECUTIVE CHAIRMAN'S REPORT

Most organisations spent a great deal of 2020 dealing with the fallout from a vicious pandemic that threatened their existence. Ours was no exception.

I hope there will come a time when we will not have to devote space in our annual report to how we handled a killer virus' impact. For now, at least, I offer no apologies for introducing a report with remarks focused heavily on the impact of an event which, for many of Bermuda's companies and business communities, turned 2020 into a unique and unmitigated disaster of epic proportions.

Globally, the loss of lives and livelihoods attributed to the COVID-19 pandemic was on a scale typically associated with armed conflict. Entire economies, workforces and many of the world's biggest and hitherto secure balance sheets will bear scars inflicted during this period for years to come.

Millions died, and millions lost their jobs. Most significantly for us, the United States (US) economy, Bermuda's biggest single trading partner, is expected to take years to recover from virus-related job losses, which were conservatively estimated at more than four million around the start of 2021.

That Bermuda's economy fared as well as it did in comparison to other jurisdictions was due, in my opinion, to three central factors: the strength and buoyancy of our international business sector, which kept Bermuda's economic engine turning over; the compact size of our island home, which made the pandemic situation a little more manageable than it could have been; and the effectiveness of emergency measures instigated unflinchingly by the Bermuda Government to control the spread of the virus. Helped by the support of Bermuda's people, by the end of the year, the island survived both a lockdown during the early stages of the pandemic and the reintroduction of various COVID-19 restrictions when a

second spike occurred. Bermuda emerged from both with an enhanced reputation as a comparatively safe, well-managed environment.

Safe and well-managed were the twin characteristics the Authority sought to model in 2020, a year that many of us at BMA House will remember as the year of the grand pivot. The year we thought the unthinkable, shut up shop, turned off the lights and, almost overnight, morphed into something we would never have been before: a completely virtual regulator.

The 2020 projects and initiatives discussed on the following pages were externally visible throughout the year. Whereas, what has been less visible—and usually is—is the operational support that helped power them. While the BMA was essentially business as usual, this was for our stakeholder-facing personnel. It was anything but for our operations units. These teams and our Crisis Management Team (CMT), led by our Chief Operating Officer, Shanna Lespere, took on the labouring oar. On Thursday, 6 February 2020, CMT proactively enacted our Business Continuity Plan to ensure staff's safety and well-being. They then switched gears to seamlessly furnish a remote infrastructure that allowed us to deliver throughout 2020 and continue to do so until the BMA team can safely return to the office.

With our operations secured through remote working options and virtual external meetings, the BMA forged ahead. In rapid succession, we issued guidance on several fronts: how communications should be handled with all financial services entities, the timing of regulatory initiatives and engagement with Government and international peers.

As challenges go, that act of reinvention was quite an achievement. It was accomplished fairly seamlessly through greater use of new technology and adopting measures proposed in our business continuity playbook. What was

arguably even more remarkable, though, was that it was executed without interruption in our services or diminution of service quality.

Among the many precautionary measures introduced in 2020, some of which you will read more about on the following pages, were a carefully analysed stress test based on information from previous filings and a market survey to assess the financial and operational impact of COVID-19. The survey results and discussions with private sector entities indicated that Bermuda's financial industry remained strong, with capital resources in the (re)insurance sector well above requirements.

This initiated our proactive outreach programme—an action plan that included scheduling interim supervisory colleges for Bermuda Groups to discuss COVID-19 and increasing the frequency of prudential meetings with the market.

Additionally, we developed an emerging risk template focusing regulatory attention on those entities we considered to be on the pandemic's front line because of their exposure to specific at-risk industries, such as entertainment, hospitality or transportation. While we believe a capital event is unlikely, potential vulnerabilities in the financial services area cannot be ruled out given continuing uncertainties about the pandemic's duration and impact.

To say that we maintained operational resilience throughout the entire process would be to tell only half the story. The story behind the story was that demand for supervisory services picked up significantly during this period, both in volume and complexity.

The timing was critical. In the risk transfer business, rates had already begun to rise before the coronavirus' arrival, due to increased hurricanes, wildfires and other losses during previous years. By the end of 2020, Bermuda's reinsurers had received several billion dollars of new capital, some from startups, some in the form of capital additions in anticipation of the hardening market. As the year drew to a close, we announced that the captive insurance industry here had retained its leading position with gross premiums written holding firm at \$40 billion.

Despite the pandemic and its impact on Bermuda's primary customer base in the US, we saw solid growth in insurance licensing, with 72 new entities added to the register, 67 of them insurers and five intermediaries. We also reported registrations in two of our new limited purpose insurer classes. These included four collateralized insurers and one innovative general business insurer.

Last year also marked the issuance of the first insurance marketplace provider licence for the electronic transfer and trading of risk. This was granted to a company newly

graduated from our so-called regulatory sandbox, which enables innovators to test new ideas in a controlled environment with a limited number of clients.

The marked increase in licence applications was accompanied by other forms of growth. More specifically, the Authority explored expanding our remit into the market conduct of Bermuda's financial services. Following a review of the composition, culture and needs of the Bermuda market, as well as how we could develop a conduct-focused infrastructure that provides oversight of all licence holders and supports the protection of financial services customers, we released a discussion paper for feedback from stakeholders.

Progress was also made in the area of cyber exposures with the launch of a code of practice designed to promote the stable and secure management of regulated entities' information technology systems. The code allows companies to implement their own technology risk programmes and determine their top risks and the appropriate risk response. Another area we worked on in 2020 was the application of the Incorporated Segregated Accounts Companies Act 2019, providing guidance, particularly in relation to insurance and hybrid structures. Additionally, the Authority commenced informal consultation for the creation of a digital identity service provider framework, which awaits further guidance from the Government's Chief FinTech Advisor.

Pleasing though it was to see this kind of growth and activity in a core staple of our financial services business, we were careful not to be distracted from the day's overriding priorities. Measures to combat the coronavirus' impact were placed squarely at the top of the list. This was clearly a difficult and testing time for everyone in Bermuda but for a regulator—with the job of protecting financial services customers while managing threats to its own credibility as well as the reputation of Bermuda's marketplace—that was a mission-critical test that had to be passed.

The banking sector and the necessary protective measures regarding it were one such focus. Supervisory staff worked closely with the sector to develop recovery plans specific to banking operations while at the same time enhancing our internal early warning systems to allow for effective management of any challenges.

On the international front, Bermuda stayed true to its continued commitment to international standard alignment. One such example of this is our management of the self-assessment and on-site review process of Bermuda's trust and corporate services regime, gauging our alignment with the Group of International Finance Centre Supervisors' (GIFCS) guidance. Additionally, last year we began the

process of updating Bermuda's regime to ensure alignment with the revised Insurance Core Principles of the International Association of Insurance Supervisors (IAIS), which, it should be noted, the BMA played a role in developing via our participation in IAIS working groups.

Several BMA representatives work closely with this and other IAIS initiatives, including our Chief Actuary, Ricardo Garcia, who in 2020 was appointed Vice-Chair of the IAIS Policy Development Committee, and the BMA's Director of Financial Stability and Research, Marcelo Ramella, who was recently re-appointed to serve as Vice-Chair of the Association's Macroprudential Committee.

Their exposure to the broader world of insurance supervision is, given their subject matter expertise, good for insurance supervision standards globally but also good for us. The network of connections they will continue to make through their involvement with the IAIS will be important to the continued development of the Authority as a respected international regulator. Being plugged into a global body like the IAIS will also give us a ringside seat from which we can monitor developments in this constantly shifting landscape.

Sitting at the same table as supervisors from other countries means access to intelligence on how regulators elsewhere respond to economic substance requirements or keep pace with fast-evolving areas like digital currencies and crypto-asset businesses. Perhaps even more simply, whether and to what extent regulatory authorities are thinking about ending the virtual *modus operandi* forced on them by COVID-19. My view is that the jury is still out on whether the BMA stays a virtual regulator. I think our approach may well end up being a hybrid: a virtual platform to empower collaboration with emerging technologies, both within our organisation and with industry, and a solid brick-and-mortar location to foster a strong BMA team culture and demonstrate a substantial physical presence to our key stakeholders.

Regardless of the precise specifications, we know that our organisation's public face will continue to change. This is true in the most literal sense of the phrase. After almost two decades at the Authority, I do not think it would be presumptuous of me to say that my face has become the one that most people know and associate with Bermuda's financial services regulator. However, as has already been announced, this aspect of the BMA's public face is set to change.

The new face will be Deputy Chief Executive Officer Craig Swan, who will take over from me at the end of the year. New is not exactly an accurate way to describe a man who has worked at the Authority since 2006. A Certified General Accountant and Fellow of the Chartered Governance Institute of Canada, Craig is a well-known and seasoned

regulator with strong technical skills and hands-on experience in supervisory practices related to banks, insurance entities, trust companies, digital asset businesses and investment businesses. Craig is also just as deeply ingrained in the BMA's future as he has been in its past. In 2020, he worked extensively on developing the organisation's strategic focus for the next five years—a process and document that highlight Craig's position as a firm advocate of the benefit of employee engagement and belief that staff understanding of the BMA strategy is as important as that of the Board of Directors.

Craig is stepping into the leadership role—with the right mix of traditional accounting knowledge and enthusiasm for harnessing new technology and engaging staff—at an exciting point in the Authority's 51-year history. While the job, I can attest, is no sinecure, he will be at the helm of an entity that has already withstood a tumultuous year. Furthermore, in many ways, Craig's timing could not be better. If, like me, you believe that a disruptive period of change lies ahead due to the continued acceleration of automation, digitisation and other trends, the Authority must be prepared to develop a new generation of regulatory tools. These tools of artificial intelligence, FinTech, InsurTech, RegTech, blockchain and other innovations are right up his alley, and I wish him every success in his new role.

While I would hesitate to say that everything is running smoothly at the Authority, few pressure tests will come close to the jarring experiences of 2020. For some, it was an *annus horribilis*, a disastrous year that is best forgotten. For Bermuda and for the BMA, it may yet turn out to be the year we re-defined our brand, adding "safe and well managed" to the list of qualities that make up our value proposition.

As my final Annual Report message, I would be remiss if I did not state the absolute pleasure it has been to serve Bermuda's financial services industry for the past three decades and through various roles at the BMA for two of those. Our team is exceptional, setting the bar higher with each passing year, and I am confident they will continue to do so long into the future.



Jeremy Cox
Executive Chairman

2020 BUSINESS PLAN

MILESTONES COMPLETED

Insurance

- Consulted on Segregated Accounts Companies (SAC) and Incorporated SACs (ISAC)
- Consulted on amendments to legislation arising out of continued adoption of the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)
- Rolled out three new insurance classes (Collateralized Insurer (CI), Innovative General Business (IGB) and Insurance Marketplace Provider (IMP))
- Legislated cyber reporting requirements and published the Cyber Risk Management Code of Conduct
- Continued to engage and deepen relationships with the European Insurance and Occupational Pensions Authority (EIOPA), the National Association of Insurance Commissioners (NAIC), the GIFCS and other international regulators

Banking, Trust, Corporate Services and Investment (BTCSI)

- Issued a consultation paper on amendments to the Banks and Deposit Companies Act 1999
- Ensured adherence to the GIFCS standard on the regulation of trust and corporate service providers following the 2020 assessment
- Completed the pre-consultation process with an industry working group on scope-related changes proposed in respect of an enhanced investment business regime

Financial Technology (FinTech)

- Implemented a legislative and regulatory framework for digital asset issuances
- Ensured Bermuda's Digital Asset Business (DAB) framework evolved in sync with the industry by introducing a new licence class for the purpose of testing projects and developing account rules for DABs
- Continued to participate in cross-border collaboration to establish Bermuda as a FinTech hub and facilitated growth via increased collaboration with other leading FinTech jurisdictions and the Global Financial Innovation Network (GFIN)

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

- Commenced addressing recommendations coming out of the Mutual Evaluation Report in coordination with Bermuda's National Anti-Money Laundering Committee (NAMLC)

Other

- Continued to develop a sustainable funding framework to ensure the BMA is operating in a manner that reflects a longer-term strategic view
- Consulted on a conduct of business regime for the financial services sector
- Continued to promote financial stability by working with Bermuda stakeholders to identify and address risks to the financial system
- Reviewed the delegation of enforcement powers and the restructuring of the appeal process by issuing a consultation paper about enhancements to the enforcement process

EXECUTIVE TEAM

(as of 31 December 2020)



JEREMY COX
Executive Chairman



CRAIG SWAN
Deputy Chief Executive Officer



SHANNA LESPERE
Chief Operating Officer



MARCIA WOOLRIDGE-ALLWOOD
Senior Advisor, Banking, Trust, Corporate
Services and Investment



MICHAEL J. BURNS
Director, Legal Services and Enforcement

BOARD OF DIRECTORS

(as of 31 December 2020)

ABOUT THE BOARD

Under the Bermuda Monetary Act 1969 (BMA Act), the functions of the Board of Directors (Board) are to manage the affairs and business of the BMA and to determine the policy objectives and strategy of the Authority.

The Board consists of ten non-executive directors appointed by the Minister of Finance from the various sectors of industry.

In addition, the Minister appoints the Executive Chair of the Board. To enhance independence, Board members are appointed for terms ranging from three to five years. Board conflicts are strictly managed in accordance with the BMA Act.

One of the non-executive directors is appointed as Deputy Chair and chairs the Non-Executive Directors Committee (NEDC).



JEREMY COX
Executive Chairman



PHILIP BUTTERFIELD
Chairman, HSBC Bank of Bermuda (retired)



JAMES NEWSOME
Founding Partner, Delta Strategy Group



ROBIN MASTERS
Treasurer and Chief Investment Officer,
ACE Limited (retired)



SHARON A. BEESLEY
CEO, Beesmont Law Limited



DONALD SCOTT

Deputy Chairman, Former Secretary to the Cabinet and Head Of Civil Service, and Financial Secretary



FRANCINE MASON

Partner, Rawlinson & Hunter



KAREL VAN HULLE

Professor at KU Leuven and Goethe University Frankfurt, Member of The Public Interest Oversight Board



MICHAEL LEVEROCK

President, Leverock Advisors & Associates



TRACY TEPPER

Director, Lombard Odier Trust (Bermuda) Limited (retired)



WALTER BELL

Chairman, Swiss Re America Holdings Corporation (retired)

BOARD COMMITTEES 2020 (as of 31 December 2020)

NON-EXECUTIVE DIRECTORS

Donald Scott (Deputy Chairman)
Sharon Beesley
Walter Bell
Philip Butterfield
Michael Leverock
Francine Mason
Robin Masters
James Newsome
Tracy Tepper
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 Executive Chairman

AUDIT AND RISK MANAGEMENT

Tracy Tepper (Chairman)
Jeremy Cox
Michael Leverock
Francine Mason
Robin Masters

- 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

INVESTMENT

Robin Masters (Chairman)
Philip Butterfield
Jeremy Cox
James Newsome

- 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

HUMAN CAPITAL

Donald Scott (Chairman)
Walter Bell
Jeremy Cox
Michael Leverock
Tracy Tepper

- Approves the Authority's overall compensation framework as well as the individual remuneration levels for directors and above
- Makes recommendations to the NEDC on the terms and conditions of the Chief Executive Officer/ Executive Chairman's employment
- Oversees succession planning
- Oversees Human Resources policy and programme development and implementation

CORPORATE GOVERNANCE AND ETHICS

Michael Leverock (Chairman)
Walter Bell
Sharon Beesley
Jeremy Cox
Donald Scott

- 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

LEGISLATIVE AND POLICY

Sharon Beesley (Chairman)
Robin Masters
Karel Van Hulle
Donald Scott

- Reviews legislative and regulatory priorities as established by the Board, and oversees the agenda for 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



**COMMUNITY
MATTERS**

COMMUNITY MATTERS

Helping without harming—the BMA pursued a delicate approach to community service in 2020. This required a new philanthropic activity model. One built with our staff's civic-mindedness at its core, yet reined in by measures to protect them and those we serve.

Prior to the pandemic, the Authority took advantage of the beginning of 2020, continuing our tradition of Charitable Fridays. On a Friday in both January and February, staff could wear denim to work in exchange for a minimum donation. These donations benefited YouthNet and the Bermuda Heart Foundation, respectively.

Following the BMA's move to remote access, our 'volunteer from home' opportunities took several forms, including participating in pledge-a-thons for the Bermuda Diabetes Association and the Women's Resource Centre. The BMA also took part in Tomorrow's Voices' seventh annual Autism Rocks Socks Fundraiser. Hailed as the 'Home Edition' of this yearly event, staff were encouraged to wear colourful or mismatched socks and post pictures to social media and donate to celebrate Autism Awareness Month. These virtual fundraisers allowed the BMA an alternative method of spreading awareness about important causes and giving back to our community.

Whether before or during the pandemic, the BMA's charitable mission remained focused, flexing to the community's needs and identifying alternative methods for supporting our island's charities.

Service Spotlights

Tamara Anfossi

Assistant Director, Supervision – BTCSI

Alongside her recent appointment to the Bermuda Cancer and Health Centre Board of Directors, Tamara has been volunteering for more than five years at The Barn (Bermuda's largest thrift shop and a significant fundraising source for the Hospital Auxiliary of Bermuda). She made sure that, public health guidance permitting, 2020 did not change that. While The Barn did close for a short period of time to align with Government requirements, Tamara dove right back into her weekly volunteering routine once the charity was allowed to open (having implemented all the necessary social distancing and sanitisation methods to keep customer, volunteer and staff wellbeing as the priority).

"I started volunteering at the Barn over five years ago with my daughter. At the time, two very seasoned gentlemen ran that building and I became their "go-to" lady, doing whatever was required, including collecting donations and stocking them on the shelves.

