BERMUDA MONETARY AUTHORITY

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CONSULTATION PAPER

PROPOSED ENHANCEMENTS TO
THE INVESTMENT BUSINESS REGIME:

RULES AND GUIDANCE ON NET ASSET AND LIQUIDITY REQUIREMENTS, STATUTORY RETURN RULES
AND
THE STATEMENT OF PRINCIPLES

OCTOBER 2021

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I. INTRODUCTION

1. Further to proposed legislative and other framework enhancements consulted on in the first half of 2021, the Bermuda Monetary Authority (Authority or BMA) intends to introduce rulemaking powers over certain aspects of investment providers' business. The Authority is of the view that such facility for rulemaking (beyond the powers currently provided for within the Alternative Investment Fund Managers (AIFM regime)–and, in particular, the proposed facility for the Authority to waive or modify rule requirements in specific circumstances–would support a more modern and bespoke supervisory model for the sector going forward.

2. In September 2021, the Authority issued a Consultation Paper entitled *"Proposed Enhancements to the Investment Business Regime: Regulations and Rules"*, inter alia, to socialise the transposition of the existing Investment Business (Client Money) Regulations into rules. Further to those proposed "Investment Business (Client Money) Rules 2022, this paper discusses the rules the Authority will seek to introduce in respect of:
    - Net assets and additional capital
    - Liquidity
    - Statutory returns

3. The Authority proposes to divide these requirements between the:
    a) Investment Business (Capital, Net Assets and Liquidity) Rules 2022; and
    b) Investment Business (Statutory Returns) Rules 2022 (Statutory Return Rules).

    The Investment Business (Capital, Net Assets and Liquidity) Rules 2022 are supported by the Guidance Notes on the Maintenance of Net Assets, Capital and Liquidity (Guidance Notes), which are also attached to this paper.

4. In order for persons to consider all changes proposed for the presentation and form of net asset and liquidity requirements, the Authority deems it appropriate to also include intended revisions to the Statement of Principles (SoP) – current provisions of which form the basis for the Investment Business (Capital, Net Assets and Liquidity) Rules 2022 and the accompanying Guidance Notes – within this consultation.

5. Industry and other stakeholders are invited to provide feedback to the proposals outlined in this paper and in its various attachments, by emailing their comments to policy@bma.bm by close of business on 12 November 2021.

II. RULES PROPOSED FOR CAPITAL, NET ASSETS AND LIQUIDITY

6. At present, the Authority's expectations regarding maintenance of minimum net assets and liquidity are expressed as part of the overall requirement for "business to be conducted in a prudent manner", which forms part of the minimum criteria for licensing. These requirements are further explained in the SoP, through which the Authority provides, among other things, minimum thresholds for net assets and liquidity to be maintained by investment providers, based on the nature of their activities. In respect of net assets, the SoP also provides for the Authority, in specific circumstances and as it deems appropriate, to require an entity to maintain additional capital (beyond the typically applicable fixed net asset requirement), either through maintenance of a fixed higher amount, or of a fluctuating value determined by a market risk based computation.

7. The Authority is of the view that the above-mentioned approach remains generally appropriate for the Bermuda market and as such, does not propose to alter either the current levels, or the bases for determining the minimum level of net assets or liquidity to be maintained by individual investment providers. The Authority does however recognise the opportunity that supervisory framework enhancement provides for codification of those expectations that now appear in the SoP as more discrete rules. Similar to the rationale for moving client money requirements into rules, the transposing of net assets and liquidity requirements into rules would also permit flexibility for the Authority to modify requirements in instances it deems appropriate (pursuant to proposed section 10B of the illustrative draft Investment Business (Amendment) Bill 2021)[1].

8. Accordingly, the portions of the existing SoP (primarily within paragraphs 2.7 and 2,8) that represent "hard-core" requirements for maintenance of net assets, additional capital or liquidity have been transposed into detailed rules, which are presented in paragraphs 4 to 9 of the Investment Business (Capital, Net Assets and Liquidity) Rules 2022. The remaining aspects of the SoP, which clarify how persons may meet those requirements, have also been extracted and captured in the attached draft Guidance Notes. These should be read alongside the aforementioned Rules. The Guidance Notes also introduce additional clarity regarding the market risk based methodology the Authority employs in instances where it deems fixed net asset thresholds to be incompatible with an investment provider's profile.

[1] During previous consultations, the Authority sought feedback on proposals for it to "prescribe standards that impose different requirements to be complied with by investment providers in different situations or in respect of different activities."

III. RULES PROPOSED FOR STATUTORY RETURNS

9. The Authority also deems it beneficial to codify and harmonise the different annual statutory reporting requirements for investment providers. As such, the proposed Statutory Return Rules will formalise the requirement for submission of various reports comprising an overall annual statutory return, and clarify the set of information each class of licensed or registered investment provider must supply to the Authority as part of that return.

10. While the information sought by the Authority in these returns is not proposed to change in relation to current practice, the Authority is seeking to consolidate the information requests, to the extent feasible, to ease the reporting burden on industry and avoid duplicative reporting on prudential and anti-money laundering/anti-terrorist financing matters.

11. The Authority will maintain the schedules to the statutory return on its website for ease of access by industry and for its own ease of amendment.

12. To facilitate the changes intended in this set of rules, it is proposed that the obligation to file statutory returns, and the applicable filing dates for each of the required schedules, be introduced as an amendment to the Investment Business Act 2003. (The proposed new Schedule I forms part of this consultation package. The remaining Schedules II and III have not been included, as no changes are proposed on those items within this consultation.)

IV. CONCLUSION

13. The Authority intends that the modifications proposed in this paper will support previously announced enhancements to the regime and, ultimately, strengthen both the Authority's supervisory and regulatory oversight, and Bermuda's position as a leading international financial services centre.

- END -

BERMUDA

INVESTMENT BUSINESS (CAPITAL, NET ASSETS AND LIQUIDITY) RULES 2022

BR / 2022

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In exercise of the powers conferred upon it by section 10A (1) of the Investment Business Act 2003, the Bermuda Monetary Authority makes the following Rules:

Citation

1 These Rules may be cited as the Investment Business (Capital, Net Assets and Liquidity) Rules 2022.

Interpretation

2 In these Rules—

"the Act" means the Investment Business Act 2003;

"Class A Registered Person" has the meaning given in section 2 of the Act;

"Class B Registered Person" has the meaning given in section 2 of the Act;

"investment provider" has the meaning given in section 2 of the Act;

"recognised regulator" has the meaning given in section 2 of the Act.

Application

3 These Rules shall apply to all investment providers licensed or registered by the Authority under the Act.

Minimum net assets

4 For the purposes of paragraph 5 (3) of the minimum criteria in the Second Schedule of the Act, the minimum net assets to be maintained by an investment provider acting as—

(i) agent is $100,000;

(ii) principal is $250,000;

(iii) neither agent nor principal is $12,000.

Authority may require increased minimum net assets to be held

5 (1) The Authority may determine that the applicable minimum net assets as calculated in accordance with paragraph 4 (1) is inappropriate to be held by an investment provider. Where this determination is made by the Authority, the investment provider shall be required to maintain net assets of an amount that exceeds minimum requirements.

(2) For the purposes of subparagraph (1) above, in the circumstances mentioned in subparagraph (3), the Authority shall make such adjustments as it considers appropriate to an investment provider's minimum net asset requirement.

(3) The circumstances referred to in subparagraph (2) are—

(a) where an investment provider assumes material principal positions including but not limited to; through the trading or holding of significant portfolios of securities or derivatives;
(b) where an investment provider conducts material non-investment business; and
(c) where an investment provider intends to offer margin or other lending facilities.

(4) Where the Authority determines that an increased minimum net asset threshold is required; it may—

(a) substitute a fixed higher minimum net asset threshold; or

(b) apply a fluctuating market risk based minimum capital requirement.

(5) Where the Authority has determined that it is appropriate to require an investment provider to satisfy a fluctuating market risk based capital requirement, the minimum net assets to be maintained by such investment provider shall—

(a) be 8% of Risk Weighted Assets (“RWA”); and

(b) not less than $250,000.

(6) Each investment provider required to hold capital in accordance with subparagraph (5), shall be required to hold at least 6% of such RWA as Tier 1 capital. The remaining 2% of RWA may be met by Tier 2 capital.

(7) For the purposes of this paragraph—

(a) “Tier 1 capital” shall mean share capital / common stock and disclosed reserves;

(b) “Tier 2 capital” shall mean undisclosed reserves, asset revaluation reserves, hybrid (debt and equity) capital instruments and subordinated debt.

Minimum liquid asset requirement – Licensed persons

6 (1) All investment providers shall maintain a minimum of liquid assets in accordance with paragraph (2).

(2) Where an investment provider acts as—

(a) neither principal nor agent, liquid assets to be maintained shall be the equivalent of not less than one month of an investment provider's annual expenditure;

(b) principal or agent, liquid assets to be maintained shall be the equivalent of three months of an investment provider's annual expenditure.

(3) For the purposes of this paragraph, an investment provider's "annual expenditure" shall be—

(a) based on the most recent annual or annualised financial statement or accounts filed by an investment provider with the Authority [in accordance with section 38 of the Act]; and

(b) calculated where an investment provider made—

(i) a profit in the previous year, as total revenue less profit before appropriations; or

(ii) a loss in the previous year, as total revenue plus loss before appropriations.

(4) For the purposes of this paragraph, "liquid assets" shall include but not be limited to—

(a) cash and cash equivalents (i.e. cash, term deposits and marketable securities);

(b) prepayments, where the period of prepayment is less than three months;

(c) amounts accrued or receivable with respect to interest on marketable investments;

(d) unsecured receivables, where these are outstanding for less than 30 days;

(e) receivables, arising from the sale of investments outstanding for less than 30 days from the contractual settlement date;

(f) other receivables, arising from investment business outstanding for less than two months.

Capital and liquidity requirements- Class A Registered Persons

7 A Class A Registered Person shall —

(a) where an investment is subject to capital and liquidity requirements imposed by a recognised regulator, maintain capital and liquidity of such amounts and in such form and in accordance with any conditions, restrictions or limitations as may be required by that recognised regulator; and

(b) where it is not subject to a capital requirement, satisfy such capital and liquidity requirements as determined by the Authority.

Capital and liquidity requirements- Class B Registered Persons

8 For the purposes of the Act and these Rules, no capital or liquidity requirements applicable to any investment provider shall apply to a Class B Registered Person.