Working at the Barn is part of my weekly routine. It is my way of starting the weekend, collecting donations and chatting with customers and other volunteers. People from all walks of life can be found at the Barn, either dropping off goods or buying them, and some do both—like me. Bermuda is a very affluent and generous society, so people would be amazed at what we get in the way of donations, so many brand new items with tags still attached.

My role has not changed over the years; I still consider myself the "go-to" lady, specialising in stocking shelves—quite a change from supervising entities. It is my way of giving back to society and I truly love what I do. More charity shops have emerged over the years, all supporting great causes, but there appears to be space for everyone. I would encourage everyone to assist local charities in some way. We all have something to offer."

Dianne-Mae Burgess

Programme Manager – Learning and Development, Human Resources

During 2020, Dianne found that her efforts volunteering in her church's thrift store became increasingly relevant during a year where many felt a heightened sense of financial stress. The money raised supported various church activities, including mission work, summer camps, Vacation Bible School and teen clubs.

"Last year, we were assisting people—not giving them a 'handout' but rather a 'hand up'. It was very rewarding and made me feel like I was part of a movement. The camaraderie of the volunteers, the interaction with random strangers, and the 'smiling eyes' above the mask when they found a 'treasure' and completed a purchase generated a warmth that reinforced the knowledge that we are all part of the same human family."

Katie Duguay

Principal, Anti-Money Laundering

From individuals to organisations, Katie and her family found a variety of ways they could give back in 2020. This included: contributing totes and toiletries to Warwick Academy's Salvation Army outreach, sharing their homegrown vegetables with others, serving as caretaker to a senior citizen in their hurricane preparation and grocery needs, and even giving a Christmas gift and card to a single mother.

"These were just small gestures, but I hope that it helped at least a few people to feel uplifted and get through these tough times. We live in a small community, and many of the individuals and families are still hanging on by a thread. I consider our family blessed to have full-time jobs through this pandemic, and it enabled us to give back. We are all in this together."

Dennis Simons

Senior Officer, Policy and International Affairs

Several years ago, Dennis noticed that a community stretch of land just beyond his yard had fallen into disrepair, with the overgrowth of foliage becoming detrimental to passing cars, the overhead utility wires in high winds, and the neighbourhood's attractiveness. He decided to become its unofficial caretaker.

"Initially, I cut the grass verge and trimmed the foliage to keep it off the roadway. It has now become a natural extension of my yard work. Over time, I have purchased various gas trimmers, power saws and weed eaters to make the process easier.

Once COVID-19 hit the island and the shelter-in-place began, the landscaping regiment became a mental stress reliever. I began to appreciate the opportunity after days of research and writing for various policy projects—it was simply a break from sitting in front of the computer for long periods. Cutting the grass became escapism, a way to focus on the approach to projects and a mental rejuvenation tool. Most of my neighbours have never suspected I am employed as a Senior Officer with the BMA's Policy Department.

During the summer months, I maintain my neighbour's hedges that border my house, this 500-foot strip of land and my yard, and, in the process, I refresh the neighbourhood's look. I see the experience as an easy opportunity for exercise, as it only takes 90 minutes every other week in the summer months and once per month in the winter. The landscaping of my neighbourhood brings value and beauty to the community; demonstrates the traditional neighbourly values, which Bermuda was built upon; and encourages the younger persons in the neighbourhood to respect the environment."

Narinder Simons

Legal Counsel – Assistant Director, Legal Services and Enforcement

When social distancing and shelter-in-place prevented Narinder from volunteering on Friday evenings at the Salvation Army kitchen, she found a new outlet for community service. Narinder began removing plastic waste and discarded items to help beautify Bermuda and prevent harm to the creatures with which we share this island and its surrounding waters.

"Over 2020, my local park and beach became a place of joy and serenity, a beautiful setting for walks and picnics. I started to feel a new appreciation for the sea, its power and beauty and the home of our amazing sea life. However, there was a noticeable amount of plastic waste in and around the ocean. I began taking a trash bag on my walks

and picking up what I could. The thought of our fish dining on carelessly discarded trash was far from ideal.

Over the year, with my daughter and others' help, we have carried away countless bags of rubbish and larger items. I have lost count of the number of ropes, motor oil containers and crates we have removed from the water that would otherwise pose a threat to nature. There have been some unexpected items found, including a range of children's toys, a fluorescent light fitting, and a food blender.

Through taking care of the environment, I have connected to nature and my local community as more people pitched in to help – neighbours, swimmers, joggers, dog walkers and windsurfers. Although this work is quite difficult, uncomfortable and icy cold at times, it is worth it, as the ocean looks more beautiful now than ever. We are looking forward to sunny days on our local beach again and hope Bermuda families, tourists and our sea life will enjoy, as nature intended."

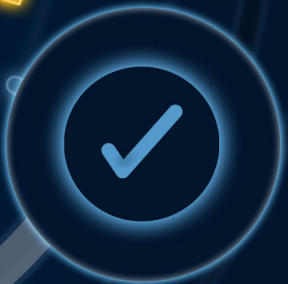
Donald Treanor

Assistant Director, Supervision – Actuarial

While volunteering in 2020 may have looked a little different, Donald remained committed to organisations he has long supported. Alongside his involvement with the Bermuda Aquarium, Museum and Zoo via an annual membership, Donald also spent significant time and resources assisting the Bermuda Fencing Federation (BFF)—an organisation he has personally represented at major fencing tournaments in Canada, the US Virgin Islands, New Zealand, Australia, Slovenia, Italy and Hungary.

"I act as an armourer for the club, maintaining the equipment and coaching. This year, with the pandemic, the training has been slow, but we are back to fencing in the club under controlled conditions with three or four core fencers and five to seven students most Wednesday nights. In preparation for restarting, I cleaned, repaired and replaced equipment so the club would be ready when fencing started later in the year. Through this work, the BFF has served as a springboard for numerous fencers in competing on the international stage."

REGULATORY DEVELOPMENTS



ANTI-MONEY LAUNDERING/ANTI-TERRORIST FINANCING (AML/ATF)

Bermuda's Mutual Evaluation Review (MER) report was published by the Caribbean Financial Action Task Force (CFATF) on 17 January 2020. In the context of a very favourable report at the jurisdictional level overall, it was pleasing to note that areas where the Authority had particular responsibility—supervision and transparency of beneficial ownership—were rated as having a substantial level of effectiveness, with “Compliant” technical compliance ratings for 13 of 16 relevant recommendations, and the remaining three rated “Largely Compliant”. Nevertheless, there were recommendations in the report requiring action from the team. These recommendations, which the BMA has prioritised, affect areas including regulated entities ensuring they meet their obligations concerning risk assessments, suspicious activity reporting and periodic review of their risk-rating methodologies.

In partnership with other departments, work continued delivering the updated AML/ATF medium-term strategy, with a particular focus on data. For example, the Data Science and Artificial Intelligence Team developed a tool that harnesses the Authority's annual data call results to streamline the capture and visualisation of registrant risks. This allows our supervisory team to review the various sectors' data and each underlying entity over three years, highlighting trends and risks. Over time, the goal is to leverage these risk analytics to identify and address emerging risks.

In 2020, the BMA also continued refreshing guidance notes. The general guidance notes review has been completed, with the focus now concentrated on sector-specific guidance notes. The BMA is holding the general guidance notes' issuance to ensure alignment with any matters that may arise from the sector-specific work.

As a key member of the National Anti-Money Laundering Committee (NAMLC), the BMA provided significant support in the first half of the year to complete the 2020 terrorist financing national risk assessment, the second iteration of this assessment. In the fourth quarter, broad and deep support for the ongoing money laundering national risk assessment commenced. This included directly participating in all the relevant working group meetings and updating internal Authority documents to support the sectoral risk assessments scheduled for Q1-2021. As part of this effort, it was agreed with the World Bank that the BMA would pilot their newly developed module for assessing virtual assets and virtual asset service providers' sectoral risks.

Extensive work was performed to create a digital identity service provider framework and, subsequently, to

conduct framework pre-consultation. Following the pre-consultation's feedback collation, the Authority engaged with the Premier's Chief FinTech Advisor to affirm the framework's positioning within the digital strategy's broader context. Work continues on this initiative.

In Q3, the BMA began work on the service provider training programme initiative, which will deliver registration/certification and a fast-track path to licensing in the context of AML/ATF policies and procedures. This forms part of the 2021 strategic plan and is scheduled for completion during 2021.

Taking advantage of an opportunity that emerged through engagement with the UK delegation during Bermuda's MER review at the November 2019 CFATF Plenary, the Authority was part of a small Bermuda working group that actively participated in the FATF working group to review and enhance Recommendation 24, transparency and beneficial ownership of legal persons.

Finally, and again demonstrating the Authority's engagement on the international stage, the BMA supported the IAIS Financial Crime Task Force's drafting team to review the application paper arising from the IAIS' Insurance Core Principle 22, Anti-Money Laundering and Combating the Financing of Terrorism. This work will conclude in 2021.

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

The AML/ATF-related legislative developments pursued in 2020 were driven by Bermuda's MER, changes to the FATF virtual asset service provider Recommendations (captured in Bermuda's legislation as DABs) and the BMA's ongoing legislative framework review. The changes were all minor technical amendments.

In brief, the key amendments addressed:

- Aligning with Recommendation 12 for senior management engagement for life insurance policy pay-outs involving politically exposed persons
- Ensuring inclusion of digital assets transfers in regulations currently referring to “wires”
- Aligning with revised Recommendation 15 to change the occasional transaction limit for DABs to \$1,000 versus \$15,000 for other regulated financial institutions
- Ensuring the Credit Union Act is captured correctly in the Proceeds of Crime Act (POCA)
- Refining the inclusion of insurance marketplace providers under the “AML/ATF regulated financial institution” definition in the POCA Section 42A only to include an insurance marketplace where it offers direct long-term insurance to align with insurance brokerage activities

The appropriate BMA governance bodies approved these legislative amendments, and they are now under consideration by the NAMLC Policy and Legislation Working Group.

Additionally, the Authority has communicated with NAMLC and the Ministry of Finance (MoF) to consider a review of the definition of “property” in the POCA to ensure the inclusion of digital assets as property.

BANKING, TRUST, CORPORATE SERVICES AND INVESTMENT (BTSCI)

Banking

In 2020, the Basel Committee on Banking Supervision (BCBS) delayed introducing new Basel III standards from 1 January 2022 to 1 January 2023. This one-year delay was designed to allow both regulators and banks to devote their full resources to tackle issues arising from COVID-19. Consistent with the BCBS and its timetable, the Authority delayed introducing the latest Basel III amendments. For 2020, there were no changes to the capital and/or liquidity frameworks, which are currently compliant with all BCBS standards and implementation timelines.

In light of the macroeconomic impacts of COVID-19, the Authority introduced enhanced reporting to monitor the pandemic’s impact. This included weekly reports on specific liquidity-related metrics and ad hoc reporting on credit exposures and potential credit losses. As part of our enhanced monitoring, the Authority requested the banks submit reports on financial stress tests to identify any potential implications from portfolio-wide payment deferrals, very low interest rates, lower economic activity levels and unemployment. Based on an analysis of the enhanced monitoring information and reports, together with the regular supervisory programme, the Authority did not detect issues warranting additional mitigation or further actions.

Pursuant to the Supervisory Review and Evaluation Process (SREP) implemented in 2019, two banks were subject to the SREP process in 2020. As part of this process, the Authority issued revised capital ratios for these institutions based on the reviews conducted during the on-site examination and desk-based assessments.

The Authority’s outsourcing guidance, applicable to banks, deposit companies, the Bermuda Stock Exchange (BSX), Corporate Service Providers (CSP), trust companies, Money Service Businesses (MSB),

investment businesses, fund administrators and the credit union, became effective 1 May 2020. The guidance required all Relevant Licensed Entities (RLE) to apply for prior approval for existing material outsourcing arrangements during the period from 1 October 2019 to 3 January 2020. For contracts prior to the implementation date, RLEs must provide a signed CEO attestation that the material outsourcing arrangement is fully compliant with guidance requirements. Post-implementation, all new outsourcing arrangements must be subject to the prior approval process. A review of the banks’ outsourcing governance and overall framework was integrated as part of the SREP process.

Banks that report under the US Generally Accepted Accounting Principles (US GAAP) adopted the forward-looking Current Expected Credit Loss (CECL) accounting standard effective 1 January 2020. Similar to the 2018 International Financial Reporting Standards (IFRS) changes, CECL replaced the allowance for loan and lease losses calculation of credit losses and related provisions. All banks in Bermuda now calculate credit losses and related provisions using expected credit loss methodologies. To prevent potential cliff-effects on regulatory capital resources created by the new accounting provisions, the Authority issued transitional arrangements to smooth out the treatment over a five-year period. Only one bank opted to take up this transitional provision.

Trust and Corporate Service Providers (TCSP)

As a member of the Group of International Finance Centre Supervisors (GIFCS) TCSP working group, the Authority assisted with reviewing the draft peer evaluation report of a member in early 2020.

The Authority’s cross-departmental teams also devoted considerable effort preparing for Bermuda’s peer evaluation, which focused on assessing Bermuda’s compliance with the Standard on the Regulation of Trust and Corporate Service Providers (the Standard).

Numerous documents, including Bermuda’s self-assessment against the Standard, were submitted to the GIFCS assessment team throughout the year. The Authority and several external stakeholders participated in the week-long assessment, which took place remotely in December 2020. Bermuda was the fourth country to be assessed and the first to participate in a remote assessment. The draft and final reports are expected to be issued in H1-2021.

Investment Business

In early 2020, the Authority commenced its review of the Investment Business Act 2003, with a view to aligning the investment business regime with international best

practices and standards. The Authority anticipates that a series of consultation papers will be issued in 2021, with amendments to legislation coming into force by early 2022.

Fund Administration Provider Business

The Authority issued a new Fund Administration Provider Business Statement of Principles, and a new Fund Administration Provider Business Code of Practice in October 2020.

There were also amendments made to the Fund Administration Provider Business Statement of Compliance Certificate, Application Form and Business Plan in November 2020.

Outsourcing

The Authority's outsourcing guidance applicable to Banks, Deposit Companies, the BSX, CSPs, Trust Companies, MSBs, Investment Businesses, Fund Administrators and the Credit Union became effective 1 May 2020.

Note: There were amendments made to Institutional Questionnaire and Personal Questionnaire for all BTCSI regimes.

FINANCIAL STABILITY AND RESEARCH

As in years past, the Authority's financial stability and research work encompassed five key categories.

Macroprudential Surveillance and Systemic Risk Monitoring

This work continues to focus on reviewing activities in the various financial sectors under the BMA's mandate, performing surveillance of Bermuda's financial economy and the real economy, inputting the surveillance actions' results into the BMA's regulatory and supervisory efforts, and providing data and analysis to the public domain. In many instances, this data and analysis are included in BMA publications, such as the Quarterly Banking Digest, the Bermuda Insurance Property and Casualty Market – Catastrophe Risk and Stress Testing Analysis Report, the Catastrophe Risk Modelling Report, Bermuda's Coordinated Portfolio Investment Survey Report, and the Macroprudential Risk – Annual Statutory Filings Report.

International engagement

BMA staff carried on with its active participation in and contribution to:

- Financial Stability Board (FSB)
 - Regional Consultative Group for the Americas (RCGA)
 - RCGA Non-Bank Financial Intermediation Working Group (which the BMA continues to Co-Chair)
- Bank of International Settlement (BIS)
 - Financial Stability Institute
- IAIS
 - Macroprudential committee and working group roles:
 - Macroprudential Committee (where the BMA maintains its role as Vice-Chair)
 - Macroprudential Monitoring Working Group
 - Macroprudential Supervision Working Group
 - Resolution Working Group
 - Implementation assessment work underway concerning the IAIS Holistic Framework for Systemic Risk in the Insurance Sector
- Organisation for Economic Co-operation and Development (OECD)
 - Insurance and Private Pensions Committee's 2020 Global Insurance Market Trends Report
- Credit rating agencies
 - With respect to sovereign and financial firms' ratings developments

Recovery and Resolution

In 2020, the BMA worked towards further development of Bermuda's recovery and resolution framework. This process included continuing the BMA's detailed gap analysis of Bermuda's recovery and resolution framework for the banking sector against the FSB's key attributes of effective resolution regimes. Another area was the BMA's ongoing design and implementation of the banking sector's recovery and resolution framework. Additionally, as a member of the IAIS Resolution Working Group's drafting team, the Authority contributed to the IAIS resolution powers and planning application paper, which was published for public consultation in November 2020. Work on the recovery and resolution framework for the insurance sector continues.

Financial Policy Council (FPC)

The Authority's role as FPC Secretariat continued in 2020. The BMA arranged and coordinated all FPC virtual meetings and was responsible for the preparation/review of all FPC discussion and information papers, including Bermuda's Economic Recovery Plan and financial developments papers, risk monitoring papers and FPC minutes and communique.

Research Resource

The Financial Stability and Research Department carried out various in-house research projects in 2020 and represented Bermuda in domestic and international research initiatives. This included:

- International Monetary Fund (IMF): providing detailed work for the IMF's balance of payments and securities held as foreign exchange reserves
- BIS: compiling quarterly locational banking statistics data for the BIS
- OECD: compiling OECD insurance statistics
- Bermuda Department of Statistics: aggregating the economic activity survey data and continuing the development of an economic database
- Group of International Insurance Centre Supervisors (GIICS) Members: organising and coordinating workshops on data analytics and research and climate change risk (BMA staff also participated in these workshops)

DIGITAL ASSET BUSINESS (DAB)

Introduction of a New Class of Licence (T)

In 2020, the Authority introduced a new licence class under the Digital Asset Business Act 2018 (DABA) – Class T licence – for testing a viable product/service via beta testing or piloting. Class T applicants must:

1. Develop a successful criterion for the test within their business plan
2. List their preidentified or targeted customers or counterparties
3. Hold capital of at least BD\$10,000
4. Ensure appropriate risk disclosures for potential counterparties are in place

The three licences available under the DABA, T (Test), M (Modified) and F (Full), are meant to provide a progression of regulatory complexity and supervisory intensity that is commensurate with the business' nature, scale, complexity and risk profile, and support prudent industry

development. The Authority's focus is to remain risk-based and proportional and to provide clear expectations to the industry. The introduction of a specific testing class reduces the ex-ante costs of understanding the regulatory requirements for entities seeking to run contained pilots or tests.

Transition of Authorisation powers for Digital Asset Issuances to the Authority

The Digital Asset Issuance Act 2018 (DAIA) transitioned the powers to authorise digital asset issuances (previously known as initial coin offerings) from the MoF to the Authority. As such, the Authority has built a regulatory framework to support the prudent issuance of these types of assets from the jurisdiction.

Consultation on the Digital Asset Business Accounts Rules 2020 (Rules)

To provide clarity to the digital asset industry while international accounting standard bodies work to offer further guidance, the BMA introduced the Rules. These Rules provided specific guidance to DAB licensees in Bermuda when preparing their Annual Statutory Financial Returns (Returns). The Returns provide important financial and non-financial information to the BMA to evaluate licensees' solvency with the ultimate objective of protecting the public.

INSURANCE

Continued Implementation of Enhanced Commercial Regime

The 2020 year marked the beginning of the process of updating Bermuda's regime to ensure alignment with the IAIS' revised Insurance Core Principles (ICP) requirements, including considerations for the Common Framework (ComFrame) for the Supervision of Internationally Active Insurance Groups (IAIG) and Holistic Framework. This is a multi-year initiative prioritising the ICPs amended by the ComFrame, Holistic Framework and covered by any self-assessment and peer review requested by IAIS. The Authority issued a consultation paper for public comments in December 2020, introducing the concept of IAIGs. Feedback from industry on the consultation paper was due 31 January 2021, with the proposals to enter into force on 30 June 2021.

Operational Cyber Risk

The Insurance Amendment Act 2020 came into operation on 5 August 2020. This Act made provisions for enhanced supervisory requirements concerning how

Bermuda insurers, insurance managers and insurance intermediaries report cyber events. In September 2020, the Authority published (in its final form) the Insurance Sector Operational Cyber Risk Management Code of Conduct (Cyber Code). Cyber risks can cause significant financial losses and reputational damage to registrants and their clients. The confidentiality, integrity and availability of information, in all its forms, is critical to the daily operations of registrants. The Cyber Code is designed to promote the stable and secure management of regulated entities' information technology systems. The Cyber Code became effective 1 January 2021, with registrants expected to be in full compliance by 31 December 2021.

Implementation of Regulatory Framework for New Insurance Classes

Having established new insurance classes in 2019, namely CI, Innovative Insurer-General Business (IIGB) and a new category of intermediary (IMP), the focus in 2020 was on the implementation of the regime for registrants in these respective classes. As such, the Authority proposed introducing necessary supporting technical rules to govern these new classes' annual filing requirements in accordance with the Insurance Act 1978. The regulatory framework implemented via rules for Class IIGB insurers contains risk-based capital requirements and other measures to address its risk profile and ensure adequate monitoring. The CI rules formalised the filing requirements and capital framework for the new CI Class. The rules came into force on 30 April 2020.

For insurance marketplaces, the Authority's emphasis on the rules was primarily on fit and proper requirements for controllers and officers, governance and risk management, and the control environment, particularly related to operational, technology and cyber risk.

Special Purpose Insurers (SPI)

On 1 July 2020, the Authority published a guidance note to update its original SPI standards issued in October 2009. This guidance note's primary focus was to outline the Authority's approach to SPI licensing and ongoing supervision.

InsurTech Regulatory Regime

In 2020, the BMA continued to explore the introduction of innovative structures to meet future developments in the financial services sector while implementing companies' supervision in the Insurance Regulatory Sandbox (Sandbox) and Innovation Hub (Hub). In 2020 we saw two new entrants to the Sandbox, while one firm graduated in

December 2020 as an IMP. As of 31 December 2020, a total of two firms remained in the Sandbox, with one firm in the Hub.

Additionally, one limited purpose insurer was approved for reclassification as a Class IIGB insurer in Q4-2020.

Incorporated Segregated Account Companies (ISAC) and Segregated Account Companies (SAC)

The Authority issued guidance concerning the application of the Incorporated Segregated Account Companies Act 2019, particularly in relation to insurance and hybrid structures. ISAC structures present a unique ability to have ISAs writing insurance business, investment fund business and DAB (upon obtaining approval from the MoF) operating within the same ISAC structure. This could mean, for example, a platform for the Insurance-Linked Securities (ILS) market could have Incorporated Segregated Accounts (ISA) writing insurance business and ISAs conducting investment fund business, all operating from within the same ISAC structure. ISAs registered/authorised to conduct investment fund business will have an opportunity to raise money from third-party investors through the offer of shares or other securities. The funds raised may then be used to collateralise (re)insurance written by ISAs conducting insurance business within the same ISAC structure.

Conduct of Business Regime

As a part of its multi-year corporate strategy, the Authority intends to establish a business conduct regulatory regime to enhance financial services customer protection in Bermuda. The Authority has followed a customer-centric approach to design this regime, taking into account how financial institutions' actions impact customers. The proposed regime's goal is to promote fair and equitable treatment of financial services customers in Bermuda. In 2020, the Authority explored developing a conduct of business regime for regulated financial services. In August 2020, the Authority published a discussion paper to solicit feedback from stakeholders (both financial institutions and individual customers) on such a regime's potential focus. This was followed by a consultation paper in December 2020 based, in part, on the discussion paper responses. The consultation paper outlined the Authority's draft proposals for a comprehensive framework to regulate financial services' conduct to protect customers. This work will continue in 2021.

Reports and Surveys

The Authority published various reports and survey results in 2020, including:

- Insurance Stress Test Report (a joint report with the UK Prudential Regulatory Authority)
- Catastrophe Risk Modelling Report
- Bermuda Insurance Property and Casualty Market: Catastrophe Risk and Stress Testing Analysis Report
- Macroprudential Risk: Annual Statutory Filings Report
- Alternative Capital Report
- Captive Report
- Wildfire and Typhoon Survey Results

International Affairs

In 2020, the BMA maintained an active role in international engagement, with a focus on COVID-19 during the first half of the year. Due to the pandemic, the majority of this engagement was conducted virtually.

At IAIS level, the Authority contributed to many drafting projects and calls with several committees and working groups. These groups included the Executive Committee, where the BMA provided input concerning COVID-19 related issues. Further into the year, the BMA participated in Executive Committee discussions on timelines for various projects as well as the organisation's 2021-2022 roadmap.

The BMA also continued active involvement with the Policy Development Committee, Implementation Assessment Committee, Macroprudential Committee, Capital Solvency and Field Testing Working Group, Governance Working Group, Accounting and Auditing Working Group, Insurance Groups Working Group, the Signatories Working Group, Macroprudential Monitoring Working Group, Macroprudential Supervision Working Group, Resolution Working Group, Infrastructure Task Force and Financial Crime Task Force.

Throughout 2020, representatives from the BMA were appointed as Vice-Chair of the Policy Development Committee, Chair of the Infrastructure Task Force, Vice-Chair of the Signatories Working Group and reappointed Vice-Chair of the Macroprudential Committee of the IAIS.

The BMA also contributed to the IAIS Global Insurance Market Report and took part in the virtual IAIS Annual Conference, Holistic Framework Implementation

Assessment and Targeted Jurisdictional Assessment kick-off meeting (where the Authority is an assessor).

The Sustainable Insurance Forum (SIF) was another area of significant involvement. The BMA attended meetings and contributed to the workstream on climate risk in the actuarial processes. SIF contributions also involved offering feedback during the strategic planning session and providing input on a climate risk application paper.

The BMA also maintained involvement with the Organisation for Economic Cooperation (via the OECD's Development Insurance and Private Pensions Committee), Group of International Insurance Centre Supervisors and Caribbean Association of Insurance Regulators' Members, who were invited to various training sessions the BMA hosted.

The BMA engaged with other international counterparts throughout the year. This included calls with the National Association of Insurance Commissioners (NAIC) and Federal Insurance Office, which focused on the implications of COVID-19 on the insurance sector and the BMA's attendance at the NAIC Fall National Meeting. The Authority also held informative sessions on Bermuda's approach to insurance supervision with the Iowa Insurance Division, Illinois Insurance Department and Australian Prudential Authority. Additionally, the BMA had bilateral meetings with the Office of the Superintendent of Financial Institutions, the Japanese Financial Supervisory Authority and the Cayman Islands Monetary Authority to discuss mutual interest matters.

At the European level, the BMA organised its annual bilateral meeting with the European Insurance and Occupational Pensions Authority (EIOPA), which focused on market developments in light of COVID-19 and regulatory matters. Another meeting was held to discuss EIOPA's climate change and insurance regulation initiatives. Finally, the BMA also met with the UK Prudential Regulatory Authority and the Gibraltar Financial Services Commission.

In addition to the above, the BMA participated in the following regulatory meetings in 2020:

- GIFCS Plenary Meeting, 29 April
- GIFCS Plenary Meeting, 20 October



LEGISLATIVE DEVELOPMENTS

In 2020, the BMA continued to enhance its regulatory frameworks, ensuring they remained fit for purpose and aligned with international standards.

Insurance Marketplace, Class IIGB Insurer, CI and SPI Technical Rules

In April 2019, the Authority proposed introducing new classes of intermediary and insurer (i.e., Insurance Marketplace, class IIGB insurer, and CI) via an amendment to the Insurance Act 1978, which were subsequently passed by Parliament and came into force on 5 August 2019. The Authority then proposed to make technical rules to impose requirements accordingly on such classes of an insurer and also SPIs. Therefore, SPI Rules and CI Rules were made to largely formalise the filing requirements and, for the new CI Class, the capital framework. It should be noted that the SPI Rules do not represent a material change to the existing filing requirements for SPIs, therefore, the SPI Rules' filing requirements are largely consistent with the 2018 year-end filing requirements for SPIs. The Rules came into force on 30 April 2020.

Bermuda Monetary Authority Amendment (No. 1) Act 2020

The Bermuda Monetary Authority Amendment Act 2020 was passed on 19 March 2020. This amendment was made to clarify matters relating to certain fees payable by licensees subject to the Corporate Service Provider Business Act 2012, Fund Administration Provider Business Act 2019, Insurance Act 1978, Investment Funds Act 2006, Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008, and Digital Asset Business Act 2018; as well as fees payable in relation to the Innovation Hub.

Digital Asset Issuance Act 2020

The Digital Asset Issuance Act 2020 came into operation on 6 May 2020, to make provision for the Authority to regulate persons carrying on a digital asset offering via a digital asset issuance and to protect the interests of digital asset acquirers or potential digital asset acquirers.

Insurance Amendment (No.1) Act 2020

The Insurance Amendment Act 2020 came into operation on 5 August 2020 to make provision for insurers, insurance managers and insurance intermediaries to notify the Authority in relation to certain events, namely a "cyber reporting event."

Bermuda Monetary Authority Amendment (No. 2) Act 2020

On 11 December 2020, the BMA Act was amended to clarify the obligation relating to the payment of certain fees by persons licensed or proposed to be licensed under the Digital Asset Business Act 2018 and Insurance Act 1978. Regarding this, the following headings were amended in the Fourth Schedule:

- **Digital Asset Business Act 2018:** Housekeeping amendments to repeal and replace the fee table in its entirety. Various paragraphs required revision so that fees are easier to interpret and apply by applicants and licensed undertakings. Furthermore, the calculation of the fees under paragraph 3 (the annual fee table) no longer requires applicable fee calculations to take into account "estimated" client receipts and, instead, such fee calculations shall apply to "client receipts"
- **Insurance Act 1978:** Amendments to (i) correct the fee payable under paragraph 2(r) as \$1,000 instead of \$10,000, and (ii) to make provision for revised registration fees for Class 1, 2 and 3 insurers, Class 3A insurers, Class 3A affiliate insurers and Class 3A insurers carrying on run-off general business (under the relevant subparagraphs of paragraphs 3)

The Act became operable on 31 December 2020.

Digital Asset Business Amendment Act 2020

The Digital Asset Business Act 2018 was amended to, among other matters:

- Introduce a new class of licence
- Refine the definitions of digital asset exchange, digital asset derivative exchange and digital asset services vendor
- Revise the power of the Authority to exempt any undertaking from the payment of any fee imposed under the BMA Act or to reduce such fees
- Amend for purposes connected with and incidental to the above matters

The Act became operable on 11 December 2020.

Insurance Amendment (No. 2) Act 2020

The Insurance Act 1978's section 1 was amended to insert definitions of the terms "incorporated segregated accounts" and "incorporated segregated accounts company". Section 3 introduced a new subsection (1A)

to provide that, where an ISAC has established one or more ISAs intended to carry on insurance business, the ISAC shall also be deemed as intending to carry on insurance business. Such an ISAC is to be required to be registered under the principal Act. Provision was further made to amend section 5 to insert a new subsection (4), providing for the matters to be considered by the Authority in determining the appropriate class of registration of an ISAC.

The Act became operable on 11 December 2020.

Investment Funds Amendment Act 2021

The Act amended the Investment Funds Act 2006 to:

- Provide, in the “Interpretations” section, a definition of “company fund” that includes an ISA and an ISAC
- Provide, in section 5B, that the filing requirement shall be within six months of the fund’s financial year-end
- Introduce, in section 6, a requirement for an operator of a private fund to ensure that an officer, trustee or representative resident in Bermuda is appointed who has access to books and records of the fund
- Provide that the fund’s annual filing date under subsection (3D) will be within six months of its financial year-end
- Remove, in section 6A, the additional requirement for a professional Class A fund to appoint a registrar in consequence of the amendment of section 19
- Provide, in section 6B, that the annual filing shall be within six months of the fund’s financial year-end
- Delete, in section 7, the additional requirement for a professional Class B fund to appoint a registrar in consequence of the amendment of section 19
- Repeal, in section 8A, subsections (9) and (10), relating to requirements arising thereunder that were imposed on professional Class B funds (formerly known as Class B exempt funds) and provide that the annual filing date of a fund shall be within six months of its financial year-end
- Provide, in section 8C, that the annual filing date shall be within six months of its financial year-end
- Amend section 17 as a housekeeping measure, as such fees noted were previously provided for 2019 and provide power for the Authority to reduce, or to exempt, the payment of any fee payable by an operator under section 17

- Amend section 19 to impose on every authorised fund and registered fund the requirement to appoint a registrar and consequentially amend the Investment Funds (Definition) Order 2019 to clarify that open-ended investment funds listed on a stock exchange are not excluded from the investment funds regime
- Provide for transitional matters

The Act was passed on 13 January 2021 by the Senate.



SUPERVISION AND LICENSING

ANTI-MONEY LAUNDERING/ ANTI-TERRORIST FINANCING SUPERVISION (AML/ATF)

Throughout 2020, the AML/ATF Team continued to deliver on its core tasks of risk-based supervision and ongoing reviews of licence applications, implementing adjusted protocols to overcome the constraints imposed by remote working due to COVID-19.

The Authority is responsible for supervising more than 1,300 licenced or registered entities for AML/ATF purposes. The risk modelling results that concluded in late 2019 led to prioritised supervision of the CSPs, DABs, banks and long-term insurers (international) sectors in 2020.

The Authority conducted 13 “remote, on-site” supervisory examinations at regulated financial institutions across those sectors noted above, as well as at higher-risk entities in the insurance manager and trust company sectors. Ongoing close and continuous supervision of money service businesses and banks continued through quarterly meetings and enhanced oversight. Ongoing monitoring meetings were also conducted with all licensed DABs.

Given that, without exception, the BMA’s supervisory activities result in a remediation plan for registrants, tracking registrants’ progress is an AML/ATF Department priority. This tracking for inspections conducted in both 2020 and prior years continued throughout the year. Generally, registrants remained on track with their remediation requirements. The AML/ATF Department made appropriate referrals to the Enforcement Department, where progress did not meet expectations.

Additionally, the Authority reviewed 13 applications for licensing and authorisation purposes. This included seven applications in the DAB sector. As first noted last year, the “new to regulation” experience of DAB applicants resulted in significant resources being expended on reviewing applications and working with applicants during this process.

During 2020, 12 new Non-Licensed Persons (NLP) were registered by the AML/ATF Department, four were deregistered, and, at year-end, three registrations were under consideration. At year-end, a total of 81 NLPs were registered.

BANKING SUPERVISION

Asset Quality

Industry’s Non-Performing Loans (NPL) closed the year at

\$716 million, an increase of 12% from the \$640 million recorded at the close of 2019. NPLs represented 8.1% of gross loans at the end of the year (2019: 7.2%). Total industry provisions closed the year at \$210 million, an increase of 13% from the \$187 million recorded at the close of 2019. The industry recorded a 1% reduction in gross loans during the year, with the balance decreasing from \$8.9 billion at the end of 2019 to \$8.8 billion at the end of 2020.

Balance Sheet

Total consolidated industry assets increased 6.5% or \$1.6 billion to \$25.6 billion in 2020. This change was driven by growth in the majority of asset categories with the exclusion of loans and other assets. Investments grew 14.9% to close at \$12.3 billion (2019: \$10.7 billion); cash and deposits grew by 2.9% to close at \$4.0 billion (2019: \$3.9 billion); and premises and equipment grew 0.3%, remaining static at \$0.31 billion; while loans and advances decreased by 1.3% from \$8.7 billion in 2019 to \$8.6 billion in 2020; and other assets decreased by 5.9% from \$0.37 billion in 2019 to \$0.35 billion in 2020.