Investment provider to notify the Authority

9 An investment provider shall notify the Authority forthwith where—

(a) it has breached any capital or liquidity requirement applicable to it;

(b) it has reason to believe that it will breach any capital or liquidity requirement applicable to it;

(b) the liabilities of one or more of its subsidiaries exceed that subsidiary's assets; or

(c) the liabilities of the investment provider's parent company exceeds its assets.

Commencement

10 These Rules shall come into operation on 1 January 2022.

Made this day of December 2021

Chairman
Bermuda Monetary Authority

[Operative Date: 01 January 2022]

Bermuda Monetary Authority

GUIDANCE NOTES

on the Maintenance of Capital, Net Assets and Liquidity

January 2022

Note: This document should be read in conjunction with the Investment Business (Capital, Net Assets and Liquidity) Rules 2022.

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I. INTRODUCTION

1. These Guidance Notes (GN) have been issued by the Bermuda Monetary Authority (Authority or BMA) to provide guidance for investment providers and prospective applicants regarding the provisions of section 10A of the Investment Business Act 2003 (Act), and the Investment Business (Capital, Net Assets and Liquidity) Rules, and the supervisory process the Authority will apply.

2. The Authority's Guidance is of general application and seeks to consider the wide diversity of undertakings that may be licensed or registered under the Act. The GN will be kept up to date and revised versions are published from time to time. The Authority cannot provide definitive interpretation of the provisions of the Act since that is the prerogative of the Courts. However, the Authority, in administering the Act, is prepared to offer its own views on the meaning of provisions.

3. It should be noted that the Authority has also published a Statement of Principles (SoP) and codes as provided for under the Act. The SoP provides guidance on the Authority's approach in interpreting the minimum criteria and in exercising its power to grant, revoke or restrict a licence or registration and in exercising its power to obtain information and reports and to require production of documents. The codes of conduct provide guidance on the duties, requirements, procedures, standards and sound principles to be observed by persons carrying on investment business. Copies of these documents can be found on the Authority's website (www.bma.bm).

II. GUIDANCE IN RESPECT OF PARAGRAPH 4: ASSESSMENT AND CALCULATION OF MINIMUM NET ASSETS

4. Investment providers are expected to closely monitor their net asset positions. Without prejudice to the minimum requirements set out in paragraph 4 of the Rules, each investment provider should maintain net assets of such scale and in such form as to safeguard the interests of clients and potential clients, having regard to:

    a) The risks inherent in the investment business;
    b) The risks inherent in any operations of related entities so far as they are capable of affecting the institution;
    c) Any other factors that appear to the Authority to be relevant.

5. In assessing the sufficiency of net assets, the Authority may require reasonable assurance that resources are genuinely available to support the investment provider's business. Accordingly, the Authority may seek to be satisfied in its assessment of net assets that, among other things, claims on third parties are fully recoverable in the normal course of business.

6. In calculating net assets, all claims on other members of a group to which an investment provider belongs should be deducted, unless the Authority has separate regulatory responsibility for monitoring the capital adequacy of the connected party or is in a position to assess capital adequacy for the wider group.

7. In determining net assets for the purposes of paragraph 4 of the Rules, the following amounts will also generally be deducted, since they do not represent capital available to the investment provider:

    a) Investments in subsidiaries;
    b) Investments in associates; and
    c) Intangible assets.

8. Where an investment provider is a partnership, the Authority will assess its minimum net asset requirement in respect of balances in each partner's capital accounts, net of outstanding borrowing from the investment provider. In the case of a sole trader, or an unincorporated entity that is not a partnership, the Authority will generally seek to satisfy itself that the stipulated minimum net asset figure is, and will remain, freely available to support the investment business and to meet any losses that may be incurred.

III. GUIDANCE IN RESPECT OF PARAGRAPH 5: THE MARKET RISK BASED CAPITAL REQUIREMENT

9. Further to the circumstances provided for in paragraph 5(3) of the Rules, the Authority may require an investment provider to maintain additional capital, beyond the static minima provided for in paragraph 4 of the Rules. In such instances, the Authority may, based on its assessment of those circumstances, either:

    a) Require an investment provider to maintain net assets of a fixed amount greater than those prescribed in paragraph 4 of the Rules; or
    b) Require an investment provider to maintain minimum capital equal to or exceeding 8% of total Risk Weighted Assets (RWA), calculated in accordance with the market risk based methodology set out in the attached Appendix 1.

10. Notwithstanding the method determined by the Authority, the minimum amount of net assets to be maintained by any investment provider that is required to hold additional capital, is $250,000.

11. Regulatory capital is classified according to its quality and ability to absorb losses. Tier 1 capital should be of such quality and amount to absorb losses when the entity remains a going concern and should be immediately available to absorb losses, as they occur. Tier 2 capital should be available to absorb losses when the entity is no longer a viable going concern or is a gone concern. In the case of Tier 2 instruments, such instruments are limited to a maximum of 50% of Tier 1 capital.

12. Assets that generally cannot be relied upon during periods of stress to be converted to cash to fund losses must be deducted from Tier 1 capital. The most common types of assets deducted from Tier 1 capital are goodwill and other intangible assets, deferred tax assets and investments in other financial entities.

IV. GUIDANCE IN RESPECT OF PARAGRAPH 6: MAINTENANCE OF ADEQUATE LIQUIDITY

13. The Authority expects all licensed investment providers will employ appropriate means to closely monitor their liquidity positions to ensure that they are always able to meet their obligations as they become due.

14. Notwithstanding the minimum amounts prescribed in paragraph 6(2) of the Rules, each licensed investment provider should monitor its liquidity position on an ongoing basis, having regard to, inter alia:

    a) The relationship between its liquid assets, and both actual and contingent liabilities;
    b) The due dates for maturity of assets and liabilities;
    c) The nature, scale and risks inherent in its operations; and
    d) Any other factors that may reasonably appear to be relevant.

15. Assets are considered to be liquid if they can be easily converted to cash within a reasonable period, where such period does not exceed 30 days. The Authority may, to such extent as it considers appropriate, consider as liquid assets, in addition to the assets of the investment provider, any facilities available to it that, in the Authority's view, can provide liquidity within a reasonable period. The Authority would classify certain committed standby facilities, for example, as liquid assets.

16. Without prejudice to the other types of instruments outlined in paragraph 6 of the Rules as generally counting towards liquid assets, the Authority will generally require:

    a) For receivables arising from the sale of investments outstanding for less than 30 days from the contractual settlement date, that if the debtor is outstanding for more than 30 days from the contractual settlement date, the amount should be written down to the lower of book or market value;

    b) For other receivables arising from investment business and that have been outstanding for less than two months, such amounts may be included where, for example, they represent:
        i. Amounts due from connected companies that are adequately secured and are repayable within 60 days;
        ii. Unsecured amounts due at the request of the company; and
        iii. Any other circumstances that the Authority may deem to be reasonable.

17. Where they are desirous of including an asset that is not listed in paragraph 6 of the Rules, investment providers must receive prior written consent from the Authority to do so.

V. GUIDANCE IN RESPECT OF PARAGRAPH 7: REQUIREMENTS FOR CLASS A REGISTERED PERSONS

18. Where Class A Registered Persons are not required to maintain a minimum amount of liquid assets, the Authority nonetheless expects, consistent with the requirement in the minimum criteria for business to be conducted in a prudent manner, that such persons

will maintain sufficient liquidity at all times to ensure that they are able to meet liabilities when they become due.

APPENDIX 1: ADDITIONAL GUIDANCE FOR REPORTING IN RESPECT OF THE MARKET RISK BASED CAPITAL REQUIREMENT

1. Notwithstanding the fundamental differences between investment providers as against banks and credit institutions, depending on the nature of their activities, there may be considerable overlap of the risks posed and faced by some investment firms, when compared to banks and credit institutions. For that reason, the Authority may determine, in specific circumstances, that the methodology underpinning the Basel Committee on Banking Supervision's Basel III (Basel) capital adequacy framework is generally more suitable than a static minimum net asset requirement for application to particular investment providers, to better approximate and account for the complexities of risks undertaken in their operations.

2. This appendix will apply to any investment provider that the Authority requires to maintain a market risk based capital requirement. It is based on the Basel framework's standardised methodology for assessment of RWA for on- and off-balance sheet exposures, and provides guidance on proper reporting for the different tiers of regulatory capital to ensure that exposures are supported by capital of sufficient quality and quantity, on an ongoing basis.

3. The Basel framework recognises that a minimum level of capital must be maintained by an entity to cover identified risk exposures. The framework recognises that different types of capital are higher quality than others and different exposures have higher risk than others. A minimum level of capital is set as a percentage of RWA, which includes both on-balance sheet and off-balance sheet assets and exposures. RWAs can be calculated for:

   a) Credit risk;
   b) Market risk; and
   c) Operational risk.

   Market risks are further sub-divided into the following five additive components:

   a) Equity position risk;
   b) Interest rate position risk;
   c) Foreign exchange position risk;
   d) Commodities position risk; and
   e) Option position risk.

4. The implementation of this approach starts by implementing a standardised assessment of RWA for on- and off-balance sheet exposures, and application of a minimum notional capital requirement for credit, market and operational risk (e.g., 8%).

   The RWA will be calculated such that in the case of market risk and operational risk, the total RWA is determined by multiplying the calculated notional capital requirements by 12.5 (i.e., the reciprocal of the minimum notional capital ratio, such as 8%) and adding the resulting figures to the sum of the RWA for credit risk.

The proposed minimum regulatory capital limit set as a percentage of RWA (e.g., 8%) comprises only the Pillar 1 elements from the Basel framework which are typically structured such that Common Equity Tier 1 (CET1) capital must be a minimum percentage of RWA at all times (e.g. 4.5%) and Tier 1 (T1) capital also at a minimum percentage of RWA at all times (e.g., 6%).

5. This guidance should be read in conjunction with the following documents:
   a) The Revised Framework for Regulatory Capital Assessment 2008 (Policy);
   b) Guidance on Completion of the Prudential Information Return for Banks 2008; and
   c) Basel III for Bermuda Banks 2017.

6. The Authority recognises that even in instances where it is generally appropriate to apply the Basel framework to specific investment providers, it may be necessary to make limited adjustments, to account for the nature of each investment provider's specific business circumstances and risk profile. In those instances, the Authority is prepared to exercise appropriate flexibility, to ensure that investment provider's specific risks and activities are properly accounted for by the framework.

APPENDIX 2: PRUDENTIAL INFORMATION RETURN INSTRUCTIONS

I. CREDIT RISK

Based on the nature of an investment provider's business, the following standardised credit risk categories are deemed generally applicable:

On – balance sheet exposures

- Cash
- Claims on Sovereigns and Multilateral Development Banks (MDBs)
- Claims on Public Sector Entities (PSEs)
- Claims on Corporates
- Claims on Banks and Securities Firms
- Securitisations

Other Balance Sheet Exposures

Off – balance sheet exposures

All to be included based on the nature of an investment provider's business.

Structure of the PIR template

Total column

Report the sum, in US dollars, at current book value (i.e., current outstanding amount including accrued interest and net of any specific provision or associated depreciation).

CRM column

Report here Credit Risk Mitigation (CRM). CRM refers to techniques the reporting institution may use to mitigate credit risk and hence reduce the capital requirement of a credit exposure. Where an asset is not covered by any recognised CRM techniques, the amounts reported before CRM and after CRM will be the same. Four types of CRM techniques are recognised for this purpose: collateral, netting, guarantees and credit derivatives.

To be recognised, a CRM technique should satisfy the relevant operational requirements as set out in paragraphs 79 to 84 of the Revised Framework for Regulatory Capital Assessment[1]. Under the standardised approach, there are two methods that can be used for recognising the impact of collateral. Institutions must choose between the "simple" and "comprehensive" approaches and use that chosen method exclusively.

Netting, guarantees and credit derivatives are always handled using the same approach, being the "comprehensive" approach for netting and the "simple" approach for guarantees and credit derivatives.

[1] Located at the following link https://www.bma.bm/document-centre/policy-and-guidance-banking

Total after CRM column

This column is equal to "Total" column less "CRM" column. In cases where CRM techniques cannot be used to reduce the credit risk associated with an asset, the exposure amount after CRM to be reported in this column will equate to the exposures before CRM amount.

Risk Weight column

Risk weights are generally stated in the Prudential Information Return (PIR) in accordance with the weightings detailed in Revised Framework for Regulatory Capital Assessment[2].

Risk Weighted Assets (RWA) column

Generally, the RWA is a derived field in the template, calculated by multiplying total exposures after CRM by risk weight. In some cases, however, the RWA must be entered manually. The RWA amount for some asset types may consist of several discrete asset exposures, each potentially attracting different risk weights.

For counterparty credit risk in trading assets, institutions are required to calculate their counterparty credit risk charge for over-the-counter derivatives, repo-style and similar transactions, separate from the capital charge for general market risk and specific risk. The risk weights to be used must be consistent with those used for calculating the capital requirements for non-trading assets. Thus, institutions must be consistent in using the standardised approach for both trading and non-trading assets.

Recognised External Credit Assessment Institutions

The Authority has recognised the External Credit Assessment Institutions (ECAI) set out in Exhibit I for use by institutions under the standardised approach for credit risk, as well as within the securitisation framework for credit risk.

[2] Located at the following link https://www.bma.bm/document-centre/policy-and-guidance-banking

Specific guidance for credit risk section:

Credit risk – On balance sheet portion

Cash

Item	Description of item	Guidance
100.1	Notes and coins	Notes and coins are allocated a risk weight of 0%.
100.2	Gold and precious metals	Gold is allocated a risk weight of 0%. However, the treatment of other precious metals (silver, platinum and palladium) should be discussed with the Authority.

Claims on sovereigns and Multilateral Development Banks (MDB)

<table>
<tr><th>Item</th><th>Description of item</th><th>Guidance</th></tr>
<tr><td>110.1 to 110.5</td><td>Claims on sovereigns and MDBs</td><td>Claims on the Government of Bermuda that are both denominated and funded in Bermuda or US dollars are allocated a lower-risk weight–one category lower than the applicable weighting. Claims on other sovereigns (overseas central governments) should be weighted based on ratings assigned by eligible ECAI or country risk scores. See Exhibit Table 2 for country risk scores. The generic mapping for claims on sovereigns is as follows:
<table>
<tr><td>Credit assessment</td><td>AAA to AA-</td><td>A+ to A-</td><td>BBB+ to BBB-</td><td>BB+ to B-</td><td>Below B-</td><td>Not rated</td></tr>
<tr><td>Risk weight</td><td>0%</td><td>20%</td><td>50%</td><td>100%</td><td>150%</td><td>100%</td></tr>
</table></td></tr>
<tr><td>110.6</td><td>High Quality MDBs</td><td>High quality MDBs qualify for 0% weighting. See listing of high quality MDBs on paragraph 31 of Revised Framework for Regulatory Capital Assessment[3].
In the case of other MDBs, risk weights reflect external credit assessments, as for banks, but with no preferential treatment for short term claims.</td></tr>
</table>

Claims on Public Sector Entities (PSEs)

Item	Description of item	Guidance

[3] Located at the following link https://www.bma.bm/document-centre/policy-and-guidance-banking

<table>
<tr>
<td>120.1 to 120.4</td>
<td>Claims on Bermuda PSEs</td>
<td>Claims on Bermuda PSEs receive a risk weighting one category less favourable than the weighting of the Government of Bermuda, and reporting institutions should seek the Authority's approval before allocating a risk weight to any PSE. Claims on Bermuda PSEs should be weighted in accordance with Exhibit Table 1. The generic mapping is as follows:
<table>
<tr><td>Credit assessment</td><td>AAA to AA-</td><td>A+ to A-</td><td>BBB+ to BBB-</td><td>BB+ and below</td><td>Not rated</td></tr>
<tr><td>Risk weight</td><td>20%</td><td>50%</td><td>100%</td><td>150%</td><td>150%</td></tr>
</table>
</td>
</tr>
<tr>
<td>120.1 to 120.4</td>
<td>Claims on foreign PSEs</td>
<td>Claims on foreign PSEs must be weighted at 100% other than where the supervisory authority in the jurisdiction concerned permits ”one category less favourable” treatment and that supervisory authority applies supervisory arrangements equivalent to those in Bermuda.</td>
</tr>
</table>

Claims on corporates

<table>
<tr><th>Item</th><th>Description of item</th><th>Guidance</th></tr>
<tr>
<td>130.1 to 130.6</td>
<td>Claims on corporates</td>
<td>Claims on corporates including claims from insurance companies should be weighted in accordance with Exhibit Table 1.
No claim on unrated corporate may be given a risk weight preferential to that assigned to its sovereign of incorporation. The generic mapping is as follows:
<table>
<tr><td>Credit assessment</td><td>AAA to AA-</td><td>A+ to A-</td><td>BBB+ to BBB-</td><td>BB+ to BB- and Not rated</td><td>Below BB-</td></tr>
<tr><td>Risk weight</td><td>20%</td><td>50%</td><td>75%</td><td>100%</td><td>150%</td></tr>
</table>
Where an institution prefers, it may alternatively weight all its corporates at 100% without regard to external ratings. The Authority requires a single consistent approach to be adopted and applied.</td>
</tr>
</table>

Claims on banks and securities firms

<table>
<tr><th>Item</th><th>Description of item</th><th>Guidance</th></tr>
<tr><td>140.1</td><td>Maturity more than 3 months</td><td>Claims should be weighted in accordance with the relevant column in Exhibit Table 1.
The generic mapping is as follows:
<table>
<tr><td>Credit assessment</td><td>AAA to AA-</td><td>A+ to A-</td><td>BBB+ to BBB-</td><td>BB+ to B-</td><td>Below B-</td><td>Not rated</td></tr>
<tr><td>Risk weight</td><td>20%</td><td>30%</td><td>50%</td><td>100%</td><td>150%</td><td>*See below*</td></tr>
</table>
The unrated category can be risk weighted at 40%, 75% or 150% depending on whether it is in Grade A, Grade B or Grade C, respectively.</td></tr>
<tr><td>140.2</td><td>Maturity less than 3 months</td><td>Claims should be weighted in accordance with the relevant column in Exhibit Table 1.
The generic mapping is as follows:
<table>
<tr><td>Credit assessment</td><td>AAA to AA-</td><td>A+ to A-</td><td>BBB+ to BBB-</td><td>BB+ to B-</td><td>Below B-</td><td>Not rated</td></tr>
<tr><td>Risk weight</td><td>20%</td><td>20%</td><td>20%</td><td>50%</td><td>150%</td><td>*See below*</td></tr>
</table>
The unrated category can be risk weighted at 20%, 50% or 150% depending on whether it is in Grade A, Grade B or Grade C, respectively.</td></tr>
</table>

Securitisations

<table>
<tr><th>Item</th><th>Description of item</th><th>Guidance</th></tr>
<tr><td>150.1 to 150.4</td><td>Securitisation</td><td>Claims on securitisations should be weighted in accordance with Exhibit Table 1 Corporates with the following adjustments: Credit assessment (i) < BBB- will use risk weight 350% (ii) B+ and below will result in a capital deduction.
Where an issue has a specific short term rating, it should be weighted in accordance with the generic mapping below:
<table>
<tr><td>Credit assessment</td><td>A-1/P-1</td><td>A-2/P-2</td><td>A-3/P-3</td><td>All other ratings</td></tr>
</table></td></tr>
</table>

		Risk weight	15%	50%	100%	1,250%

Other balance sheet exposures

Item	Description of item and risk weighting	Guidance
200.1	Tangible fixed assets 100%	Premises, plant and equipment, other fixed assets for own use, and other interests in realty. Included are investments in land, premises, plant and equipment and all other fixed assets of the reporting institution, which are held for its own use, including any fixed asset held by the institution as lessee under a finance lease. Other interest in land, which is not occupied or used in the operation of the reporting institution's business, should also be reported here.
200.2	Equity 100%	Investments in equity of other entities and holdings of investment funds. Included are investments in commercial entities, other than those where a deduction from capital base is required. Investment funds should be included unless they invest in high-risk assets, in which case they are categorised as such, or they are fixed income (only debt investments, not equity) in which case they are categorised as per Annex 2.7 of the Revised Framework for Regulatory Capital Assessment[4].
200.3	High-risk assets 150%	Investments in venture capital and private equity, including investments in investment funds holding such investments, are weighted at 150%. A venture capital or private equity investment is deemed to be one which, at the time the investment is made, is: a) in a new or developing company or venture; or b) in a management buy-out or buy-in; or c) made as a means of financing the investee company or venture and accompanied by a right of consultation, or rights to information, or board representation, or management rights; or d) acquired with a view to, or in order to, facilitate a transaction falling within (a) to (c).
200.4	Other, including prepayments and debtors 0-150%	Other, including prepayments and debtors, should be classified here and weighted according to the underlying counterparty. Unallocated amounts, including unallocated interest, should be weighted at 100%. This includes unrestricted fixed income investment funds.