In terms of balance sheet composition, investments retained the largest share of total assets at 48.0% (2019: 44.5%), followed by loans at 33.7% (2019: 36.4%), cash and deposits at 15.6% (2019: 16.2%) and other assets at 2.6% (2019: 2.9%).

Deposit liabilities grew by approximately \$1.6 billion or 7.3% during 2020, to close at \$22.8 billion (2019: \$21.3 billion). Demand deposits recorded a 4.3% growth from \$10.8 billion in 2019 to \$11.3 billion in 2020 and savings deposits recorded a 32.1% growth from \$5.8 billion in 2019 to \$7.7 billion in 2020, while time deposits decreased by 16.8% from \$4.6 billion in 2019 to \$3.8 billion in 2020.

In terms of allocation, demand deposits accounted for 49.5% (2019: 50.9%) of total deposits, savings deposits made up 33.6% (2019: 27.3%) and time deposits accounted for 16.9% (2019: 21.7%).

At the end of the year, the industry’s other liabilities balance was \$516 million, representing a 13.3% decrease from the \$595 million recorded at the end of 2019.

Earnings and Profitability

The industry’s total 2020 income was \$817 million, representing a 9.4% decrease from the \$901 million recorded in 2019. Operating expenses amounted to \$528 million over the same 12-month period, representing a 4.9% decrease from the \$555 million recorded in 2019. Costs for staff accounted for 54.9% (2019: 55.6%) of the total operating expenses.

The largest component of the industry's income streams continues to be Net Interest Income (NII), with a 2020 NII of \$527 million (2019: \$593 million), representing 64.5% (2019: 65.8%) of total income for the year. Other banking income during the year amounted to \$149 million (2018: \$169 million), accounting for 18.3% (2019: 18.8%) of total income. Non-banking income during the year amounted to \$134 million (2019: \$133 million) and accounted for 16.4% (2019: 14.7%), while dividends/ other income accounted for less than 1% of total income in both 2020 and 2019.

Aggregate sector profitability fell from \$329 million in 2019 to \$230 million in 2020 (a 30.2% decline) as a result of the above movements.

Capital Adequacy

The aggregated consolidated Risk Asset Ratio for the sector was 22.0% at the end of 2020, compared to 21.5% in 2019. The aggregated Common Equity Tier 1 (CET 1) capital ratio was 19.8% (2019: 20.3%) in 2020, which exceeds the current minimum requirements. The industry aggregate Basel III leverage ratio was 9.9% (2019: 11.4%) in 2020, versus the 5% minimum requirement.

Risk-Weighted Assets (RWA) at year-end 2020 amounted to \$9.0 billion, remaining static year on year. RWAs' density at year-end 2020 was 35.2% (2019: 37.7%).

Credit Union Supervision

Presently, the sole credit union in Bermuda is the Bermuda Industrial Union Member's Credit Union. The Authority continued its ongoing supervision of this entity throughout 2020 in accordance with 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 2020 in accordance with the provisions of the Money Service Business Act 2016.

The Bermuda Stock Exchange (BSX)

The BSX ended 2020 with a total market capitalisation of \$255 billion (2019: \$332 billion). A total of 1,126 listed securities (2019: 1,004) were listed on the BSX at the end of the year. The domestic trading volume increased in 2020 to 4.9 million shares (2019: 3.1 million) valued at \$25.3 million (2019: \$30.6 million).

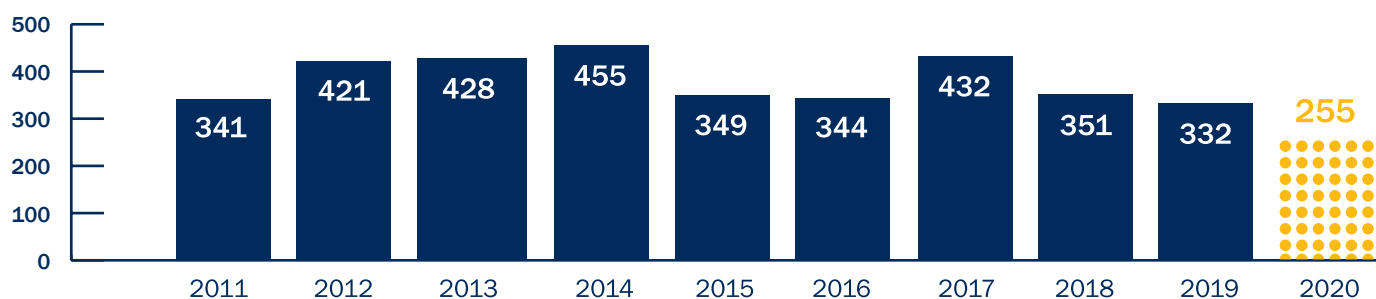
In December 2020, Miami International Holdings, Inc. (MIH) increased its controlling interest in the BSX from a controlling interest, obtained in 2019, to full ownership. MIS's completion of the acquisition provides the BSX with the opportunity to expand its access to emerging markets and additional support in the evolving global reinsurance risk market.

Another noteworthy achievement took place in September 2020 when the BSX listed one of the world's first exchange-traded funds designed to track digital asset investments.

During 2020, the number of new Insurance-Linked Securities (ILS) listings increased by 63% to 253 (2019: 155). The total number of ILS listed securities stood at 590 (2019: 401), with a combined nominal value of \$43.01 billion. Additionally, 93% of the total global ILS market size (\$46.4 billion as at 31 December 2020) was listed on the BSX.

In terms of the number of securities listed, international debt listings increased marginally from 200 to 206 in 2020. However, as the BSX sought to attract premium international securities, the listings' nominal value grew by \$12.76 billion, or 144% to \$21.63 billion. As in previous years, de-listings during 2020 followed a normal pattern and were mainly comprised of time-limited securities that matured as part of the normal course of business.

BERMUDA STOCK EXCHANGE – MARKET CAPITALISATION (BD\$ BILLIONS)



DIGITAL ASSET BUSINESS (DAB) SUPERVISION

In 2020, the Supervision (Financial Technology) Department supervised five Class M licences and three Class F licences. Class M licences have monthly or quarterly supervisory meetings that cover a range of areas based on the nature, scale, complexity and risk profile of the business and may include governance, risk management, cybersecurity, Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF), financial position, net assets, segregation, custody of client assets and customer protection.

ENFORCEMENT

Enforcement Governance Review

The enforcement governance review, being conducted under the direction of the Board's Corporate Governance and Ethics Committee, was a significant Enforcement project throughout 2020. This work involved developing immense changes to the enforcement decision-making process by reviewing, refining and re-documenting the entire enforcement process to provide for and otherwise address the following:

- Transferring and managing matters from the supervision departments to Enforcement
- Transparently reviewing case management
- Developing a robust settlement process
- Establishing a mechanism that enables Board input on crucial enforcement decisions
- Supporting the Ministry of Finance (MoF) in its review of the appeal tribunal process

A consultation paper and a public version of the proposed Enforcement and settlement process document were published on 14 August 2020, and responses were received on or before 11 September 2020.

The pending appeal tribunal process' repeal, led by the MoF, was under discussion throughout 2020. The Legal Services and Enforcement Department kept the MoF apprised of the intended revisions to the Authority's enforcement governance process in light of the MoF-directed pending revisions regarding how the Authority's decisions may be appealed. This process is ongoing, and it is anticipated that the requisite legislative amendments to the appeal process will be completed in 2021.

Enforcement has continued developing documents required both internally and externally to operationalise

the new enforcement governance process once the appeal process' legislative amendments have been concluded by the MoF and enacted. In this regard, a revised statement of principles and guidance on the exercise of enforcement powers will be published and accompanied by public outreach and training sessions.

Enforcement Activity

The Authority completed the following enforcement matters in 2020:

- Issued a public censure against **Blue Nile Services Limited**, a licensed MSB
- Cancelled the insurance registration of **Phoenix CRetro Reinsurance Company Limited**
- Cancelled the CSP registration of **Phoenix Law Chambers**
- Cancelled the insurance registration of **Economic Risk Insurance, Ltd.**
- Levied a \$400,000 civil penalty against **Crown Global Life Insurance Ltd.** and **Crown Global Life Insurance (Bermuda) Ltd.**
- The Authority filed winding-up petitions with the Supreme Court regarding three related insurance companies, **Northstar Financial Services (Bermuda) Ltd.**, **PB Life and Annuity Co. Ltd.** and **Omnia Ltd.** Winding-Up Orders were issued by the Supreme Court in relation to **Capital Management of Bermuda, Ltd.** and **Excelsior Insurance Ltd.** The Authority also filed winding-up proceedings against **Rosa Re Ltd.**

Policing the Perimeter

During the first half of 2020, Enforcement issued two cease and desist letters to unlicensed CSPs. Enforcement monitored the two companies' proposed activity to ensure that it was rerouted through licensed CSPs, which had full 'know your client' knowledge. Enforcement also issued a cease and desist letter along with a public warning to an online investing platform originating in Asia, which falsely claimed to be regulated by the Authority.

In July 2019, the Authority issued a cease and desist letter to a Bermuda registered FinTech company that misrepresented the Authority's supervision. Within a day, the company issued correcting statements. In Q1-2020, the same company issued a new press release, which included clear wording correctly identifying the lack of supervisory oversight by the Authority, thereby demonstrating the effectiveness of the Authority's policing the perimeter programme.

The Authority continued its focus on the activity of unlicensed CSPs and DABs, with several matters being investigated. For example, an entity that was not yet licensed under the Digital Asset Business Act 2018 made claims in the press and their website that required clarification. The entity issued a correcting press release and amended its website to remove ambiguity.

One entity registered in Bermuda but not licensed by the Authority included its Bermuda registered office as its primary corporate address, creating the appearance that it was operating from Bermuda, which would require a licence. After discussion with the CSP, all references to Bermuda were removed from the website and replaced with another location.

The Authority was made aware of a fraudulent e-mail sent to appear as if it came from a person associated with the Authority. The Authority issued a public warning that included the domain name so that any person searching for that domain will now find the Authority's warning page or the relevant news articles.

Information Sharing

Enforcement acts as the Authority's central repository to receive, analyse and administer information requests from foreign regulatory counterparts under Section 30B of the Bermuda Monetary Authority Act 1969 (Section 30B requests) and domestic public authorities (e.g., the Bermuda Police Service (BPS) and the Financial Intelligence Agency (FIA) under statutory compulsion powers (such as production orders and notices to provide information)).

During 2020, the Authority processed three Section 30B requests from foreign regulators. These matters are ongoing in the foreign jurisdictions but may have implications for domestic actions at a later date.

The BPS made 13 requests for information relating to 42 subjects, which the Authority provided. The Authority also provided the BPS with eight spontaneous disclosures and made one request for information, while the BPS provided two spontaneous disclosures to the Authority about four subjects. The Authority also responded to one production order issued by the Supreme Court.

The Authority issued six requests for information to the FIA and received one spontaneous disclosure. Additionally, the FIA issued two notices to the Authority requesting information under Section 16 of the Financial Intelligence Agency Act 2008.

INSURANCE SUPERVISION

COVID-19

In fulfilment of the Authority's mandate to ensure policyholder protection and promote financial stability, supervisory efforts in 2020 were geared towards monitoring and responding to the rapidly changing situation caused by the coronavirus pandemic. The BMA conducted an analysis of annual filings information to identify the most vulnerable insurers. Further, to better understand the pandemic's impact, the Authority surveyed the market to assess COVID-19's financial and operational impact on Bermuda's insurance market.

The survey results and discussions with the firms indicated the Bermuda (re)insurance industry was resilient, with capital resources remaining well above requirements. The vast majority of the market did not experience material liquidity issues or material operational/business continuity problems. The majority of insurers also appeared to have sufficient liquidity to absorb projected worst-case loss scenarios. Potential vulnerabilities remain given uncertainties about the duration and impact of the COVID-19 crisis. The Authority will continue to monitor developments, particularly regarding business interruption and legal risks.

Other notable measures that were undertaken included:

- Extended 2019 year-end filing on a voluntary basis by one month to all insurance registrants
- Instituted capital preservation measures, such as discouraging capital returns, including dividends, stock buy-backs, etc.
- Enhanced quarterly reporting requirements and prioritised reviews of information with forward-looking and/or predictive values
- Published information bulletin on operational cyber resilience and the remote working cyber risks and related responses
- Sought not to enforce the requirement for any (re) insurer to hold physical board meetings in Bermuda for those who could not attend due to COVID-19-related logistical difficulties
- Conducted interim supervisory college information sharing sessions and meetings with key external counterparties, including IAIS, EIOPA, NAIC, other insurance regulators and industry group representatives

Despite COVID-19, the Authority continued with its day-to-day supervisory activities, including effective and efficient on-site inspections, qualitative and quantitative analysis, and supervisory colleges.

Group Supervision

The BMA's 2020 insurance groups' supervisory activities included seven group on-site reviews and 23 annual supervisory colleges, covering groups for which the Authority is group supervisor. Further, the Authority held 20 interim colleges primarily in response to COVID-19 and served as host supervisor to an additional 20 colleges. 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. The BMA continued to establish memoranda of understanding with the pertinent jurisdictions.

Alternative Capital Market

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

Bermuda's reputation as a trusted centre for insurance risk securitisation continued to strengthen during 2020 with record levels of new Catastrophe bonds issuance. Property catastrophe/retrocession continues to be the main business lines written. Furthermore, based on market reports by Artemis, global ILS issuance outstanding market size was \$46.4 billion at year-end 2020, of which approximately 93% was listed on the Bermuda Stock Exchange (BSX). Given Bermuda's alternative capital market's significance, the Authority continued to publish its Alternative Capital Report to promote ILS transparency globally.

SUMMARY OF SUPERVISORY ACTIVITY ACROSS SECTORS FOR 2020

Sector	Focus of supervisory activity	Supervisory activity
All sectors: Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF)	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"> • 13 “remote, on-site” supervisory examinations at regulated financial institutions • Ongoing close and continuous supervision, and monitoring meetings
Insurance	On-site inspections focused on risk management, corporate governance and capital adequacy	<ul style="list-style-type: none"> • 37 solo on-sites • Seven intermediary on-sites • Six operational cyber on-sites
DABs	Governance, risk management, cybersecurity, AML/ATF, financial position, net assets, segregation, custody of client assets and customer protection	49 periodic supervisory meetings
Banking	<ul style="list-style-type: none"> • Combined Pillar II supervisory reviews of all licensed banks based on their submission of Capital Assessment and Risk Profile (CARP) reports • On-site reviews of full banking group operations on a rotational basis, in alignment with submission of CARP 	Two on-site reviews
Trust	On-site inspections focused on corporate governance, enterprise risk and compliance with the Trusts (Regulation of Trust Business) Act 2001 and the Code of Practice	Seven on-site reviews
CSP Business	On-site inspections focused on corporate governance, enterprise risk and compliance with the Corporate Service Provider Business Act 2012, Code of Practice and Corporate Governance Policy	<ul style="list-style-type: none"> • Five on-site reviews • One thematic review – Conduct and Client Money
Investment Business	<ul style="list-style-type: none"> • On-site inspections focused on corporate governance, enterprise risk and compliance with the Investment Business Act 2003, General Business Conduct and Practice – Code of Conduct and Advertising Code of Conduct • Assessing the ongoing financial viability of the firms 	Nine on-site reviews
Fund Administration	On-site inspections focused on corporate governance, enterprise risk and compliance with the Investment Funds Act 2006 and the Code of Conduct for Fund Administrators	One on-site review
Credit Union	<ul style="list-style-type: none"> • Off-site review assessing compliance with the requirements of the legislation 	Ongoing
MSB	<ul style="list-style-type: none"> • Off-site reviews assessing compliance with the requirements of the legislation 	Ongoing
Stock Exchange	Stock Exchanges are financial institutions within the meaning of the Bermuda Monetary Act 1969 and are subject to supervision, regulation and inspection	One prudential meeting

FORMAL USE OF POWERS IN 2020

Banking and Deposit Companies Act 1999

Section	Provision	Use in 2020
35	Notification of change of director, controller or senior executive	31 notifications received; Authority conducted the appropriate vetting
25	Notification of new or increased control	Zero notifications received
42	Investigation	Zero notices issued

Trusts (Regulation of Trust Business) Act 2001

Section	Provision	Use in 2020
28	Notification of new or increased control	Two notifications received; no objections provided
43	Notification of change of controller or officer	51 notifications received; Authority conducted the appropriate vetting
52A(1) and 52B(1)	Warning	Zero issued

Fund Administration Provider Business Act 2019 – Fund Administrators

Section	Provision	Use in 2020
24	Notification of new or increased control	Nine notifications received; no objections provided
29	Notification of change of director, senior executive and controller	24 notifications received; Authority conducted the appropriate vetting

Corporate Service Provider Business Act 2012

Section	Provision	Use in 2020
22	Notification of new or increased control	Four notifications received; no objection provided
45	Notification of change of director, senior executive and controller	94 notifications received; Authority conducted the appropriate vetting

LICENSING

Insurance Licensing Applications

In 2020, 72 new insurance entities registered with the BMA – of these, 67 were (re)insurers and five were intermediaries. The new (re)insurer registrations were comprised of 12 (18%) captives, 30 (45%) SPIs, 20 (30%) commercial (re)insurers, four (6%) CIs and one (1%) IIGB. The bulk (58) of the new (re)insurance registrants underwrite general business exposures, with the remainder (nine) underwriting long-term (life) business exposure. Additionally, three new (re)insurance groups were registered in 2020.

The BMA acts as a group supervisor when the company's group structure's primary operations are controlled and managed from Bermuda.

Banking, Trust, Corporate Services and Investment Licensing Applications

One investment business licence and four limited CSP licences were issued in 2020.