[4] Located at the following link https://www.bma.bm/document-centre/policy-and-guidance-banking

Credit risk: Off-balance sheet portion

This applies to the "Off-balance sheet credit exposures" and the "Market-related off-balance sheet exposures (counterparty credit risk)" sections.

Column 1: Principal amount

The principal amount is the face value or gross amount of a given off-balance sheet transaction and not the fair value. Total absolute values should be reported.

Column 2: Credit conversion factor

A Credit Conversion Factor (CCF) is the percentage value used to convert an off-balance sheet exposure into an on-balance sheet equivalent (i.e., the credit equivalent amount). CCFs are generally pre-defined in the PIR Template.

Column 3: Credit Equivalent Amount ("CEA")

A Credit Equivalent Amount (CEA) is the on-balance sheet equivalent of an off-balance sheet exposure. In the PIR Template, the CEA is a derived field. In relation to a non-market-related off-balance sheet transaction, the CEA is calculated by multiplying the principal amount of a particular transaction by the relevant CCF. The credit equivalent amount for some off-balance sheet exposure types may consist of several discrete exposures, each potentially attracting different CCFs. The reporting institution must, by reference to the description of the relevant items, determine the appropriate CCF(s) to be applied to the exposure(s) to calculate the credit equivalent amount for that off-balance sheet exposure type and report the total as a single credit equivalent amount. Credit derivative transactions, which are not in the trading book, are classified as non-market-related off-balance sheet transactions.

Column 4: Risk weight and column 5: RWA

The RWA amount of a given off-balance sheet transaction that gives rise to credit exposure, is calculated by multiplying the credit equivalent amount of a transaction by the risk-weight applicable to the counterparty or type of assets or, where relevant, the risk-weight applicable to the eligible guarantor or collateral.

Generally, the RWA is a derived field in the PIR template. In some cases, however, the amount must be entered individually. The RWA amount for some off-balance sheet exposure types may consist of several discrete exposures, each potentially attracting different risk-weights. The reporting institution must determine the appropriate risk-weight(s) to be applied to the exposure(s) to calculate the RWA for that off-balance sheet exposure type and report the total as a single RWA amount.

The reporting institution should categorise principal off-balance sheet exposures into the following standard items and report:

These off-balance sheet categories are the most common categories deemed to be applicable as per The Revised Framework for Regulatory Capital Assessment 2008[5].

Item	Description of item	Guidance	CCF
210	Direct credit Substitutes	Direct credit substitutes relate to the financial requirements of a counterparty, where the risk of loss to the reporting institution on the transaction is equivalent to a direct claim on the counterparty, (i.e., the risk of loss depends on the creditworthiness of the counterparty). Report instruments such as: a) Acceptances granted and risk participations in bankers' acceptances. Where a reporting institution's own acceptances have been discounted by that institution, the nominal value of the instrument held should be deducted from the nominal amount issued under the facility and a corresponding on-balance sheet entry made; b) Guarantees given on behalf of customers to stand behind the current obligations of the customer and to carry out these obligations should the customer fail to do so (e.g., a loan guarantee); c) Guarantees of leasing operations; d) Guarantees of a capital nature. Such guarantees given to a company, which is not related to the reporting institution, should be weighted at 100% and those to a related company should be deducted from the reporting institution's capital base (item 210.9); e) Letters of credit not eligible for inclusion in item 230; f) Standby letters of credit, or other irrevocable obligations, serving as financial guarantees where the institution has an irrevocable obligation to pay a third-party beneficiary if the customer fails to repay an	100%

[5] Located at the following link https://www.bma.bm/document-centre/policy-and-guidance-banking

		outstanding commitment (e.g., letters of credit supporting the issue of commercial paper, delivery of merchandise; stock lending (e.g., standby letters of credit, which are related to non-financial transactions should be reported in item 220)); g) Re-insurance or window letters of credit; and h) Acceptances drawn under letters of credit, or similar facilities where the acceptor does not have specific title 100% to an identifiable underlying shipment of goods (e.g., sales of electricity). <u>Direct credit substitutes of a capital nature</u> Any direct credit substitutes that are of a capital nature and connected to the reporting institution or given to another institution should be reported in item 210.9 and will be deducted from capital in the calculation of the risk asset ratio, including: a) A guarantee, which takes the place of capital (e.g., where a regulatory body allows a company to gear up on such guarantees (but see also 210(d))); b) A guarantee of a capital instrument (unless otherwise agreed with the Authority (e.g., do not include here the subordinated guarantee of loan stocks raised by vehicle company subsidiaries of the reporting institution, where the loan stock is treated as subordinated debt of the reporting institution)).	
220	Transaction-related contingencies	Transaction-related contingencies relate to the on-going trading activities of a counterparty where the risk of loss to the reporting institution depends on the likelihood of a future event that is independent of the creditworthiness of the counterparty. They are essentially guarantees that support particular non-financial obligations rather than supporting customers' general financial obligations. Report such items as: a) Performance bonds, warranties and indemnities (indemnities given for lost	50%

		share certificates or bills of lading and guarantees of the validity of papers rather than the payment under certain conditions should not be reported in this return); b) Bid or tender bonds; c) Advance payment guarantees; d) Standby letters of credit relating to a particular contract or to non-financial transactions (including arrangements backing, inter alia, subcontractors' and suppliers' performance, labour and materials contracts, and constructions bids).	
230	Trade-related contingencies	Report short-term, self-liquidating trade-related items such as documentary letters of credit issued by the reporting institution, which are or are to be, collateralised by the underlying shipment. Such letters should be weighted according to the counterparty on whose behalf the credit is issued and reported whether or not the terms and conditions of the credit have yet to be complied with. Letters of credit issued by the reporting institution without provision for the reporting institution to retain title to the underlying shipment or where the title has passed from the reporting institution should be reported under direct credit substitutes (Item 210). A memorandum of pledge and a trust receipt are not regarded as giving the reporting institution title, and transactions secured by these should be shown under item 210. Letters of credit issued on behalf of a counterparty back to back with letters of credit of which the counterparty is a beneficiary (back-to-back letters) should be reported in full. Letters of credit advised by the reporting institution or for which the reporting institution is acting as reimbursement agent should not be reported.	20%
240	Lending of securities or posting	Include: a) repurchase/reverse repurchase agreements; and b) securities lending/borrowing transactions.	100%

	of securities as collateral		
250	Assets sold with recourse	Asset sales with recourse (where the credit risk remains with the institution) fall into the weighting category determined by the asset and not according to the counterparty with whom the transaction has been entered into. Report put options written where the holder of the asset is entitled to put the asset back to the reporting institution (e.g., if the credit quality deteriorates). Also, report put options written by the reporting institution attached to marketable instruments or other physical assets.	100%
260	Forward asset purchases	The weight should be determined by the asset to be purchased, not the counterparty with whom the contract has been entered into. Include commitments for loans and other on-balance sheet items with certain drawdown. Exclude foreign currency spot deposits with value dates one or two working days after trade date.	100%
270	Uncalled partly paid shares and securities	The unpaid part should only be included if there is a specific date for the call on that part of the shares and securities held. If there is no specific date, the unpaid part should be treated as a long-term commitment (see item 320). Include: a) Any amounts owing on the uncalled portion of partly paid shares; and b) Securities held that represent commitments with certain drawdown by the issuer at a future date.	100%
280	Placements of forward positions	Agreements between two parties, whereby one will pay and the other receives an agreed rate of interest on a balance to be placed by one with the other at some predetermined date in the future. Exclude foreign currency spot deposits with value dates one or two working days after trade date. The weight should be determined according to the counterparty with whom the placement will be made.	100%
290	Note issuance and underwriting facilities	Note Issuance Facilities (NIFs) and Revolving Underwriting Facilities (RUFs) should include the total amounts of the reporting institution's underwriting obligations of any maturity. Where the facility has been drawn down by the borrower and the notes are held by anyone other than the reporting institution, the underwriting obligation should continue to be reported at the full nominal amount.	50%

		Include any note issuance and underwriting facilities. These involve arrangements, whereby a borrower may draw down funds up to a prescribed limit over a predefined period by making repeated note issues to the market and where, should the issue prove unable to be placed in the market, the unplaced amount is to be taken up or funds made available by a bank being committed as an underwriter of the facility. The reporting institution's own holding of the notes should be reported under loans, advances, bills and finance leases, and, therefore, the nominal amount of the notes held should be deducted from the nominal amount of the facility to be shown here.	
300	Sale and repurchase agreements	Report sale and repurchase agreements (repos), (i.e., when the reporting institution is the seller of the asset where the asset sold is not reported on the balance sheet). If the asset sold is kept on the balance sheet it should not be reported here but in the relevant line in the on-balance sheet section of this return. When the asset does not appear on the balance sheet, the weighting category is to be determined by the issuer of the security (or borrower in the case of a loan) and not according to the counterparty with whom the transaction has been entered into. Repos associated with reverse repos should not be reported under item 300; the liability under such repos should be reported under "Total Capital and Liabilities (1880)". The reporting institution should refer to the Authority where it has a repo in item 300 and offsettable short stock positions on balance sheet in item 400 (investment in central governments and central banks-net short positions) or 1880, which would meet the general requirements for the netting of stock positions. <u>Repos</u> Reporting institutions that have sold loans or other assets to other institutions for a finite period with a commitment to repurchase should continue to report the loan or asset on the balance sheet. Where this is not the case, based on GAAPs applied by the reporting institution, sale and repurchase agreements should be reported in the off-balance sheet section of the return.	100%

		Reverse repos Reporting institutions, which have purchased such loans or assets (i.e., purchase and resale agreements or reverse repos), should, for the duration of the agreement, report the transaction as a collateralised loan, adopting the normal weight for the counterparty unless the assets are eligible for a reduced weight.	
310.1	Endorsement of bills – accepted by banks	Endorsements of bills should be reported at the full nominal amount, less any amount for bills that the reporting institution now holds but had previously endorsed. Where the reporting institution is the first endorser of a bill that has been accepted by another institution, such endorsements should be reported in item 310.1. (Where a reporting institution has endorsed its own acceptances, no further amount should be reported than the acceptance reported in item 210). If the reporting institution is not the first endorser of a bill, such endorsements need not be reported.	0%
310.2	Endorsement of bills – not accepted by banks	Endorsements of bills, which have not been accepted, should be reported in items 310.2 – 310.4 according to the risk weight category of the issuer; where such a bill has been previously endorsed, the reporting institution's endorsements will warrant a 20% weight. Endorsements of bills that have been previously endorsed by two or more institutions need not be reported.	100%
320	Other commitments	Underwriting commitments Commitments arising from the underwriting of discrete issues of equities or bonds should be included in item 320.2.9 and will attract a risk weighting of 100% unless concessionary treatment has previously been agreed in a particular case with the Authority. (NIFs and RUFs, however, should be reported in item 290.) Irrevocable standby commitments (320.6) and commitments to provide capital to related parties (320.6) Apply a flat, 40% credit conversion factor that applies to all commitments regardless of maturity of the underlying facility. Commitments with certain drawdown Commitments for loans and other on-balance sheet items with certain drawdown should not be reported here but in item 260.	

320.2	Other commitments with an original maturity of one year or less of which: Balances available for redraw under redraw facilities of term loans	Report here other undrawn commitments, classified as to whether: a) They have an original maturity of one year or less, or are unconditionally cancellable at any time (item 320.2); or b) They have an original maturity of over one year (item 320.3)	40%
320.3	Other commitments with an original maturity of over one year or less of which: Balances available for redraw under redraw facilities of term loans	The reporting institution is regarded as having a commitment from the date the customer is advised of the facility (e.g., the date of the letter advising the customer) regardless of whether the commitment is revocable or irrevocable, conditional or unconditional, or the facility contains a "material adverse change" clause. Facilities subject to annual review should only be classified within 320.2 if the institution is confident that there is no client expectation of automatic renewal/continuation. Rolling or undated/open-ended commitments ("evergreens" and including overdrafts) should be included under (a), providing that they are unconditionally cancellable at any time without notice and subject to credit review at least annually. Other rolling or undated commitments should be reported under (b). Unused credit card lines should be reported under (a).	40%
320.4	Commitments that can be unconditionally cancelled at any time without notice	Commitments (including the undrawn portion of any binding arrangements, which obligate the reporting institution to provide funds at some future date) that are unconditionally cancellable without prior notice by the reporting institution other than for "force majeure" reason, or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness. This also includes any revolving or undated/open-ended commitments (e.g., overdrafts or unused credit card lines) provided that they can be unconditionally cancelled at any time and are subject to credit review at least annually. Facilities should only be classified here if the institution is confident that the client is aware of both the review process and has confirmed that the facility may be withdrawn at any time.	10%

330	Total	Derived in the return. Calculated as sum of item 210 to 320.6	
340	All other non-market related off-balance sheet transactions	Include any other non-market related off-balance sheet transactions that give rise to credit risk but are not specifically identified in the PIR template. For any such transaction, an institution must consult the Authority on the appropriate CCF to be used for calculating the CEA of that particular transaction for capital adequacy purposes. Where the non-market-related off-balance sheet transaction is an undrawn or partially undrawn facility, the institution is to include the maximum unused portion of the commitment that could be drawn during the remaining period to maturity for the calculation of the CEA. Any drawn portion of a commitment forms part of an entity's on balance sheet credit exposure. Regarding irrevocable commitments to provide off-balance sheet facilities, the original maturity will be measured from the commencement of the commitment up until the time the associated facility expires. For example, an irrevocable commitment, with an original maturity of six months, to provide finance with a nine-month term, is deemed to have an original maturity of 15 months. Irrevocable commitments to provide off-balance sheet facilities are to be assigned the lower of the two applicable CCFs. For example, an irrevocable commitment with an original maturity of six months to provide a guarantee in support of a counterparty for a period of nine months attracts the 50% CCF applicable to the commitment, as opposed to the 100% CCF applicable to the guarantee. Undrawn balances of revolving facilities (e.g., credit cards, overdrafts) are to be reported under item 320.4 (Commitments that can be unconditionally cancelled at any time without notice). All commitments are to be included in the capital calculation regardless of whether they contain "material adverse change" clauses or any other provisions that are intended to relieve an institution of its obligations under certain conditions.	

OPERATIONAL RISK

Introduction

Three methods are recognised for calculating operational risk charges:

a) The Basic Indicator Approach (BIA);
b) The Standardised Approach (SA); and
c) Advanced Measurement Approaches (AMA).

To make use of the SA and AMA, an institution must satisfy the Authority that it meets the qualifying criteria as set out in paragraphs 174-177 and 178-182 of the Revised Framework for Regulatory Capital Assessment[6].

Definition of year of operation

Under the BIA and SA, the reporting institution's capital charge for operational risk is calculated using gross income data derived from the last three completed financial years for which audited financial statements have been prepared.

General layout of form

The reporting form is divided into two sections for reporting, either under the BIA or the SA. If an institution seeks the Authority's approval to use the AMA, the reporting format will be agreed with the Authority as part of this process.

Basic BIA

The capital charge for operational risk under the BIA is calculated as 15% (the "Alpha" factor) of average gross income over the past three years, ignoring those years where income was not positive.

Item 780, total gross income is defined as the sum of net interest income (item 760) and net non-interest income (item 770) for each year. Net interest income and net non-interest income are defined in the following table:

Item	Description	Guidance
760	Net interest income	Interest income net of interest expense gross of any provisions (e.g., for unpaid interest).
770	Net non-interest income	Net non-interest income gross of operating expense (including any fees paid for outsourced services) and should exclude realised profits and losses from sale of securities, extraordinary or irregular items and income derived from insurance. Dividend income and other operating income should be included.

[6] Located at the following link https://www.bma.bm/document-centre/policy-and-guidance-banking

Item 790, Average of Positive Total Annual Income is calculated as the sum of Gross Income for each year recorded in line 780 where Gross Income is positive, divided by the number of positive entries summed.

Item 810, Capital Charge, is calculated as 15% of item 790, Average of Positive Total Annual Income.

Standardised Approach

The SA requires the allocation of income by eight primary business lines for each of the previous three completed financial years for which audited financial statements have been prepared. Multiplying these income amounts by the appropriate scaling factor for that business line (the "Beta" factor) gives the capital charge for each of these lines.

Item	Primary business line	Beta	Secondary business line	Activity groups
830.1	Corporate finance	18%	Corporate finance	Mergers and acquisitions, underwriting, privatisations, securitisation, research, debt (government, high yield), equity, syndications, initial public offering, secondary private placements.
			Municipal/government finance	
			Merchant banking	
			Advisory services	
830.2	Trading and sales	18%	Sales	Fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage, debt, prime brokerage.
			Market making	
			Proprietary positions	
			Treasury	
830.5	Payment and settlement	18%	External clients	Payments and collections, funds transfer, clearing and settlement.
830.6	Agency services	15%	Custody	Escrow, depository receipts, securities lending (customers) corporate actions.
			Corporate agency	Issuer and paying agents
			Corporate trust	
830.7	Asset management	12%	Discretionary fund management	Pooled, segregated, retail, institutional, closed, open, private equity.
			Non-discretionary fund management	Pooled, segregated, retail, institutional, closed, open.
830.8	Retail brokerage	12%	Retail brokerage	Execution and full service

Line items 830.1 to 830.8 are derived by multiplying the corresponding income reported in line items 820.1 to 820.8 by the appropriate Beta for each business line.

Line item 830 is the sum, for each individual year, of items 830.1 to 830.8. In any given year, positive capital charges for any individual lines may be offset by negative capital charges for other business lines in that year. Nevertheless, where the total charge for any given year across all business lines is negative, a total of zero should be recorded in line 830 for that particular year.

Item 840, SA Requirement, reflects the notional capital charge and the Risk-Weighted Asset equivalent amount. The capital charge is calculated as the average of the three amounts in line 840. The RWA Equivalent is calculated by multiplying this notional capital charge by 12.5.

II. MARKET RISK

Market risk is the risk of losses in on and off-balance sheet positions arising from movements in market prices. Any financial institution operating in the interest rate, equity, foreign exchange and commodities markets may be exposed to potentially large swings in market prices and significant consequential losses.

Entities are expected to manage the market risk in their trading book in such a way that capital requirements are being met on a continuous basis.

Market risk comprises general market risk and specific risk. General market risk is the risk of loss as a result of changes in the general level of market prices or interest rates. It arises from positions in interest rate, equities, foreign exchange and commodities. Specific risk is the risk that the value of a security will change due to issuer-specific factors. It applies to interest rate and equity positions related to a specific issuer.

The Standard Method of measuring market risk involves a building-block approach under which the specific risk and the general market risk elements arising from debt and equity positions are calculated separately and summed arithmetically.

Interest rate risk – specific risk

Specific risk components relate to risk of a price change in the instrument concerned due to factors related to its issuer or, in the case of a derivative, to the issuer of the underlying instrument. In measuring this risk, offsetting will be restricted to matched positions in the identical issue (including position in derivatives). Even if the issuer is the same, no offsetting will be permitted between different issues since differences in coupon rates, liquidity, call features, etc. mean that prices may diverge in the short run. The guidance also provides for partial offsetting.

Specific risk is to be assessed according to the classification of issuer of the security or underlying security in the case of derivative instruments. Issuers are classified into the categories of government, qualifying and other. Instruments with issuers in the government and qualifying categories should be further classified according to the residual term to final maturity of the security or underlying security.

The instruments covered include all fixed-rate and floating-rate debt securities and instruments with similar behaviour patterns, including non-convertible preference shares. Convertible bonds (i.e., debt issues or preference shares that are convertible, at a stated price, into common shares of the issuer) should be treated as debt securities if they trade like debt securities and as equities if they trade like equities.

Note that traded mortgage securities and mortgage derivative products possess unique characteristics because of the risk of prepayment.

Also, a security that is the subject of a repurchase or securities lending agreement will be treated as if it were still owned by the lender of the security. That is, it will be treated in the same manner as other securities positions.

Table I: Guidance for completion of the Specific Interest Rate Risk template

Item	Nature of item	Guidance
1.1 and1.2	Short and long positions	The sum of the market values of individual positions in each issuer category should be reported in columns 1 and 2 for short and long positions, respectively. In summing the market values within each category, if there is a matched position in the same security (i.e., both the issuer and issue are identical), the matching positions may be offset and omitted from the calculation of specific interest rate risk.
1.3	Gross market value	Short position plus long position
1.4	Specific risk-weight	Pre-set percentages based upon institution's and investment instruments' credit rating.
1.5	Capital charge	Gross market value multiplied by specific risk-weight.
1.6	Total capital charge	Sum of all capital charges founding column 5.

Interest rate risk – General market risk

General risk relates to the risk of loss from a price change in the instrument due, in this case of traded debt instruments or debt derivatives, to a change in the level of market interest rates.

A choice between two methods, maturity method and the duration method, of measuring general market risk is permitted. Institutions must opt for one method and may not use a combination of two methods.