DAB Licensing Applications

In 2020, the Authority received six DAB licence applications. It issued two new F licences and four new M licences. Further, it declined one application and renewed one M licence.

Finally, as part of its participation in the Global Financial Innovation Network's (GFIN) cross-border testing, the Authority received 12 applications. While the Supervision (Financial Technology) Department coordinates efforts with GFIN, these applications may be for the Authority's regulatory sandbox or innovation hub or require licensing under one or more pieces of legislation administered by the Authority.

SUMMARY - APPROVED APPLICATIONS

Class 1	6
Class 2	5
Class 3	2
Class 3A	6
Class 3B	0
Class 4	6
CI	4
IIGB	2
Class A	0
Class B	0
Class C	4
Class D	0
Class E	5
SPI	30
Insurance Manager	0
Insurance Broker	2
Insurance Agent	6
Innovative Intermediary	1
DAB	6
Investment Business	1
Limited CSP	4
Total	90

SUMMARY OF BTCSI-RELATED LICENSEE STATUS AS AT THE YEAR ENDED 31 DECEMBER 2020

Sector	Licensing Activity
Banking	Total licensees at the end of the year: four (no change from 2019)
Trust	Total licensees at the end of the year: 27 (28 in 2019) Licences surrendered: one (zero in 2019) New licences issued: zero (one in 2019) New private trust companies: seven (12 in 2019)
Investment Business	Total licensees at the end of the year: 48 (52 in 2019) Licences surrendered: five (four in 2019) New licences issued: one (no change from 2019) Declined Licence: zero (zero in 2019)
Fund Administration	Total licensees at the end of the year: 24 (26 in 2019) Licences surrendered: two (two in 2019) New licences issued: zero (one in 2019)
Corporate Service Provider Business	Total licensees at the end of the year: 96 (95 in 2019) Licences surrendered: three (four in 2019) New limited licences issued: four (seven in 2019) New unlimited licences issued: zero (no change from 2019) Declined Licence: zero (one in 2019) New CSP Exemptions: six (zero in 2019)
Credit Union	Total at the end of the year: one (no change from 2019)
Money Service Business	Total licensees at the end of the year: three (no change from 2019) New licences issued: zero (one in 2019)
Stock Exchanges	Total at the end of the year: one (no change from 2019)

COMPANIES, PARTNERSHIPS AND PERMITS STATISTICS

	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020
Companies*	158	207	177	126	187	251
Exempted Partnerships (partnerships established in Bermuda to carry on business in or from within Bermuda)	27	43	30	52	25	21
Overseas Partnerships (overseas partnerships applying for permits to carry on business in or from within Bermuda)	0	0	0	0	0	0
Overseas Permit Companies (overseas companies applying for permits to carry on business in or from within Bermuda)	1	1	10	7	1	2
Total Applications Approved	186	251	217	185	213	274

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



DESIGNING AN IMPROVED AUTHORITY

INFORMATION TECHNOLOGY (IT)

2020 marked the final year of the Authority's IT Strategy: Vision 2020. The goals achieved through this strategy will allow the authority to shift forward into IT Strategy: Vision 2025. The specific milestones accomplished in 2020 were:

INTEGRA® – Phase III

During 2020 the Authority designed, developed and tested phase III of its multiyear, multiphase INTEGRA® project. While phases I and II successfully incorporated corporate service providers and banks into INTEGRA®, during phase III, INTEGRA® will be expanded to investment funds. Outreach and training will occur in the second half of the year in order to facilitate a smooth roll out of phase III in 2021.

INTEGRA® – Phase IV

In Q4-2020, the Authority also kicked off Phase IV of INTEGRA®, focussing on the Insurance Supervision Department's submission processes. Phase IV's design, development and testing will run throughout 2021.

COVID-19 Pandemic Response

As a result of having pre-established business continuity and disaster recovery plans in place, in March 2020, the BMA effectively transitioned its entire workforce from working in the office to working remotely.

Infrastructure Enhancements

To support employees' remote working capabilities and ensure the Authority's infrastructure remained fit for purpose, the Authority successfully executed technology enhancements and improvements in the following areas:

- End-user computing, including the implementation of collaboration tools such as Microsoft Teams and Zoom
- Network infrastructure to support the workforce's remote access
- Data security infrastructure to secure a remote workforce

LEARNING AND DEVELOPMENT

In 2020, the Authority continued to develop as a 'learning organisation,' focusing on strengthening its leadership development programmes, succession planning initiatives and technical training curriculum.

Having had the foresight to pilot a number of virtual and on-demand learning and development initiatives in early 2019, the BMA was positioned to seamlessly maintain our planned curriculum in 2020, notwithstanding the workplace and lifestyle disruptions caused by COVID-19.

Regarding the leadership development programmes, a fifth cohort completed training last year. The programme continued to support the ongoing development of junior, middle and senior managers in key leadership qualities such as coaching, performance management and emotional intelligence. The bespoke programmes have proven to be a success, as several graduates have since been promoted.

The BMA further strengthened the technical training curriculum with two six-week programmes – one on blockchain law and regulation and the other on digital assets. The integration of on-demand learning and enhanced learning management system, and access to related webinars and curated content enabled our remote curriculum to be fiscally prudent, relevant, targeted and accessible to staff at all levels.

The BMA also expanded its wellness programme as it sought to cope with pandemic-related disruptions to normal operations. This programming focused on the 'whole employee,' taking into account the impact BMA staff was confronted with as they juggled working from home in a shared physical space with family members, including school age and younger children for whom they were responsible. The Authority's staff reported that these efforts were both successful and appreciated.

PROJECT MANAGEMENT OFFICE (PMO)

As the Authority continues to evolve and transform, the number, type, size and structure of projects and programmes follow suit; the PMO helps manage this change by ensuring initiatives, from ideation to completion, are run with a consistent and uniform approach. Simultaneously, the department offers BMA leadership a bird's-eye view of all projects, tracking them individually and creating a coherent picture of the overall project portfolio and its interconnectedness. This work, completed in collaboration with the project teams and working groups, enhances the decision-making process of funding, resource utilisation and prioritisation. In 2020, the PMO managed, assisted with and completed numerous projects and organisational initiatives, which included:

- Staff relocation (seating re-alignment inside BMA House and to BMA Swan building)

- COVID-19 response and remote work transition
- Blockchain forensic tool acquisition
- AML/ATF-related projects
- SWIFT as a service

In addition to completing the above projects, the PMO continued to manage the multi-year, multi-department INTEGRA® and Electronic Records Information

Management (ERIM) projects.

The PMO is continually looking to improve its project/ programme delivery and responds quickly to changing business environments. To this end, in 2020, the PMO revamped the BMA's project submission process, introducing a centralised project intake, revised project governance process and more efficient project evaluation, selection and prioritisation strategy.

BMA Management Team (as at 31 December 2020)

Jeremy Cox	Executive Chair
Craig Swan	Deputy Chief Executive Officer
Supervision	
Marcia Woolridge-Allwood	Senior Advisor, Banking, Trust, Corporate Services and Investment
Moad Fahmi	Senior Advisor, Supervision (Financial Technology)
Gerald Gakundi	Director, Supervision (Insurance)
Ricardo Garcia	Chief Actuary, Supervision (Actuarial Services)
Chris Brown	Deputy Director, AML/ATF
Mellisa Burgess	Deputy Director, Licensing and Authorisations
Eric Donkoh,	Deputy Director, Supervision (Insurance)
Ralf Kuerzdoerfer	Deputy Director, Supervision (Insurance)
Moses Muoki	Deputy Director, Supervision (Insurance)
Shaka James	Deputy Director, BTCSI
Jeferino dos Santos	Deputy Director, Supervision (Actuarial Services)
Keyon Swaby	Deputy Director, BTCSI
Gary Thomas	Deputy Director, Supervision (Actuarial Services)
Legal Services and Enforcement	
Michael Burns	Director, Legal Services and Enforcement
Dina Wilson	Deputy Director, Legal
Sharon Suess	Assistant Director, Corporate Authorisations
Policy and International Affairs	
Yvette Pierre	Director
Ifor Hughes	Deputy Director
Financial Stability and Research	
Marcelo Ramella	Director
Operations	
Shanna Lespere	Chief Operating Officer
Terry Pitcher	Head of Finance and Currency Operations
Mesheiah Crockwell	Director, Human Resources
Sheridan Smith	Director, Management Services
Marianne Suschak-Matvey	Deputy Director, Communications
Michael Albouy	Assistant Director, Project Management Office



STATISTICS

FINANCIAL HIGHLIGHTS 2020

The Authority's total comprehensive income amounted to \$727 thousand in 2020, up from a \$2.55 million net deficit in the previous year. Total revenue increased by 9.29% year-on-year to \$60.81 million, up from \$55.64 million. The increase is mainly due to a \$7.00 million increase in revenue from contracts with licensees and customers due to increased revenue from supervisory and licensing fees. Revenue from fines, penalties and other income decreased by \$329 thousand due to a decrease in late penalty fees, AML fines and IBA fines levied to licensees. Revenues from investments decreased by \$1.50 million, mainly due to decreased interest from overnight repurchase agreements. The Authority's held-to-maturity portfolio of investments remained at a very high quality, with all securities maintaining a rating of AA+ or better.

Expenses increased by 3.24% to \$60.09 million, up from \$58.20 million in the prior year. The increase is mainly due to \$3.35 million increased salaries and employee benefits and marginal increases in depreciation of property and equipment, amortisation of intangible assets, provision for impairment of accounts receivable and finance costs. These were partially offset by decreases in general expenses of \$1.04 million, professional fees of \$683 thousand and circulation note and coin expenses of \$392 thousand.

The organisation's headcount remained flat as at 31 December 2020 at 217 (compared to 215 at 2019 year-end). This planned flattening was further supported by a partial hiring freeze imposed in the wake of the BMA's COVID-19 response, which saw recruitment and staffing numbers impacted by related developments.

Headcount is expected to continue to remain relatively flat in the coming year as staffing levels in most areas are largely aligned with ongoing regulatory and operational needs. The focus for the coming year will continue to be on the continued development of technical proficiencies, ensuring adequate resources and skillsets are available to support key regulatory and supervisory initiatives. This will be coupled with an increased use of innovative technology in an ongoing effort to increase capacity across the organisation.

CURRENCY

CURRENCY COINS ISSUED AND REDEEMED (BERMUDA DOLLAR)

Month	Coins Issued	Coins Issued & O/S at End of Month	Net Issues During Month	
			Change	% Change
January	0	17,412,450	0	0.00%
February	2	17,412,452	2	0.00%
March	72,001	17,484,453	72,001	0.41%
April	0	17,484,453	0	0.00%
May	0	17,484,453	0	0.00%
June	26,400	17,510,853	26,400	0.15%
July	0	17,510,853	0	0.00%
August	520	17,511,373	520	0.00%
September	48,000	17,559,373	48,000	0.27%
October	2,400	17,561,773	2,400	0.01%
November	68,000	17,629,773	68,000	0.39%
December	97,000	17,726,773	97,000	0.55%
Year				
2020	314,323	17,726,773	314,323	1.81%
2019	350,984	17,412,450	350,984	2.06%

CURRENCY NOTES ISSUED AND REDEEMED (BERMUDA DOLLAR)

Month	Notes Issued			Notes Redeemed	Notes Issued & O/S at End of Month	Net Issues During Month	
	New	Reissued	Total			Change	% Change
January	0	5,210,000	5,210,000	11,024,000	128,826,619	(5,814,000)	-4.32%
February	50,207	3,940,000	3,990,207	5,283,000	127,533,826	(1,292,793)	-1.00%
March	0	17,440,000	17,440,000	5,350,990	139,622,836	12,089,010	9.48%
April	0	3,000,000	3,000,000	3,250,000	139,372,836	(250,000)	-0.18%
May	650,000	5,850,000	6,500,000	500,000	145,372,836	6,000,000	4.30%
June	2,075,000	5,540,000	7,615,000	3,100,000	149,887,836	4,515,000	3.11%
July	1,580,000	6,030,000	7,610,000	5,140,000	152,357,836	2,470,000	1.65%
August	1,500,000	6,240,000	7,740,000	9,291,000	150,806,836	(1,551,000)	-1.02%
September	0	2,550,000	2,550,000	6,850,000	146,506,836	(4,300,000)	-2.85%
October	2,900,000	6,875,000	9,775,000	5,184,000	151,097,836	4,591,000	3.13%
November	675,000	7,935,000	8,610,000	4,562,500	155,145,336	4,047,500	2.68%
December	1,000,000	4,350,000	5,350,000	920,000	159,575,336	4,430,000	2.86%
Year							
2020	10,430,207	74,960,000	85,390,207	60,455,490	159,575,336	24,934,717	18.52%
2019	22,368,812	64,893,000	87,261,812	77,475,058	134,640,619	9,786,754	7.84%

BANKING

BERMUDA MONEY SUPPLY

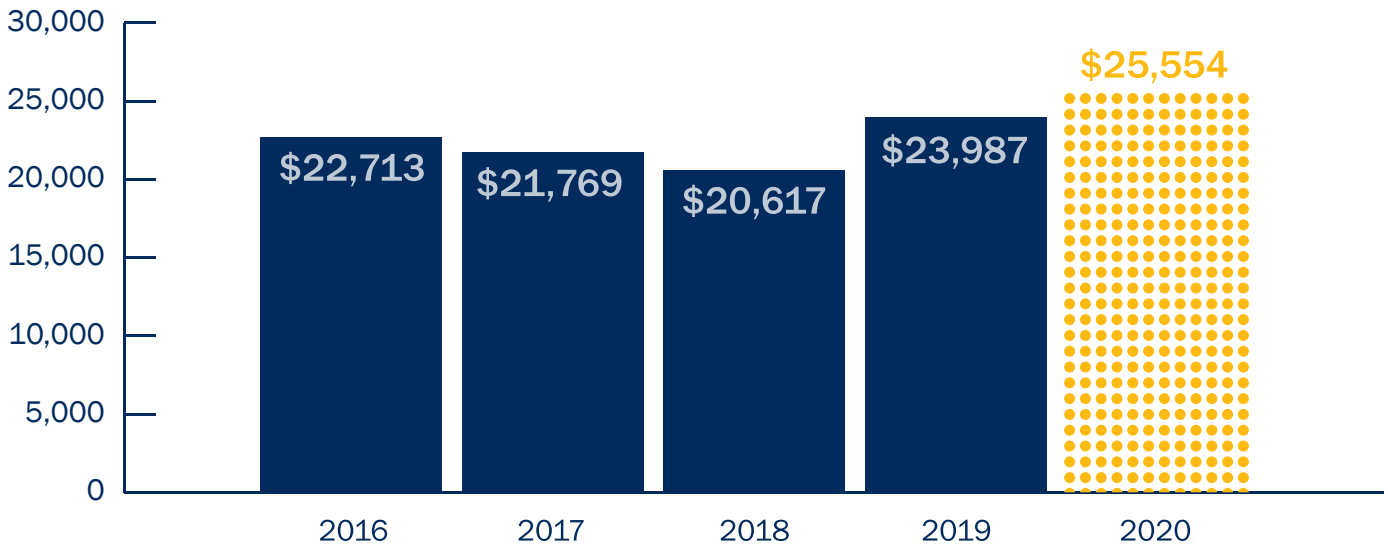
(BD\$ millions)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19
Notes and Coins in Circulation*	177	164	167	157	152
Deposit liabilities:	3,822	3,702	3,592	3,512	3,418
Total	3,999	3,866	3,759	3,669	3,570
Less: Cash at Banks and Deposit Companies	53	46	50	54	42
BD\$ Money Supply	3,946	3,820	3,709	3,615	3,528
% Change on Previous Period	3.30%	2.98%	2.60%	2.48%	-0.16%
% Change Year on Year	11.85%	8.09%	5.65%	4.13%	-0.37%

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.