Institutions must elect and use their chosen method on a continuous basis unless a change is authorised by the Authority.

Separate maturity ladders must be used for each different currency except for those currencies in which business is insignificant.

The tables below explain the "Interest Rate Risk – General Market Risk" in the PIR template.

Maturity method

Item	Nature of item	Guidance
A	Zone	Bonds to be placed into the zone that reflects relevant maturity band that is provided. No input required.

B	Coupon =/>3% (maturity band)	Bonds held with a coupon rate equal or greater than 3%. No input required.
C	Coupon <3% (maturity band)	Bonds held with a coupon rate less than 3%. No input required.
D	Long (individual net positions)	Sum of market values for all individual long positions to be input into the relevant time band for column B or C.
E	Short (individual net positions)	Sum of market values for all individual short positions to be input into the relevant time band for column B or C.
F	Weighting factor	Pre-set percentages provided. No input required.

The explanations below refer to specific items on the PIR template:

Ten percent capital charge on matched items labelled S

This is used to offset the weighted longs and shorts in each time-band, resulting in a single short or long position for each band. Since, however, each band can include different instruments and different maturities, a 10% capital charge to reflect basis risk and gap risk is levied on the smaller of the offsetting positions, whether short or long. Thus, if the sum of the weighted longs in a time-band is $100 million and the sum of the weighted shorts $90 million, the so-called "vertical disallowance" for that time-band is 10% of $90 million (i.e., $9 million).

Horizontal offsetting

Institutions are permitted to conduct two rounds of 'horizontal offsetting', first between the net positions in each of three zones: zero to 1 year, 1-4 years, and 4 years and over; and subsequently between the net positions in the three different zones. (For coupons less than 3%, the zones are 0-1 year, 1 to 3.6 years, and 3.6 years and over.) The offsetting is subject to a scale of disallowances expressed as a fraction of the matched positions, as set out in the table below. The weighted long and short positions in each of the three zones may be offset, subject to the matched position attracting a disallowance factor that is part of the capital charge. The residual net position in each zone may be carried over and offset against opposite positions in other zones, subject to a second set of disallowance factors.

Horizontal Disallowances

Zones*	Time-band	Within the zone	Between adjacent zones	Between zones 1 and 3
Zone 1	0-1 month	40%		
	1-3 months			
	3-6 months			
	6-12 months			
Zone 2	1-2 years	30%		
	2-3 years			
	3-4 years			
	4-5 years			
Zone 3	5-7 years	30%		
	7-10 years			

	10-15 years			
	15-20 years			
	Over 20 years			

* For coupons less than 3%, the zones are 0-1 year, 1 –3.6 years and 3.6 years and over.

Duration method

Institutions are encouraged, where the Authority is satisfied of their capabilities, to utilise the duration method in calculating general market risk regarding interest rate risk. The duration method provides a more accurate measure of the general market risk by calculating the price sensitivity of each position separately.

Item	Nature of item	Guidance
A	Zone	Bonds to be placed into the zone that reflects the relevant maturity band that is provided. No input required.
B (years)	Duration band	No input required.
C	Long (individual net positions)	Sum of market values for all individual long positions to be input into the relevant time band for column B.
D	Short (individual net positions)	Sum of market values for all individual short positions to be input into the relevant time band for column B.
E (% PA)	Assumed move in rates	This figure represents the assumed change in a bond's yield in regard to its maturity band. As these percentages are pre-set, there is no input required for this field.
F (years)	Duration	Input duration in years.

Equity position risk – Specific and general market risk

Specific risk is defined as the institution's gross equity positions (i.e., sum of all long equity positions and of all short equity positions) in an individual equity.

General market risk is the difference between the sum of the longs and the sum of shorts (i.e., overall net position in an equity market) for the market as a whole.

The long or short position in the market must be calculated on a market-by-market basis.

The capital requirement for specific risk and for general market risk will each be 8%.

Calculation of positions

Derivative positions are to be converted into notional equity positions, to allow for the calculation of the standard formula for specific and general market risk.

Calculation of capital charges

Matched positions in each identical equity or stock index in each market may be fully offset, resulting in a single net short or long position to which the specific and general market risks apply.

Item	Description of item	Guidance
1.1	Positions attracting 8% specific risk charge	Capital charge is equal to 8% of gross position.
1.2	Positions attracting 2% specific risk charge	Only well diversified indices can be placed into this category.
1.3	Positions attracting 4% specific risk charge	For deliberate arbitrage strategy involving futures contracts based on broadly based indices matching a basket of stocks.
1.4	Total specific risk charge	The sum of columns 1.1, 1.2 and 1.3.
1.5	Net positions for general market risk	This is the difference between sum of long positions and the sum of short positions. An overall net short position in a market should be indicated by a negative sign.
1.6	General market risk charge	Calculates general market risk for each market as 8% of the absolute value of the net position reported in column 1.5.
1.7	Total market risk charge	Sum of columns 1.4 and 1.6.
1.8	Total capital charge across all countries	Sum of column 1.7.

The Authority adopts the Basel framework guidelines for the treatment of equity risk. No national discretion has been taken by the Authority at this time regarding these paragraphs.

Foreign exchange risk

This section highlights the minimum capital standard to cover the risk of holding or taking positions in foreign currencies. Please note that gold is dealt with as a foreign exchange position due to its volatility being more in line with foreign currencies rather than a commodity.

Item	Description of item	Guidance
1.1	Net spot position	Balance sheet "assets" less "balance sheet liabilities" (include accrued interest, denominated in the currency in question).
1.2	Net forward position	"Gross purchases" less "gross sales" (i.e., all amounts to be received less all amounts to be paid under forward foreign exchange transactions, including currency futures and the principal on currency swaps not included in the spot position). Note that forward currency positions will normally be valued at current spot market exchange rates.
1.3	Guarantees	Include all guarantees (or similar instruments) currently held.
1.4	Net future income/expenses	Interest accrued (but not yet received) to be included as well as any accrued expenses (but not yet paid). Unearned but

		expected future interest and anticipated expenses may be excluded unless the amounts are certain and institutions have taken the opportunity to hedge them.
1.5	Net delta base of foreign currency options	Net delta of foreign currency options portfolio currently held.
1.6	Net open position	The sum of columns 1.1, 1.2, 1.3, 1.4 and 1.5.
1.7	Net long position	Include all net long positions for all currencies.
1.8	Net short position	Include all net short positions for all currencies.
1.9	Gold-absolute value of open position	Sum of the net spot position and net forward position (note: These positions should be calculated in the same manner as net open positions in foreign currencies 1.6). Net open position should be reported in Bermuda dollars, including sign (i.e., positive or negative). A negative value indicates a short position and a positive value indicates a long position.
1.10	Greater of absolute value of net long and net short position	Report the larger of the sum of the net long positions or the sum of the net short positions in this row.
1.11	Total capital charge for foreign exchange risk	Calculated as 8% of the sum of items 1.10 and item 1.9.

The Authority adopts the Basel framework guidelines for the treatment of foreign exchange risk.

Commodity risk

A commodity is defined as a physical product that is or can be traded on a secondary market. For example, items such as agricultural products, minerals (including oil) and precious metals. Note that gold is dealt with as a foreign exchange position and not a commodity because its volatility is more in line with foreign currencies, and institutions manage their positions in a similar manner to foreign currencies.

There are two approaches in measuring commodity risk for financial institutions, which are licensed and regulated in Bermuda, the maturity ladder approach and the simplified approach. For both methods the long and short positions in each commodity may be reported on a net basis for the purposes of calculating open positions. In some cases, the Authority may approve the netting between different sub-categories.

Simplified approach

Item	Nature of item	Guidance
1	Commodity	List commodities currently held
1.1	Long position	Sum of market values for long positions
1.2	Short position	Sum of market values for short positions
1.3	Gross position	Sum 1.1 and 1.2
1.4	Capital charge	3% of figure in column 1.3

1.5	Net position	Net sum of columns 1.1 and 1.2
1.6	Capital charge	15% of figure in 1.5
Box (A)	Capital charge	Sum of column 1.4
Box (B)	Capital charge	Sum of column 1.6
Box (A)+(B)	Total capital charge	Sum of (A) and (B)

Maturity ladder method

Item	Nature of item	Guidance
1	Time bands	Length of maturity regarding listed commodity. No input required.
1.1	Long position	Amount of units. Physical stocks should be allocated to the first time-band.
1.2	Short position	Amount of units. Physical stocks should be allocated to the first time-band.
1.3	Matched long and short positions	Total matched long and short positions in columns 1.1 and 1.2.
1.4	Commodity spot price	Spot price for the commodity.
1.5	Spread rate %	Pre-set percentages provided. No input required.
1.6	Capital charge	Column 1.3 multiplied by column 1.4 multiplied by column 1.5.
1.7	Net residual unmatched position	Unmatched positions from columns 1.1 and 1.2.
1.8	Capital charge %	Pre-set percentages provided. No input required.
1.9	Capital charge	Column 1.8 multiplied by column 1.7.
Box (A)	Capital charge	Sum of column 1.6.
Box (B)	Capital charge	Sum of column 1.9.
Box (A)+(B)	Total capital charge	Sum of (A) and (B).

The Authority adopts the Basel framework guidelines for the treatment of commodity risk.

IV. MARKET-RELATED OFF-BALANCE SHEET CREDIT EXPOSURES (COUNTERPARTY CREDIT RISK)

The Authority adopts the guidance of the Basel framework to define the scope for calculating charges for counterparty credit risk, the methods for calculating the exposure and the risk weights. The standardised approach has been adopted.

For this section, the Authority has also adopted guidance under the Basel framework, which deals with specific treatments for exposures related to derivative transactions that would cover elements of market-related off-balance sheet credit exposures.

Item	Nature of item	Guidance

1.1	Notional principal amount	Face value or gross amount of a given off-balance sheet transaction and not the fair value. Total absolute values should be reported.
1.2	Add-on factor	Percentage value used to convert off-balance sheet exposure into an on-balance sheet equivalent. Pre-set percentages provided.
1.3	Potential future credit exposure	Column 1.1 multiplied by Column 1.2.
1.4	Current exposure	Greater of zero or current market value of a transaction or portfolio of transactions as defined in the Basel III Framework.
1.5	Credit Equivalent Amount	Sum of Column 1.3 and Column 1.4
1.6	Risk Weight	Relevant risk weight of the counterparty
1.7	Risk Weighted Asset	Column 1.5 multiplied by Column 1.6.

V. EXHIBIT

Table 1: Mapping of ECAI's credit assessments to risk weightings: Long-term mapping

S&P Assessments	Fitch's Assessments	Moody's Assessments	Corporate	Banks and securities firms		Sovereign	PSE (Sovereign rating based)
				Maturity > 3 months	Maturity 3 months or less		
AAA to AA-	AAA to AA-	Aaa to Aa3	20%	20%	20%	0%	20%
A+ to A-	A+ to A-	A1 to A3	50%	50%	20%	20%	50%
BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	100%	50%	20%	50%	100%
BB+ to BB-	BB+ to BB-	Ba1 to Ba3	100%	100%	50%	100%	150%
B+ to B-	B+ to B-	B1 to B3	150%	100%	50%	100%	150%
CCC+ and below	CCC+ and below	Caa1 and below	150%	150%	150%	150%	150%

Table 2: Mapping consensus risk scores from participating ECAIs risk weightings

Country Score	Sovereign
0 - 1	0%
2	20%
3	50%
4 - 6	100%
7	150%

APPENDIX 3: PRUDENTIAL INFORMATION RETURN

(SEE ATTACHED SPREADSHEET)

Prudential Information Return (PIR)

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return
(in '000 US Dollars)

30-Sep-2021

REF	CAPITAL BASE		
S10	Tier 1 Capital (item 1510)	-	
S20	Tier 2 Capital (item 1610)	-	
S30	Total Tier 1 & 2 Capital (S10 plus S20)	-	
S40	Total Capital Deduction (item 1620)	-	
S50	Tier 1 & 2 Capital after Deductions (S30 less S40)	-	
S60	Total Tier 3 Capital (item 1790)	-	
S70	**Total (Net) Capital**		-
	CREDIT RISK		
S80	**Total Credit Risk Weighted Assets**		-
	OPERATIONAL RISK		
S90	Operational risk using basic indicator approach	-	
S100	Operational risk using standardised approach	-	
S110	Total Operational Risk	-	
S120	Multiplier	12.5	
S130	**Total Operational Risk adjusted risk-weighted assets**		-
	MARKET RISK		
S140	Market risk using standardised approach	-	
S150	Market risk using acceptable internal models	-	
S160	Total market Risk	-	
S170	Multiplier	12.5	
S180	**Total Market Risk adjusted risk-weighted assets**		-
S190	**TOTAL RISK WEIGHTED ASSETS (S80+S130+S180)**		-
S200	**RISK ASSET RATIO (S70/S190)**	**#DIV/0!**	
S210	**TIER 1 CAPITAL TO RISK WEIGHTED ASSETS (S10/S190)**	**#DIV/0!**	

REF	BALANCE SHEET	44469	
	ASSETS		
1100	Cash	-	
1125	Investments	-	
1165	Receivables	-	
1170	Other Assets	-	
1420	**TOTAL ASSETS**	-	-
	LIABILITIES		
	Total Liabilities (Items 1860 to 1930)	-	
	SHAREHOLDERS' FUNDS	-	
	TOTAL LIABILITIES & SHAREHOLDERS FUNDS	-	-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return ##########

CREDIT RISK SUMMARY

US$ '000s

REF	Item	Total	CRM	Total after CRM	RWA	Capital Charge
100	Cash	-	-	-	-	-
110	Claims on Sovereigns and MDBs	-	-	-	-	-
120	Claims on Public Sector Entities (PSEs)	-	-	-	-	-
130	Claims on Corporates	-	-	-	-	-
140	Claims on Banks and Securities Firms	-	-	-	-	-
150	Securitisations	-	-	-	-	-
200	Other Balance Sheet Exposures	-	-	-	-	-
	SUB-TOTAL - On-balance Sheet Credit Exposures	**-**	**-**	**-**	**-**	**-**
350	Non-market Related Off Balance Sheet Credit Exposures	-	-	-	-	-
1090	Market-Related Off-Balance Sheet Credit Exposures	-	-	-	-	-
	GRAND TOTAL	**-**	**-**	**-**	**-**	**-**

OPERATIONAL RISK - SUMMARY

US$ '000s

REF	Approach	Capital Charge		RWA Equivalent
810	Basic Indicator Approach	-		-
840	Standardised Approach	-		-

MARKET RISK - SUMMARY

US$ '000s

REF	Approach	Specific Risk	General Risk	Total		RWA
850	Interest Rate Risk	-	-	-		-
860	Equity Position Risk	-	-	-		-
870	Foreign Exchange Risk			-		-
880	Commodities Risk			-		-
	TOTAL			**-**		**-**

Name of Licensee or Registered Person

Quarterly Capital Adequacy Return **30-Sep-2021**

SECTION C: STANDARDISED APPROACH TO CREDIT RISK

US$ '000

Item No.	Item	Total	CRM	Total after CRM	Risk Weight	RWA
100	**Cash**	-	-	-	0%	-
100.1	Notes & Coins			-	0%	
100.2	Gold and precious metals			-	0%	
110	**Claims on Sovereigns and MDBs**	-	-	-	0%	-
110.1	AAA to AA-			-	0%	
110.2	A+ to A-			-	20%	-
110.3	BBB+ to BBB-			-	50%	-
110.4	BB+ to B- (& not rated)			-	100%	-
110.5	Below B-			-	150%	-
110.6	High Quality MDBs			-	0%	
120	**Claims on Public Sector Entities (PSEs)**	-	-	-	0%	-
120.1	AAA to AA-			-	20%	-
120.2	A+ to A-			-	50%	-
120.3	BBB+ to BBB-			-	100%	-
120.4	Below BB+ (& not rated)			-	150%	-
130	**Claims on Corporates**	-	-	-	0%	-
130.1	AAA to AA-			-	20%	-
130.2	A+ to A-			-	50%	-
130.3	BBB+ to BBB-	-		-	75%	-
130.4	BB+ to BB-			-	100%	-
130.5	Below BB-	-		-	150%	-
130.6	Not rated			-	100%	-
140	**Claims on Banks and Securities Firms**	-	-	-	0%	-
140.1	Maturity more than 3 months	-	-	-	0%	-
140.1.1	AAA to AA-			-	20%	-
140.1.2	A+ to A-	-	-	-	30%	-
140.1.3	BBB+ to BBB-	-	-	-	50%	-
140.1.4	BB+ to B-			-	100%	-
140.1.5	Below B-	-		-	150%	-
	Not rated			-	(SEE GUIDANCE)	
140.2	Maturity less than 3 months	-	-	-	0%	-
140.2.1	AAA to AA-	-		-	20%	-
140.2.2	A+ to A-	-		-	20%	-
140.2.3	BBB+ to BBB-			-	20%	-
140.2.4	BB+ to B-			-	50%	-
140.2.5	Below B-			-	150%	-
	Not rated			-	(SEE GUIDANCE)	
150	**Securitisations**	-	-	-	0%	-
150.1	AAA to AA-			-	(SEE GUIDANCE)	
150.2	A+ to A-			-	(SEE GUIDANCE)	
150.3	BBB+ to BBB- (& not rated)			-	(SEE GUIDANCE)	
150.4	BB+ to BB-			-	(SEE GUIDANCE)	
200	**Other Balance Sheet Exposures**	-	-	-	0%	-
200.1	Tangible Fixed Assets			-	100%	-
200.2	Equity			-	100%	-
200.3	High Risk Assets			-	150%	-
200.4	Other, including pre-payments & debtors	-	-	-	0%	-
200.4.1	Risk Weight 0%			-	0%	-
200.4.2	Risk Weight 20%			-	20%	-
200.4.3	Risk Weight 35%			-	35%	-
200.4.4	Risk Weight 50%			-	50%	-
200.4.5	Risk Weight 75%			-	75%	-
200.4.6	Risk Weight 100%			-	100%	-
200.4.7	Risk Weight 150%			-	150%	-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return **30-Sep-2021**

OFF-BALANCE SHEET CREDIT EXPOSURES

US$ '000

Item No.	Item	Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Risk Weight	RWA
210	Direct credit substitutes	-	0%	-	0%	-
210.1	Risk Weight 0%		100%	-	0%	
210.2	Risk Weight 10%		100%	-	10%	-
210.3	Risk Weight 20%		100%	-	20%	-
210.4	Risk Weight 35%		100%	-	35%	-
210.5	Risk Weight 50%		100%	-	50%	-
210.6	Risk Weight 75%		100%	-	75%	-
210.7	Risk Weight 100%		100%	-	100%	-
210.8	Risk Weight 150%		100%	-	150%	-
210.9	Items of capital nature (Deduct from Tier 1 & 2)					
210.10	Other		100%	-		
220	Transaction-related contingencies	-	0	-	0%	-
220.1	Risk Weight 0%		50%	-	0%	
220.2	Risk Weight 10%		50%	-	10%	-
220.3	Risk Weight 20%		50%	-	20%	-
220.4	Risk Weight 35%		50%	-	35%	-
220.5	Risk Weight 50%		50%	-	50%	-
220.6	Risk Weight 75%		50%	-	75%	-
220.7	Risk Weight 100%		50%	-	100%	-
220.8	Risk Weight 150%		50%	-	150%	-
220.9	Other		50%	-		
230	Trade-related contingencies	-	0	-	0%	-
230.1	Risk Weight 0%		20%	-	0%	
230.2	Risk Weight 10%		20%	-	10%	-
230.3	Risk Weight 20%		20%	-	20%	-
230.4	Risk Weight 35%		20%	-	35%	-
230.5	Risk Weight 50%		20%	-	50%	-
230.6	Risk Weight 75%		20%	-	75%	-
230.7	Risk Weight 100%		20%	-	100%	-
230.8	Risk Weight 150%		20%	-	150%	-
230.9	Other		20%	-		
240	Lending of securities or posting of securities as collateral	-	0	-	0%	-
240.1	Risk Weight 0%		100%	-	0%	
240.2	Risk Weight 10%		100%	-	10%	-
240.3	Risk Weight 20%		100%	-	20%	-
240.4	Risk Weight 35%		100%	-	35%	-
240.5	Risk Weight 50%		100%	-	50%	-
240.6	Risk Weight 75%		100%	-	75%	-
240.7	Risk Weight 100%		100%	-	100%	-
240.8	Risk Weight 150%		100%	-	150%	-
240.9	Other		100%	-		
250	Assets sold with recourse	-	0	-	0%	-
250.1	Risk Weight 0%		100%	-	0%	
250.2	Risk Weight 10%		100%	-	10%	-
250.3	Risk Weight 20%		100%	-	20%	-
250.4	Risk Weight 35%		100%	-	35%	-
250.5	Risk Weight 50%	-	100%	-	50%	-
250.6	Risk Weight 75%		100%	-	75%	-
250.7	Risk Weight 100%		100%	-	100%	-
250.8	Risk Weight 150%		100%	-	150%	-
250.9	Items of capital nature (Deduct from Tier 1 & 2)					
250.10	Other		100%	-		