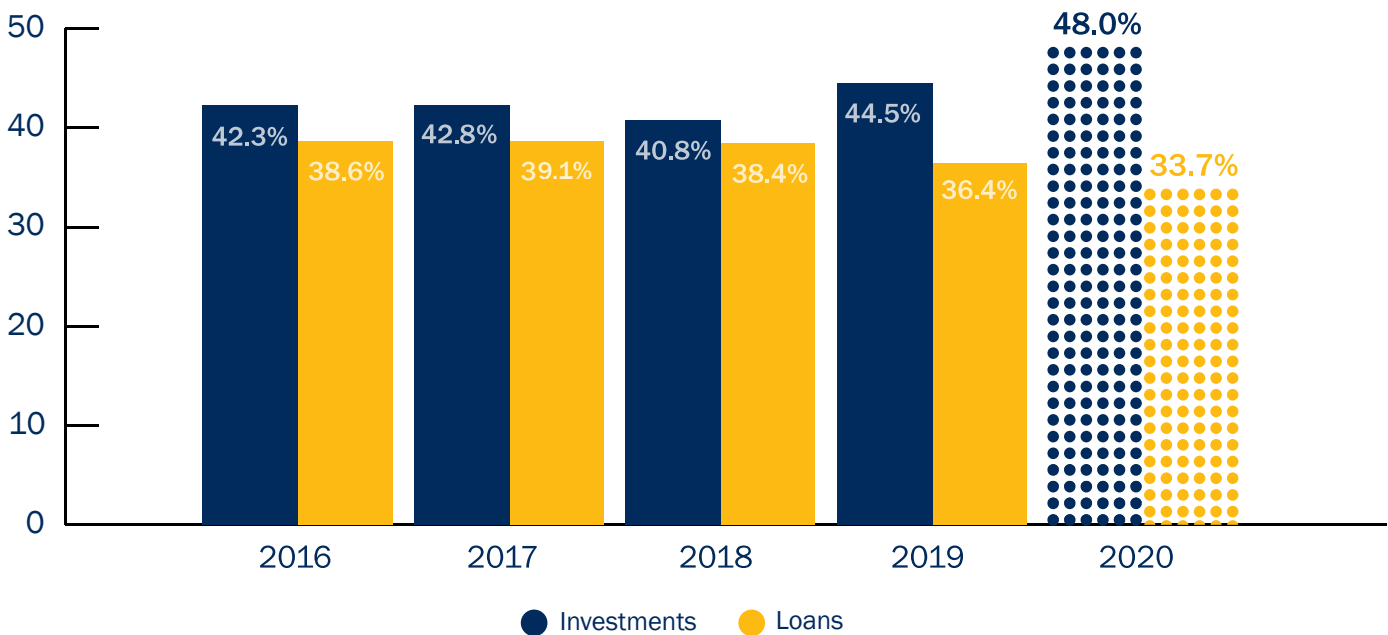
BERMUDA BANK AND DEPOSIT COMPANIES TOTAL ASSETS (BD\$ Millions)



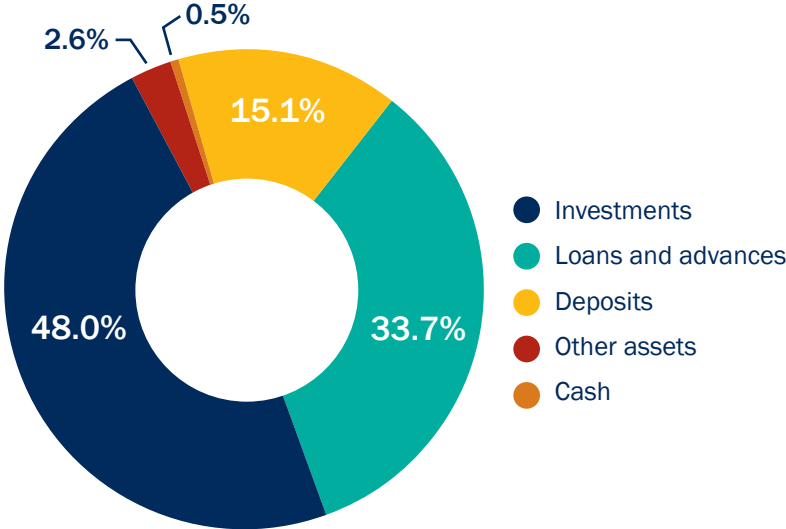
BANKING SECTOR ASSETS AND DEPOSITS

(\$millions)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Total Assets	25,554	24,088	23,633	24,156	23,986	23,607
Quarterly Changes (%)	6.1%	1.9%	-2.2%	0.7%	1.6%	12.8%
Total Deposits	22,832	21,214	20,819	21,390	21,272	20,778
Quarterly Changes (%)	7.6%	1.9%	-2.7%	0.6%	2.4%	13.8%

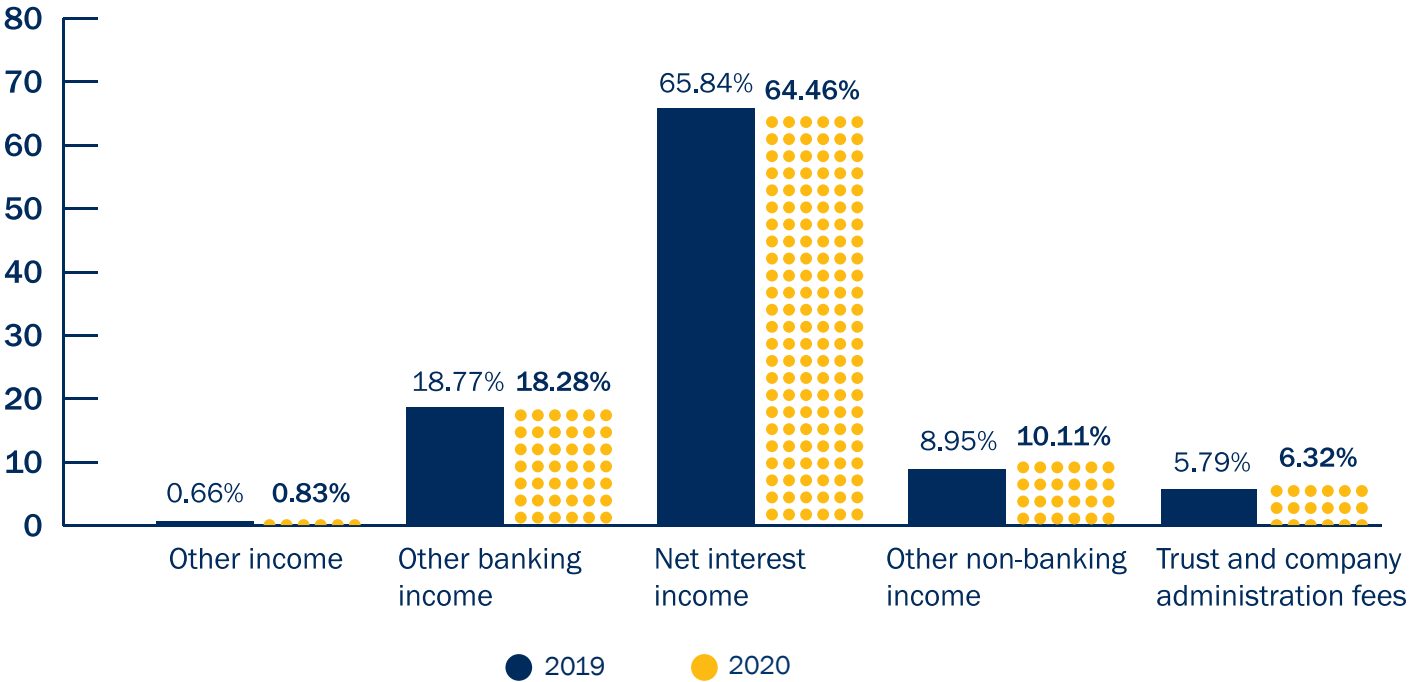
LOANS AND INVESTMENTS AS A PROPORTION OF TOTAL ASSETS



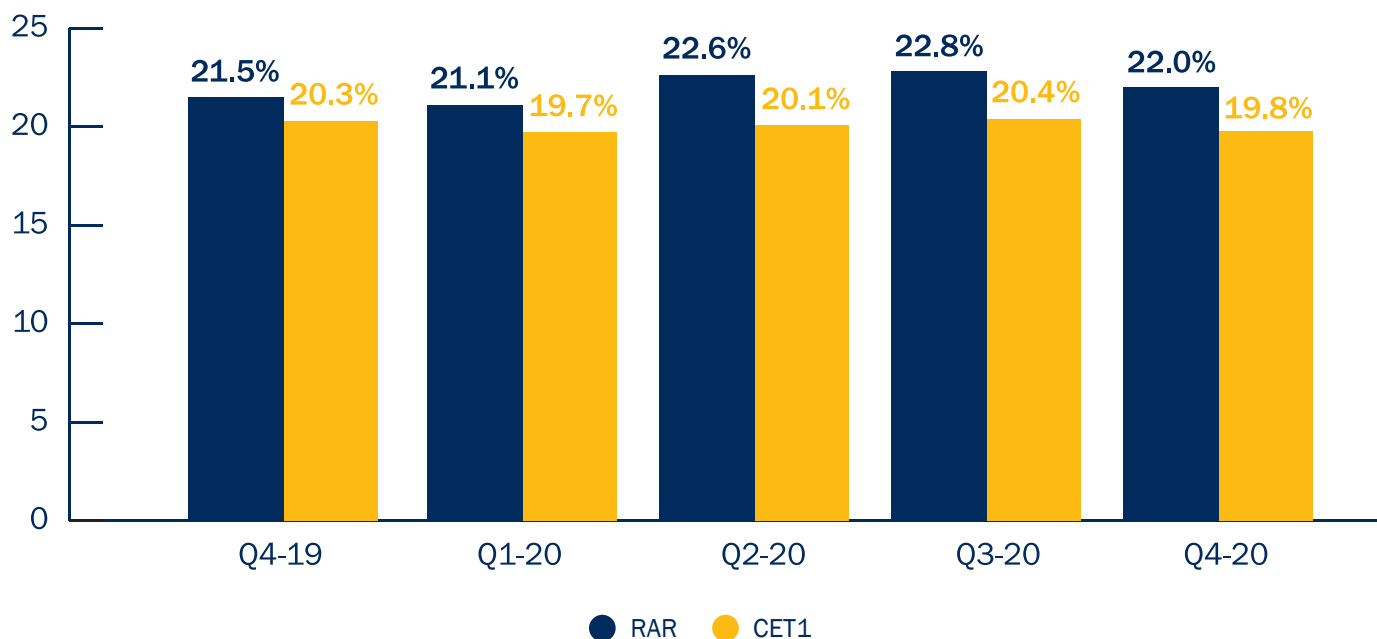
COMPOSITION OF BANKS' ASSETS (AS AT 31 DECEMBER 2020)



BANKS AND DEPOSIT COMPANIES REVENUES (CONSOLIDATED)



BANKING SECTOR CONSOLIDATED RISK ASSET RATIO



COMBINED BANKS AND DEPOSIT COMPANIES FOREIGN CURRENCY POSITION (CONSOLIDATED)

(BD\$ millions)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Total Foreign Currency Assets	22,067	20,573	20,005	20,514	20,345	19,974
Less: Other Assets	326	326	389	337	346	333
Less: Foreign Currency Loans to Residents	1,336	1,276	1,508	1,414	1,477	1,380
Net Foreign Currency Assets	20,405	18,971	18,108	18,763	18,522	18,261
Foreign Currency Liabilities	19,211	17,845	17,461	18,235	18,172	17,753
Add: BD\$ Deposits of Non-Residents	108	100	97	95	93	93
Net Foreign Currency Liabilities	19,319	17,945	17,558	18,330	18,265	17,846
Net Foreign Currency Position	1,086	1,026	550	433	257	415

BD\$ DEPOSIT AND LOAN PROFILE - COMBINED BANKS AND DEPOSIT COMPANIES (UNCONSOLIDATED)

(BD\$ millions)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Deposit Liabilities	3,830	3,717	3,600	3,522	3,427	3,444
Less: Loans, Advances and Mortgages	3,331	3,378	3,474	3,479	3,493	3,520
Surplus/(deficit) deposits	499	339	126	43	(66)	(76)
Percentage of Deposits Loaned	87.0%	90.9%	96.5%	98.8%	101.9%	102.2%

COMBINED BALANCE SHEET OF BERMUDA BANKS AND DEPOSIT COMPANIES (CONSOLIDATED)

	Q4-20			Q3-20			Q2-20		
(BD \$ Millions)	Total	BD\$	Other*	Total	BD\$	Other*	Total	BD\$	Other*
Assets									
Cash	140	53	87	109	46	63	121	50	71
Deposits	3,853	29	3,824	3,217	14	3,203	3,310	16	3,294
Investments	12,275	25	12,250	11,616	37	11,579	10,598	39	10,559
Loans and Advances	8,624	3,044	5,580	8,481	3,079	5,402	8,874	3,182	5,692
Premises and Equipment	311	192	119	318	196	122	323	198	125
Other Assets	351	144	207	348	144	204	407	143	264
Total Assets	25,554	3,487	22,067	24,088	3,516	20,573	23,633	3,628	20,005
Liabilities									
Demand Deposits	11,304	1,213	10,091	10,171	1,157	9,014	10,476	1,080	9,396
Savings	7,680	1,906	5,774	7,401	1,814	5,587	6,772	1,750	5,022
Time Deposit	3,848	703	3,145	3,642	731	2,911	3,571	762	2,809
Sub Total - Deposits	22,832	3,822	19,010	21,214	3,702	17,512	20,819	3,592	17,227
Other Liabilities	516	315	201	623	290	333	512	278	234
Sub Total - Liabilities	23,348	4,137	19,211	21,837	3,992	17,845	21,331	3,870	17,461
Equity & Subordinated Debt	2,207	1,896	311	2,250	1,905	345	2,297	1,907	390
Total Liabilities and Capital	25,555	6,033	19,522	24,087	5,897	18,190	23,628	5,777	17,851

Premises and Equipment, and Other Assets have been restated to reclassify equipment and other fixed assets that were previously recorded under Other Assets.

* Other includes USD and other currencies

COMBINED BALANCE SHEET OF BERMUDA BANKS AND DEPOSIT COMPANIES (CONSOLIDATED)

	Q1-20			Q4-19			Q3-19		
(BD \$ Millions)	Total	BD\$	Other*	Total	BD\$	Other*	Total	BD\$	Other*
Assets									
Cash	133	54	79	107	42	65	97	43	54
Deposits	3,446	26	3,420	3,775	12	3,763	3,552	12	3,540
Investments	11,096	39	11,057	10,682	39	10,643	11,105	39	11,066
Loans and Advances	8,789	3,168	5,621	8,739	3,211	5,528	8,195	3,214	4,981
Premises and Equipment	307	184	123	310	185	125	310	184	126
Other Assets	386	172	214	373	152	221	348	141	207
Total Assets	24,156	3,642	20,514	23,986	3,641	20,345	23,607	3,633	19,974
Liabilities									
Demand Deposits	10,693	1,077	9,616	10,836	1,010	9,826	10,524	1,041	9,483
Savings	6,354	1,599	4,755	5,812	1,559	4,253	5,664	1,547	4,117
Time Deposit	4,343	836	3,507	4,624	849	3,775	4,590	843	3,747
Sub Total - Deposits	21,390	3,512	17,878	21,272	3,418	17,854	20,778	3,431	17,347
Other Liabilities	634	277	357	595	277	318	655	249	406
Sub Total - Liabilities	22,024	3,789	18,235	21,867	3,695	18,172	21,432	3,679	17,753
Equity & Subordinated Debt	2,134	1,875	259	2,120	1,953	167	2,176	2,007	169
Total Liabilities and Capital	24,158	5,664	18,494	23,987	5,648	18,339	23,608	5,686	17,922

Premises and Equipment, and Other Assets have been restated to reclassify equipment and other fixed assets that were previously recorded under Other Assets.

* Other includes USD and other currencies

INVESTMENT FUNDS

Fund Count Statistics	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019
Administered Funds	4	5	5	5	5	5
Professional Class A Funds	64	65	66	63	73	70
Professional Class B Funds	39	38	36	36	36	39
Professional Closed Fund	74	24	2	0	0	0
Institutional Funds	195	204	209	213	239	249
Private Funds	219	183	176	171	165	159
Standard Funds	109	114	115	116	117	124
Designated Overseas Funds	125	75	45	2	0	0
Total Number of Funds	829	708	654	606	635	646
Net Asset Value (\$BD billion)	\$205.81	\$197.68	\$187.84	\$175.22	\$175.96	\$170.87

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 i) carrying on business 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 GAAP/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.

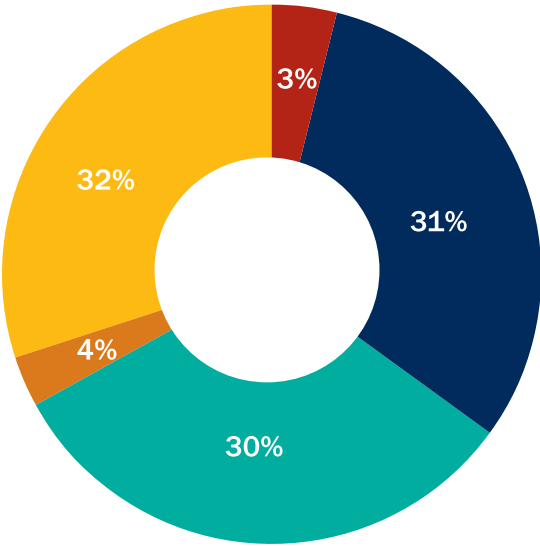
Institutional Funds are limited to qualified participants investing at least \$100,000; they are required to have an officer, trustee, or resident representative in Bermuda, being a person who has access to the books and records of the fund; the fund must appoint fit and proper service providers in accordance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

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 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 on an annual basis.

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

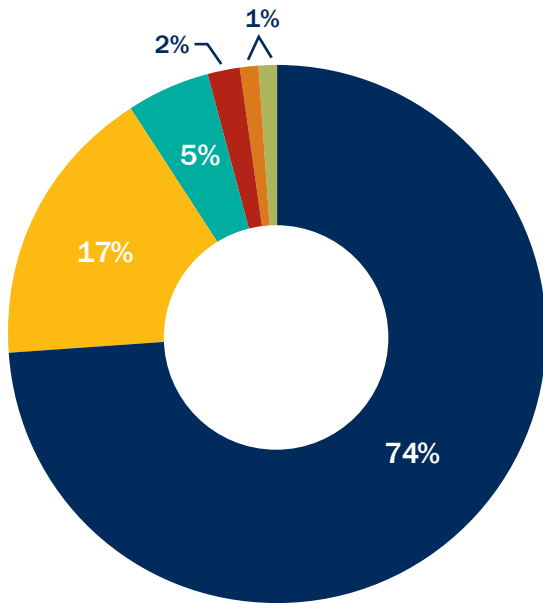


As at 31 December 2020, An aggregate total of US\$185.2 billion in assets under administration was reported by Bermuda fund administration licensees, down 3.6% from the aggregate total for 2019 of US\$192.0 billion.

The total number of funds administered decreased by 11.7% to 1,914 from 2,168, of which 174 are local incorporated funds with Bermuda-licensed fund administrators. The chart reflects the jurisdictional breakdown of total fund clients for year-end 2020.

- US and Canada
- Cayman
- Bermuda
- BVI
- Asia and Oceania

TOTAL ASSETS UNDER MANAGEMENT (AUM) BY JURISDICTION



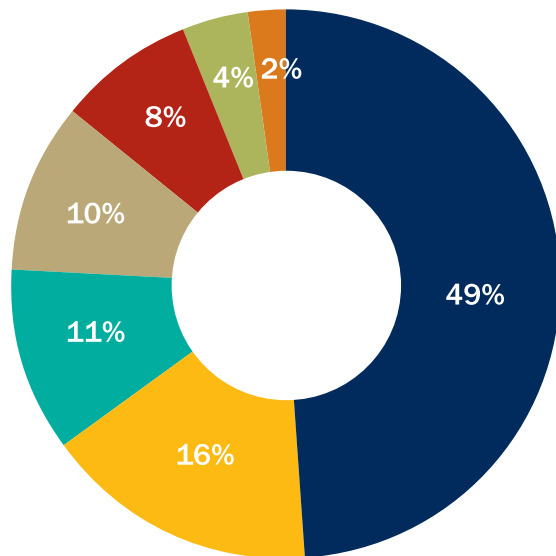
The total aggregate AUM reported by investment business licensees was US\$232.7 billion as at 31 December 2020, compared to US\$200.8 billion reported for 2019, an increase of 16%.

A significant proportion of these assets, 74% pertains to European Union clients, up 2% from 2019, while 17% are Bermuda based clients, down 2% year-over-year.

The graphic shows the total market share of AUM by jurisdiction for the year 2020.

- European Union
- Bermuda
- Asia and Oceania
- US, Canada and Rest of America
- Cayman
- Rest of Europe

INVESTMENT BUSINESS LICENSEE AGGREGATE 2020 DATA: ASSETS UNDER ADMINISTRATION (AUA)



As at 31 December 2020, the total aggregate AUA reported by investment business licensees was US\$30.6 billion, compared to US\$28.6* billion reported for 2019, an increase of 6.8%.

A significant portion of these assets (49%) pertains to Bermudian clients, with clients in the 'US, Canada and Rest of the Americas' a distant second at 16%.

The graphic shows the total market share of AUA by jurisdiction for the year 2020.

- Bermuda
- US, Canada and Rest of America
- Cayman
- Asia and Oceania
- Rest of Europe
- Middle East
- European Union

Note: For Investment Business Licensees, AUA are classified as assets managed on behalf of investors on a non-discretionary basis.

*2019 AuA were restated from \$41.2 billion to \$28.6 billion.

INSURANCE

ANALYSIS OF ALL INSURERS REGISTERED				
Class of Insurer by Licence*	2020	%	2019	%
Class 1	189	15.9%	201	16.7%
Class 2	262	22.0%	274	22.8%
Class 3	209	17.5%	219	18.2%
Class 3A	126	10.6%	127	10.6%
Class 3B	28	2.4%	27	2.2%
Class 4	45	3.8%	42	3.5%
Class A	8	0.7%	9	0.7%
Class B	12	1.0%	12	1.0%
Class C	87	7.3%	89	7.4%
Class D	9	0.8%	10	0.8%
Class E	47	3.9%	42	3.5%
Special Purpose Insurer	165	13.9%	148	12.3%
Collateralized Insurer	4	0.3%	1	0.1%
Innovative General Business - IGB	1	0.1%	0	0.0%
IIGB	1	0.1%	0	0.0%
Totals:	1,191	100%	1,201	100%

ANALYSIS OF ADDITIONS TO THE REGISTER				
Class of Insurer by licence	2020 Registrations	%	2019 Registrations	%
Class 1	7	10.4%	4	10.7%
Class 2	4	6.0%	7	10.7%
Class 3	1	1.5%	4	2.7%
Class 3A	8	11.9%	7	13.3%
Class 3B	0	0.0%	1	1.3%
Class 4	3	4.5%	1	4.0%
Class A	0	0.0%	3	0.0%
Class B	0	0.0%	4	1.3%
Class C	5	7.5%	4	10.7%
Class D	0	0.0%	1	0.0%
Class E	4	6.0%	1	8.0%
SPI	30	44.8%	20	37.3%
Collateralized Insurer	4	6.0%	1	0.0%
Innovative General Business - IGB	1	1.5%	0	0.0%
Totals:	67	100.0%	58	100.0%

MARKET STATISTICS BY CLASS OF INSURER

For the year ended 31 December 2019*

Class of Insurer	No. of Licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
Class 1	191	2,391,300,634	1,949,676,623	19,717,604,218	15,747,156,788
Class 2	259	8,314,649,846	6,919,261,864	54,926,442,274	31,477,966,682
Class 3	206	29,139,414,009	15,714,930,296	99,751,548,688	29,559,122,190
Class 3A	125	23,230,167,633	17,414,820,384	55,688,471,489	24,717,968,945
Class 3B	25	6,104,866,840	5,829,932,994	36,390,452,754	16,802,663,697
Class 4	41	43,003,682,777	33,646,138,737	193,339,915,018	87,176,391,397
Long Term Class A	9	(4,809,846)	(9,130,490)	4,678,644,804	1,560,055,772
Long Term Class B	12	172,193,331	171,225,551	338,158,856	143,412,942
Long Term Class C	91	8,377,099,537	7,164,231,968	116,294,778,372	12,672,846,761
Long Term Class D	10	1,641,095,888	1,084,911,469	6,696,355,454	925,438,004
Long Term Class E	43	70,812,944,387	64,933,968,788	543,581,511,171	83,753,294,360
Special Purpose Insurer	148	4,343,626,001	3,572,369,631	55,043,140,704	8,988,633,705
Total	1,160	197,526,231,036	158,392,337,815	1,186,447,023,801	313,524,951,245

*Underwriting statistics quoted are from insurance company Statutory Financial Returns (SFRs). Companies submit filings on a phased basis throughout the year following the financial year-end. The initial submission deadline for 2019 SFRs was April 2020. Due to this schedule, the most recent complete year-end figures for this overview are from 2019 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 percent of net premiums from risks which 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 which is 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 percent of net premiums written is from risks which are unrelated to the business of the owners.

Class 3 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 \$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 which is 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 which is 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 which is 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.

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 that is 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 percent of net premiums from risks which 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 that is equal to, or in excess of an amount derived from an asset based formula, subject to a \$250,000 a 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 that is 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 that is 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 \$4,000,000 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 that is 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 \$8,000,000 floor.

Special Purpose Insurer (SPI): In order for a company to receive consideration for registration as an SPI, it would have to meet the criteria discussed in the SPI Guidance. 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. Whilst 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.

MARKET STATISTICS BY REGION OF BENEFICIAL OWNER/S

For the year ended 31 December 2019

Domicile of Owners	No. of Licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
Captives					
Africa/Middle East	10	122,218,579	39,308,238	212,412,390	156,499,394
Asia	29	1,245,869,439	1,123,864,604	1,347,171,688	902,326,201
Australia/New Zealand	11	80,029,106	25,157,001	328,921,973	254,813,421
Bermuda	64	6,092,850,260	3,863,035,005	35,289,190,865	13,089,168,467
Caribbean/Latin America	31	171,727,801	107,761,543	1,064,977,035	784,594,535
Europe	96	5,447,780,892	4,924,435,314	38,405,134,514	18,922,332,528
North America	436	26,852,271,896	14,662,402,139	102,764,590,375	44,377,979,829
Sub-Totals:	677	40,012,747,973	24,745,963,844	179,412,398,841	78,487,714,375
Professional Insurers/Reinsurers					
Africa/Middle East	6	2,060,541,375	1,311,618,680	6,303,205,560	1,473,453,853
Asia	20	14,057,757,478	11,815,137,257	84,711,192,273	10,981,675,144
Australia/New Zealand	4	4,056,752,238	3,078,167,295	26,383,463,374	2,843,886,553
Bermuda	183	63,385,505,006	55,650,553,872	361,524,010,671	86,222,686,435
Caribbean/Latin America	32	6,119,734,770	5,344,696,026	40,500,917,938	14,662,323,822
Europe	80	38,583,422,499	33,732,905,175	107,243,179,182	31,221,938,952
North America	158	29,249,769,696	22,713,295,667	380,368,655,963	87,631,272,111
Sub-Totals:	483	157,513,483,063	133,646,373,971	1,007,034,624,960	235,037,236,870
Totals	1,160	197,526,231,036	158,392,337,815	1,186,447,023,801	313,524,951,245

MARKET STATISTICS BY COMPANY TYPE

For the year ended 31 December 2019

Company Type	No. Of Licences	Gross Premiums (USD)	Net Premiums (USD)	Total Assets (USD)	Capital and Surplus (USD)
Captives					
Captive writing Third Party	206	29,139,414,009	15,714,930,296	99,751,548,688	29,559,122,190
Captive writing Connected or Related Business	271	8,486,843,176	7,090,487,414	55,264,601,130	31,621,379,625
Single Parent Captives	200	2,386,490,788	1,940,546,134	24,396,249,022	17,307,212,561
Subtotals	677	40,012,747,973	24,745,963,844	179,412,398,840	78,487,714,375
Professional Insurers/ Reinsurers	150	29,335,034,473	23,244,753,378	92,078,924,243	41,520,632,642
Class 4	41	43,003,682,777	33,646,138,737	193,339,915,018	87,176,391,397
Long-Term Ins./ Reinsurers	144	80,831,139,811	73,183,112,225	666,572,644,997	97,351,579,125
Special Purpose Vehicle	148	4,343,626,001	3,572,369,631	55,043,140,704	8,988,633,705
Sub Totals	483	157,513,483,063	133,646,373,971	1,007,034,624,961	235,037,236,870
Totals	1,160	197,526,231,036	158,392,337,815	1,186,447,023,801	313,524,951,245

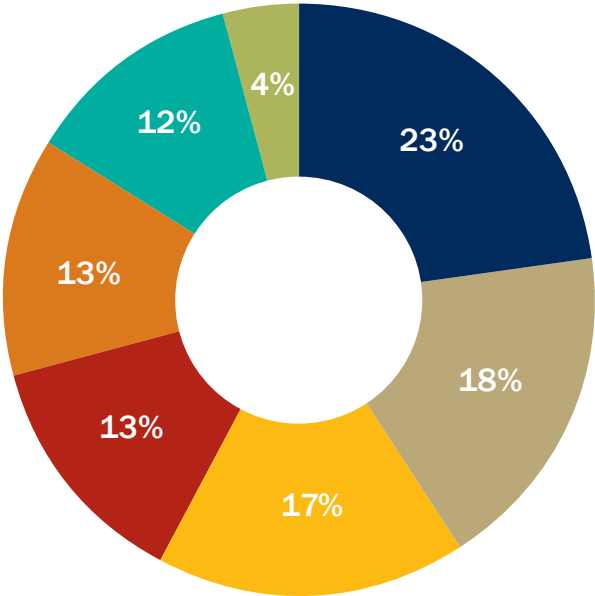
Captive writing Third-Party: (Re)insurer writing related-party risks but allowed to write up to 49% of its net premiums written arising from risks which are unrelated to the business of its owners and/or affiliates.

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



- Captive writing Connected or Related Business
- Captive writing Third Party
- Single Parent Captives
- Professional Insurers/Reinsurers
- Special Purpose Vehicle
- Long-Term Ins.Reinsurers
- Class 4



FINANCIALS



20 April 2021

The Hon. Curtis L. Dickinson, JP, MP
Minister of Finance
Ministry of Finance
Hamilton

BMA House
43 Victoria Street
Hamilton HM 12 Bermuda

P.O. Box 2447
Hamilton HM JX Bermuda

Dear Minister,

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 2020 together with the annual statement of accounts and the opinion of the Auditor General.

This document also contains the reports for the year 2020 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,

Jeremy Cox
Executive Chairman



BERMUDA MONETARY AUTHORITY

BMA House
43 Victoria Street
Hamilton HM 12 Bermuda
P.O. Box 2447
Hamilton HM JX Bermuda
tel: 1 (441) 295 5278 fax: 1 (441) 292 7421
email: enquiries@bma.bm website: www.bma.bm

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 finalized 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 authorized 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

Jeremy Cox
Executive Chairman

Craig Swan
Deputy Chief Executive Officer

Date: 20 April 2021

Date: 20 April 2021



Office of the Auditor General

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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, 2020, 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, 2020, and its financial performance and its cash flows for the year then ending in accordance with International Financial Reporting Standards generally accepted in Bermuda and Canada.

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 generally accepted in Bermuda and Canada, 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 20, 2021



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA MONETARY AUTHORITY

Statement of Financial Position As at December 31, 2020

(In thousands of Bermuda dollars)	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	3, 5	100,839	55,994
Accounts and other receivables	3, 6	1,309	773
Prepayments		1,209	805
Stock of numismatic items	7	1,197	1,202
Stock of notes and coins for circulation	8	4,278	4,517
Investments	3	20,079	7,022
		128,911	70,313
Non-current assets			
Investments	3	70,608	100,829
Property and equipment	9	20,888	21,874
Intangible assets	10	5,052	5,443
		96,548	128,146
Total Assets		225,459	198,459
Liabilities			
Current liabilities			
Accounts and other payables	3, 11, 19	8,693	8,023
Deferred income	12	760	192
Lease liabilities	3, 13	243	214
Notes and coins in circulation	3, 14	177,302	152,053
		186,998	160,482
Non-current liabilities			
Lease liabilities	3, 13	531	774
		531	774
Equity			
Capital subscribed	15	20,000	20,000
General reserve	15	17,930	17,203
		37,930	37,203
Total Liabilities and Equity		225,459	198,459
Commitments (Note 22)			



Jeremy Cox
Executive Chairman



Donald Scott
Deputy Chairman

The accompanying notes are an integral part of these financial statements

BERMUDA MONETARY AUTHORITY

Statement of Comprehensive Income For the year ended December 31, 2020

(In thousands of Bermuda dollars)	Note	2020	2019
Revenues			
Revenue from contracts with licensees and customers	16	57,782	50,782
Revenue from fines, penalties and other income	17	756	1,085
Operating revenue		58,538	51,867
Investment income	18	2,274	3,777
Total revenues		60,812	55,644
Expenses			
Salaries and employee benefits	19	46,742	43,388
General expenses	20	7,131	8,173
Professional fees		2,291	2,974
Depreciation of property and equipment	9	1,545	1,396
Circulation note and coin expenses	8	241	633
Amortisation of intangible assets	10	1,831	1,651
Finance costs	13	43	29
Provision for impairment of accounts receivable	6	314	18
Release of provision for impairment of investments and cash and cash equivalents	3	(53)	(64)
Total expenses		60,085	58,198
Total comprehensive income (loss) for the year		727	(2,554)

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, 2020**

(In thousands of Bermuda dollars)	2020	2019
Capital	20,000	20,000
General Reserve		
Balance, beginning of year	17,203	19,757
Total comprehensive income (loss) for the year	727	(2,554)
Balance, end of year	17,930	17,203
Equity	37,930	37,203

The accompanying notes are an integral part of these financial statements

BERMUDA MONETARY AUTHORITY

Statement of Cash Flows For the year ended December 31, 2020

(In thousands of Bermuda dollars)	Note	2020	2019
Cash flows provided by operating activities			
Total comprehensive income (loss) for the year		727	(2,554)
Adjustment for:			
Non-cash items included in total comprehensive income for the year	21	3,986	3,300
Change in operating assets	21	(1,017)	1,201
Change in operating liabilities	21	1,238	944
Net cash provided by operating activities		4,934	2,891
Cash flows provided by (used in) by investing activities			
Additions of intangible assets	10	(1,440)	(1,520)
Additions of property and equipment	9	(559)	(463)
Purchase of investments		(15,100)	(10,052)
Proceeds from maturity of investments		32,018	10,123
Net cash provided by (used in) investing activities		14,919	(1,912)
Cash flows provided by financing activities			
Net increase in notes and coins in circulation		25,249	10,138
Payment of lease liabilities	13	(257)	(119)
Net cash provided by financing activities		24,992	10,019
Net increase in cash and cash equivalents		44,845	10,998
Cash and cash equivalents at beginning of year		55,994	44,996
Cash and cash equivalents at end of year	5	100,839	55,994
Operational cash flows from interest			
Interest received	18	2,486	2,816

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, 2020
(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 of Bermuda (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 20, 2021.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

2.4 Intangible assets

Intangible assets are identified 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. 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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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 its 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 Authority 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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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.

During 2020 the Authority did not enter into any contract as a lessor.

(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.

BERMUDA MONETARY AUTHORITY
Notes to the Financial Statements
For the year ended December 31, 2020
(In thousands of Bermuda dollars)

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.

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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.

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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 2020 nor 2019.

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 other 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.

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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 the financial statements. A number of new standards are also effective from 1 January 2020 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.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- References to Conceptual Framework (Amendment to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

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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:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Current financial assets				
Cash and cash equivalents	100,839	100,839	55,994	55,994
Accounts and other receivables	1,309	1,309	773	773
Investments	20,079	20,232	7,022	7,046
Non-current financial assets				
Investments	70,608	75,447	100,829	102,295
Total financial assets	192,835	197,827	164,618	166,108
FINANCIAL LIABILITIES				
Current financial liabilities				
Notes and coins in circulation	177,302	177,302	152,053	152,053
Accounts and other payables	8,693	8,693	8,023	8,023
Lease liabilities	243	283	214	257
Non-current financial liabilities				
Lease liabilities	531	552	774	836
Total financial liabilities	186,769	186,830	161,064	161,169

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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, 2020				
Investments, current	20,232	-	-	20,232
Investments, non-current	75,447	-	-	75,447
Total financial instruments	95,679	-	-	95,679
Financial instruments at fair value as at December 31, 2019				
Investments, current	7,046	-	-	7,046
Investments, non-current	102,295	-	-	102,295
Total financial instruments	109,341	-	-	109,341

The Authority is exposed to credit risk, market risk, and liquidity risk as a result of holding financial instruments. 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 70% (2019 – 65%) 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, 2020 and 2019.

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:

	2020	2019
Investments		
AAA **	27,651	37,612
AA+ **	63,036	70,239
** Moody's equivalent grade is Aaa.	90,687	107,851
Cash and cash equivalents		
Cash at bank and in-hand		
AA+	287	279
AA	-	308
A-	6,095	827
BBB+	5,436	656
Not rated	21	24
	11,839	2,094
Overnight repurchase agreements		
AA+	89,000	53,900
	100,839	55,994

Investments

This account consists of:

	2020	2019
US Government and US Government Agencies	63,036	70,239
Supranational Bank	27,651	37,612
	90,687	107,851

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 \$100,839 at December 31, 2020 (2019 - \$55,994). 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 \$21 (2019 - \$24) 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 ECLs 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.

	2020	2019
Investments		
AAA	27,694	37,692
AA+	63,076	70,304
Gross carrying amount	90,770	107,996
Less allowance for impairment	(83)	(145)
	90,687	107,851

The movement in the allowance for impairment for investments at amortised cost during the year was as follows.

	2020 12-month ECL Credit impaired	2019 12-month ECL Credit impaired
Balance at January 1	145	209
Adjustment on impairment allowance	(62)	(64)
Balance at December 31	83	145

The decline in the loss allowance was mainly due to decrease in credit risk as the lifetime of securities shortens. The ECL for cash and cash equivalents as at December 31, 2020 was \$9 (2019 - \$1).

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

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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.

	+1%	2020 -1%	+1%	2019 -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	129	(113)	577	(577)
US dollar quoted securities	980	(980)	1,074	(1,074)
Total	1,109	(1,093)	1,651	(1,651)

An increase in interest rates of 1% would result in additional income of \$1,109 (2019 - \$1,651). A decrease in interest rates of 1% would result in a decrease in income of \$1,093 (2019 - \$1,651).

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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, 2020 and 2019, 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, 2020

	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	100,839	100,839	-	-	-	-
Investments (fair value)	95,679	-	10,046	10,186	55,688	19,759
Accounts and other receivables	1,309	1,309	-	-	-	-
Total financial assets	197,827	102,148	10,046	10,186	55,688	19,759
FINANCIAL LIABILITIES						
Notes and coins in circulation	177,302	177,302	-	-	-	-
Accounts and other payables	8,693	8,693	-	-	-	-
Lease liabilities	835	-	67	216	552	-
Total financial liabilities	186,830	185,995	67	216	552	-
Net maturity difference	10,997	(83,847)	9,979	9,970	55,136	19,759

As at December 31, 2019

	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	55,994	55,994	-	-	-	-
Investments (fair value)	109,341	-	-	7,046	78,726	23,569
Accounts and other receivables	773	773	-	-	-	-
Total financial assets	166,108	56,767	-	7,046	78,726	23,569
FINANCIAL LIABILITIES						
Notes and coins in circulation	152,053	152,053	-	-	-	-
Accounts and other payables	8,023	8,023	-	-	-	-
Lease liabilities	1,093	-	55	202	836	-
Total financial liabilities	161,169	160,076	55	202	836	-
Net maturity difference	4,939	(103,309)	(55)	6,844	77,890	23,569

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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:

- ✓ provisions for impairment of accounts and other receivables;
- ✓ economic use and life of property and equipment and intangible assets;
- ✓ provisions for impairment of stock of numismatic items;

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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
- ✓ provisions for impairment of investments.

Actual results could differ from these estimates.

The following are the critical judgements, apart from those involving estimation:

- ✓ 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

On March 11, 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. Management is closely monitoring the evolution of this pandemic, including how it may affect the Bermuda economy, Bermuda's financial institutions and general population. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on future financial performance of the Authority, or to provide a quantitative estimate of this impact but it is not expected to be significant. The Authority is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organizations, the Government of Bermuda, and general pandemic response best practices.

To date the Authority has not observed any material impact on its operations or financial position as a result of the COVID-19 outbreak and therefore continues to adopt the going concern basis in preparing its financial statements.

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.

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Notes to the Financial Statements
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5. Cash and cash equivalents

This account consists of:

	2020	2019
Cash at bank and in hand	11,839	2,094
Overnight repurchase agreement with the US Federal Reserve	89,000	53,900
Total	100,839	55,994

Cash at bank earns interest at an effective rate of 0.18% (2019 – 2.53%)

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.

6. Accounts and other receivables

This account consists of:

	2020	2019
Trade accounts receivable	1,221	739
Less: provision for impairment of receivables	(877)	(563)
Accounts receivable – net	344	176
Accrued interest and other receivables	965	597
Total	1,309	773

The ageing analysis of accounts receivable are as follows:

	2020	2019
Up to 3 months	344	176
Total	344	176

As at December 31, 2020, accounts receivable of \$877 (2019- \$563) 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:

	2020	2019
Up to 3 months	22	24
3 to 6 months	45	46
Over 6 months	810	493
Total	877	563

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6. Accounts and other receivables (continued)

Movements on the provision for impairment of accounts receivable are as follows:

	2020	2019
Balance as at January 1	563	545
Provision for impairment of receivables	314	18
Balance as at December 31	877	563

The creation of the provision for impairment 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 provision for impairment of accounts receivable are generally written off when there is no expectation of recovery. An ECL of 0.09% (2019 - 0.01%) 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:

	2020	2019
Commemorative notes and coins	1,216	1,229
Bullion for inventory production	126	111
Circulation notes and coins	17	17
Provisions	(162)	(155)
	1,197	1,202

8. Stock of notes and coins for circulation

This account consists of:

	2020	2019
Notes	3,950	4,051
Coins	328	466
	4,278	4,517

The cost of stocks recognised as expenses and included in “circulation note and coin expenses” amounted to \$241 (2019 - \$633).

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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, 2020					
Cost	31,734	3,771	3,134	77	38,716
Accumulated depreciation	(11,206)	(2,637)	(2,999)	-	(16,842)
Net book amount	20,528	1,134	135	77	21,874
Additions	-	553	4	2	559
Disposals – cost	-	(25)	(140)	-	(165)
Disposals - accumulated depreciation	-	25	140	-	165
Depreciation charge (Note 13)	(923)	(577)	(45)	-	(1,545)
Closing net book amount	19,605	1,110	94	79	20,888

At December 31, 2020

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

This account consists of:

	Land, building and improvements	Computer equipment	Furniture and fixtures	Museum items	Total
At January 1, 2019					
Cost	31,111	3,247	2,988	72	37,418
Accumulated depreciation	(10,368)	(2,359)	(2,962)	-	(15,689)
Net book amount	20,743	888	26	72	21,729
Additions	-	312	146	5	463
Recognition of right-of-use assets on initial application of IFRS 16	623	455	-	-	1,078
Disposals – cost	-	(243)	-	-	(243)
Disposals - accumulated depreciation	-	243	-	-	243
Depreciation charge	(838)	(521)	(37)	-	(1,396)
Closing net book amount	20,528	1,134	135	77	21,874

At December 31, 2019

Cost	31,734	3,771	3,134	77	38,716
Accumulated depreciation	(11,206)	(2,637)	(2,999)	-	(16,842)
Net book amount	20,528	1,134	135	77	21,874

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9. Property and equipment (continued)

Depreciation of \$1,545 (2019- \$1,396) has been charged in the statement of comprehensive income.

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

	2020	2019
Furniture and fixtures	2,821	2,944
Computer equipment	2,011	1,462

10. Intangible assets

This account consists of:

	Computer software					
	Internally developed	2020 Externally acquired	Total	Internally developed	2019 Externally acquired	Total
At January 1						
Cost	5,647	9,455	15,102	5,674	8,105	13,779
Accumulated amortisation	(5,647)	(4,012)	(9,659)	(5,674)	(2,531)	(8,205)
Net book amount	-	5,443	5,443	-	5,574	5,574
Additions	-	1,440	1,440	-	1,520	1,520
Disposals – cost	-	-	-	(27)	(170)	(197)
Disposals - accumulated Amortisation	-	-	-	27	170	197
Amortisation charge	-	(1,831)	(1,831)	-	(1,651)	(1,651)
Closing net book amount	-	5,052	5,052	-	5,443	5,443
At December 31						
Cost	5,647	10,895	16,542	5,647	9,455	15,102
Accumulated amortisation	(5,647)	(5,843)	(11,490)	(5,647)	(4,012)	(9,659)
Net book amount	-	5,052	5,052	-	5,443	5,443

Amortisation of \$1,831 (2019 - \$1,651) is included in the statement of comprehensive income.

The cost of software fully amortised and still in use in 2020 is \$8,043 (2019 - \$7,357).

Included in the cost are software under development of \$1,448 (2019 - \$49). Depreciation 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 2020 and 2019.

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11. Accounts and other payables

This account consists of:

	2020	2019
Accrued expenses	6,687	5,737
Accounts payable	17	273
Amounts due to related parties (Note 23)	1,989	2,013
	8,693	8,023

12. Deferred income

This account consists of:

	2020	2019
Incorporation and specific application fees	622	12
Advances from licensees	101	143
Jardine property takeover fees	37	37
	760	192

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, 2020	374	561	935
Depreciation charge for the year (Note 9)	(114)	(125)	(239)
Balance at December 31, 2020	260	436	696

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13. Leases (continued)

	IT equipment	Office space	Total
Balance at January 1, 2019	-	-	-
Additions to right-of-use assets (Note 9)	455	623	1,078
Depreciation charge for the year (Note 9)	(81)	(62)	(143)
Balance at December 31, 2019	374	561	935

Set out below are the carrying amounts of lease liabilities.

	IT equipment	Office space	Total
Balance at January 1, 2020	373	615	988
Accretion of interest	16	27	43
Payment of lease liabilities	(125)	(132)	(257)
Balance at December 31, 2020	264	510	774

	IT equipment	Office space	Total
Balance at January 1, 2019	-	-	-
Additions to lease liabilities	455	623	1,078
Accretion of interest	14	15	29
Payment of lease liabilities	(96)	(23)	(119)
Balance at December 31, 2019	373	615	988

	2020	2019
Lease liabilities, current	243	214
Lease liabilities, non-current	531	774
	774	988

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13. Leases (continued)

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

	2020	2019
Depreciation expense on right-of-use assets	239	143
Expenses relating to short-term leases – IT equipment	-	38
Expenses relating to short-term leases - Museum space rent	15	15
Interest on lease liabilities	43	29
Total amount recognised in the statement of comprehensive income	297	225

Amounts recognised in statement of cash flows :

	2020	2019
Total cash outflow for leases	257	119

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 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 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; (e) specified securities; or (f) balances with Crown Agents.

At December 31, 2020, the Authority was required to hold a reserve of external assets of at least \$88,651 (2019 - \$76,027) and the actual external assets held are set out below:

	2020	2019
Balances and money at call in overseas banks	89,287	54,487
Specified securities - current investments (Note 3[a])	20,079	7,022
Specified securities - non-current investments (Note 3[a])	70,608	100,829
	179,974	162,338

As indicated in Note 3(d), at December 31, 2020, the fair value of the Authority's total financial assets exceeded its financial liabilities by \$10,997 (2019 - \$4,939).

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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, 2020 capital of \$20,000 (2019 - \$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 \$17,930 (2019 - \$17,203) has been established and maintained in accordance with Section 8 (2) (a) of the Act.

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.

	2020	2019
Revenue from contracts with licensees and customers		
Contracts with licensees	57,693	50,658
Contracts with customers	14	49
Other contracts	75	75
	57,782	50,782
Other revenue		
Investment income (Note 18)	2,274	3,777
Revenue from fines, penalties and other income (Note 17)	756	1,085
	3,030	4,862
Total revenues	60,812	55,644

(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.

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

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

(i) Type of fees

	2020	2019
Licensing fees		
Insurance fees	48,360	42,252
Bank and deposit company fees	5,166	4,782
Investment funds	1,566	1,226
Investment business licence fees	737	713
Trust company fees	693	657
Corporate Service Provider fees ("CSP fees")	433	311
Digital Asset Business Act Fees	213	201
Anti-money laundering fees ("AML fees")	72	63
Credit Union licence fees	3	3
	57,243	50,208
Other revenue		
Vault commission	450	450
Jardine property takeover	75	75
Sale of numismatic items	14	49
	539	574
Total revenues	57,782	50,782

(ii) Timing of revenue recognition

	2020	2019
At a point in time		
Incorporation and specific application fees	5,726	5,087
Sale of numismatic items	14	49
	5,740	5,136
Over time		
Supervisory and licensing fees (annual business fees)	51,517	45,121
Vault commission	450	450
Other contracts	75	75
	52,042	45,646
Total revenues	57,782	50,782

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

(c) Contract balances

	2020	2019
Contract assets		
Receivables which are included in "trade and other receivables" (Note 6)	762	176
	762	176
Contract liabilities		
Deferred income (Note 12)	760	192
	760	192

(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 :

	2020	2019
Anti-money laundering fines ("AML fines")	400	500
Late penalty fees	153	344
Insurance fines	103	41
Investment Business Act fines ("IBA fines")	100	200
	756	1,085

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 \$75 (2019 - \$64) were recognised as revenue and expenses in the amount of \$2,431 (2019 - \$2,450) were incurred.

AML fines in the amount of \$400 (2019 -\$500) were recognised as other income.

18. Investment income

This account consists of:

	2020	2019
Interest on investments	2,437	2,763
Interest earned on overnight repurchase agreement with the US Federal Reserve	145	1,278
Net amortisation/accretion of premiums/discounts on Investments	(308)	(264)
	2,274	3,777

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19. Salaries and employee benefits

This account consists of:

	2020	2019
Salaries and bonuses	38,043	35,189
Payroll tax	4,119	3,919
Pension costs	1,728	1,611
Health insurance	1,552	1,400
Life insurance	425	391
Social insurance costs	379	385
Directors' fees	301	403
Other benefits	195	90
	46,742	43,388

The Authority has 217 employees at December 31, 2020 (2019 – 215).

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. The Authority’s contributions to the Plan during the year were \$1,524 (2019 - \$1,515).

(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. Contributions of 8% (2019 – 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

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19. Salaries and employee benefits (continued)

(a) *Pension plans (continued)*

(ii) Defined benefit plan (continued)

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 \$98 (2019 - \$96).

(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, 2020 was \$1,100 (2019- \$697) 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 \$17 (2019 – \$17) were paid or about to be paid out. The liability as at December 31, 2020 was \$464 (2019 - \$310) and is included in accounts and other payables.

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20. General expenses

This account consists of:

	2020	2019
Premises and office	5,030	4,910
Communication	559	443
Recruitment and repatriation	526	568
Conferences, seminars, education and training	459	1,421
Other	270	362
Annual business fees written off	95	137
Net foreign exchange loss	86	63
Advertising	56	82
Public relations	43	181
Provision for impairment on numismatic items	7	6
	7,131	8,173

21. Cash generated from operations

	2020	2019
Non-cash items included in total comprehensive income for the year		
Depreciation of property and equipment (Note 9)	1,545	1,396
Amortisation of intangible assets (Note 10)	1,831	1,651
Amortisation/accretion of premiums/discounts on investments (Note 18)	308	264
Lease interest expense (Note 13)	43	29
Provision for impairment of investments (Note 3)	(62)	(64)
Provision for impairment of receivables (Note 6)	314	18
Provision for impairment on numismatic items (Note 20)	7	6
	3,986	3,300
Change in operating assets		
Stock of notes and coins for circulation	239	379
Stock of numismatic items	(2)	(398)
Accounts and other receivables	(850)	1,043
Prepayments	(404)	177
	(1,017)	1,201
Change in operating liabilities		
Accounts and other payables	670	1,240
Deferred income	568	(296)
	1,238	944

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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:

	2020	2019
2020	-	910
2021	1,705	318
2022	329	169
2023	169	169
2024	167	-
Thereafter	11	167
	2,381	1,733

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:

	2020	2019
Intangible assets	514	76
	514	76

23. 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.

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23. Related-party transactions (continued)

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:

	2020	2019
Staff expenses:		
Payroll tax	4,119	3,919
Social insurance	379	385
Pension costs - PSSF	98	96
Premises expense - land tax	268	244
Professional fees – audit	101	113
Other general expenses - immigration fees	122	153
Office expense - postage	-	2

At December 31, 2020, payroll tax amounting to \$1,989 (2019 - \$2,013) remains outstanding (Note 11).

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 \$20 (2019 - \$20), Board sub-committee Chairmen are paid an annual fee of \$25 (2019 - \$25) and the Board Chairman receives an annual fee of \$75 (2019 - \$75). Travel expenses of \$1 (2019 - \$119) were paid to overseas board members.

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 December 31, 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 is eligible for a performance-based bonus of up to 45% of base salary. The Executive Chairman also receives the annual fee associated with his role as Chairman of the Board. With effect from 2015, the Chief Executive Officer is eligible for a retention bonus which accrues annually at the rate of 10% of annual base salary through December 31, 2019.

Salaries of the other seven members of the executive team range from \$250 to \$400 (2019 - \$239 to \$375), with a performance-based bonus of up to 35% (2019 – 30%) of salary.

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24. Related-party transactions (continued)

Board and key management compensation (continued)

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

	2020	2019
Directors' fees	301	403
Executive management salaries, bonuses and other short-term employee benefits	5,081	5,036
Retention bonus	-	50
Post-employment benefits	238	237

25. Subsequent events

COVID-19 Pandemic

While the Authority anticipates no significant negative impact to its operations or financial condition, the duration and extent of the COVID-19 pandemic and its related economic, social and public health implications remain uncertain at the issuance of these financial statements.

There have been no other significant events or transactions from December 31, 2020 to the date that these financial statements were available for issuance that require adjustments to or disclosures in the financial statements.

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