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return **30-Sep-2021**

OFF-BALANCE SHEET CREDIT EXPOSURES

US$ '000

Item No.	Item	Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Risk Weight	RWA
260	Forward asset purchases	-	0	-	0%	-
260.1	Risk Weight 0%		100%	-	0%	
260.2	Risk Weight 10%		100%	-	10%	-
260.3	Risk Weight 20%		100%	-	20%	-
260.4	Risk Weight 35%		100%	-	35%	-
260.5	Risk Weight 50%		100%	-	50%	-
260.6	Risk Weight 75%		100%	-	75%	-
260.7	Risk Weight 100%		100%	-	100%	-
260.8	Risk Weight 150%		100%	-	150%	-
260.9	Items of capital nature (Deduct from Tier 1 & 2)					
260.10	Other		100%	-		
270	Uncalled partly paid shares and securities	-	0	-	0%	-
270.1	Risk Weight 0%		100%	-	0%	
270.2	Risk Weight 10%		100%	-	10%	-
270.3	Risk Weight 20%		100%	-	20%	-
270.4	Risk Weight 35%		100%	-	35%	-
270.5	Risk Weight 50%		100%	-	50%	-
270.6	Risk Weight 75%		100%	-	75%	-
270.7	Risk Weight 100%		100%	-	100%	-
270.8	Risk Weight 150%		100%	-	150%	-
270.9	Items of capital nature (Deduct from Tier 1 & 2)					
270.10	Other		100%	-		
280	Placements of forward deposits	-	0	-	0%	-
280.1	Risk Weight 0%		100%	-	0%	
280.2	Risk Weight 10%		100%	-	10%	-
280.3	Risk Weight 20%		100%	-	20%	-
280.4	Risk Weight 35%		100%	-	35%	-
280.5	Risk Weight 50%		100%	-	50%	-
280.6	Risk Weight 75%		100%	-	75%	-
280.7	Risk Weight 100%		100%	-	100%	-
280.8	Risk Weight 150%		100%	-	150%	-
280.9	Other		100%	-		
290	Note issuance and underwriting facilities	-	0	-	0%	-
290.1	Risk Weight 0%		50%	-	0%	
290.2	Risk Weight 10%		50%	-	10%	-
290.3	Risk Weight 20%		50%	-	20%	-
290.4	Risk Weight 35%		50%	-	35%	-
290.5	Risk Weight 50%		50%	-	50%	-
290.6	Risk Weight 75%		50%	-	75%	-
290.7	Risk Weight 100%		50%	-	100%	-
290.8	Risk Weight 150%		50%	-	150%	-
290.9	Other		50%	-		
300	Sale & Repurchase agreements	-	0	-	0%	-
300.1	Risk Weight 0%		100%	-	0%	
300.2	Risk Weight 10%		100%	-	10%	-
300.3	Risk Weight 20%		100%	-	20%	-
300.4	Risk Weight 35%		100%	-	35%	-
300.5	Risk Weight 50%		100%	-	50%	-
300.6	Risk Weight 75%		100%	-	75%	-
300.7	Risk Weight 100%		100%	-	100%	-
300.8	Risk Weight 150%		100%	-	150%	-
300.9	Items of capital nature (Deduct from Tier 1 & 2)					
300.10	Other		100%	-		

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return **30-Sep-2021**

OFF-BALANCE SHEET CREDIT EXPOSURES

US$ '000

Item No.	Item	Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Risk Weight	RWA
310	Endorsement of bills	-	0	-	0%	-
310.1	accepted by banks		0%		0%	
310.2	*not accepted by banks (previously endorsed by a bank)*		100%	-	20%	-
310.3	not accepted by banks		100%	-	100%	-
310.4	Others		100%	-		
320	Other commitments	-	0	-	0%	-
320.1	Commitments with certain drawdown					
	of which: Loans approved but not yet advanced					
320.2	Commitments with an original maturity of one year or less	-	0	-	0%	-
	of which: Balances available for redraw under redraw facilities of term loans					
320.2.1	Risk Weight 0%		40%	-	0%	
320.2.2	Risk Weight 10%		40%	-	10%	-
320.2.3	Risk Weight 20%		40%	-	20%	-
320.2.4	Risk Weight 35%		40%	-	35%	-
320.2.5	Risk Weight 50%		40%	-	50%	-
320.2.6	Risk Weight 75%		40%	-	75%	-
320.2.7	Risk Weight 100%		40%	-	100%	-
320.2.8	Risk Weight 150%		40%	-	150%	-
320.2.9	Other		40%	-		
320.3	Commitments with an original maturity of over one year	-	0	-	0%	-
	of which: Balances available for redraw under redraw facilities of term loans					
320.3.1	Risk Weight 0%		40%	-	0%	
320.3.2	Risk Weight 0%		40%	-	0%	
320.3.3	Risk Weight 10%		40%	-	10%	-
320.3.4	Risk Weight 20%		40%	-	20%	-
320.3.5	Risk Weight 35%		40%	-	35%	-
320.3.6	Risk Weight 50%		40%	-	50%	-
320.3.7	Risk Weight 75%		40%	-	75%	-
320.3.8	Risk Weight 100%		40%	-	100%	-
320.3.9	Risk Weight 150%		40%	-	150%	-
320.3.10	Other		40%	-		
320.4	Commitments that can be cancelled without notice		10%	-	0%	
320.5	Irrevocable standby commitments		40%	-	0%	
320.6	Commitment to provide capital to connected counterparties		40%	-	(Deduct from Tier 1 & 2)	
330	Total	-	0%	-	0%	-
340	All other non-market-related off-balance sheet transactions (SEE GUIDANCE)		100%	-	100%	-
350	**TOTAL NON-MARKET RELATED OFF-BALANCE SHEET RISK WEIGHTED CREDIT EXPOSURES**	-	0%	-	0%	-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return **30-Sep-2021**

OPERATIONAL RISK

BASIC INDICATOR APPROACH

US$ '000

Item No.	Item	Last year	1 year prior	2 years prior
		2020	2019	2018
	Gross Income			
760	Net interest income	-	-	-
770	Net non-interest income	-	-	-
780	Total	-	-	-
790	Average of positive total annual incomes	-		
800	Alpha	15%		

Item No.	Item	Capital Charge	RWA Equivalent
810	BIA Requirement	-	-

STANDARDISED APPROACH

US$ '000

Item No.	Item	Last year	1 year prior	2 years prior
820	Total Income	-	-	-
820.1	Corporate finance			
820.2	Trading & sales			
820.3	Retail banking			
820.4	Commercial banking			
820.5	Payment & settlement			
820.6	Agency services			
820.7	Asset management			
820.8	Retail brokerage			

Item No.	Item	Beta	Last year	1 year prior	2 years prior
830	Capital Charge		-	-	-
830.1	Corporate finance	18%	-	-	-
830.2	Trading & sales	18%	-	-	-
830.3	Retail banking	12%	-	-	-
830.4	Commercial banking	15%	-	-	-
830.5	Payment & settlement	18%	-	-	-
830.6	Agency services	15%	-	-	-
830.7	Asset management	12%	-	-	-
830.8	Retail brokerage	12%	-	-	-

Item No.	Item	Capital Charge	RWA Equivalent
840	SA Requirement	-	-

Name of Licensee or Registered Person

Quarterly Capital Adequacy Return **30-Sep-2021**

MARKET RISK

850	Interest Rate Risk	-
850.1	Specific Risk (item 900)	-
850.2	General Market Risk (Appendix I)	-
860	Equity Position Risk	-
860.1	Specific Risk (item 920)	-
860.2	General Market Risk (Item 920)	-
870	Foreign Exchange Risk (Item 970)	-
880	Commodities Risk (Item 990 or 1010)	-
890	Total Market Risk	-

INTEREST RATE RISK (Specific Risk)

STANDARD METHOD

900 **SPECIFIC INTEREST RATE RISK**

	Position				
	Short (1.1)	**Long (1.2)**	**Gross Market Value (1.3)**	**Specific Risk Capital Charge% (1.4)**	**Capital Charge (1.5)**
Risk Category (1)					
Government, Rated AAA to AA-	-	-	-	0.00%	-
Government, rated A+ to BBB-, residual term to maturity 6 months or less	-	-	-	0.25%	-
Government, rated A+ to BBB-, residual term to maturity greater than 6 to 24 months	-	-	-	1.00%	-
Government, rated A+ to BBB-, residual term exceeding 24 months	-	-	-	1.60%	-
Government, rated BB+ to B-	-	-	-	8.00%	-
Government, rated below B-	-	-	-	12.00%	-
Government, unrated	-	-	-	8.00%	-
Qualifying, residual term to maturity 6 months or less	-	-	-	0.25%	-
Qualifying, residual term to maturity greater than 6 to 24 months	-	-	-	1.00%	-
Qualifying, residual term to maturity exceeding 24 months	-	-	-	1.60%	-
Other, rated BB+ to BB-	-	-	-	8.00%	-
Other, rated below BB-	-	-	-	12.00%	-
Other, unrated	-	-	-	8.00%	-
910 Total Capital Charge (1.6)					-

EQUITY POSITION RISK (Specific and General Market Risk)

920 **EQUITY POSITION: GENERAL AND SPECIFIC RISK**

	Gross Positions for Specific Risk						
Country	Positions attracting 8% specific risk charge (1.1)	Positions attracting 2% specific risk charge (1.2)	Positions attracting 4% specific risk charge	Total Specific Risk Charge (1.4)	Net Positions for general market risk (1.5)	General market risk charge (1.6)	Total Market Risk Charge (1.7)
CA	-			-	-	-	-
CH	-			-	-	-	-
EU	-			-	-	-	-
GB	-			-	-	-	-
HK	-			-	-	-	-
JP	-			-	-	-	-
US	-			-	-	-	-
				-		-	-
				-		-	-
				-		-	-
				-		-	-
				-		-	-
				-		-	-
				-		-	-
				-		-	-
				-		-	-
930 **Total Capital Charge Across All Countries (1.8)**				-		-	-

Name of Licensee or Registered Person

Quarterly Capital Adequacy Return 30-Sep-2021

FOREIGN EXCHANGE RISK

940 **FOREIGN EXCHANGE RISK**

Currency (1)	Net Spot Position (1.1)	Net Forward Position (1.2)	Guarantees (1.3)	Net Future Income/ Expenses (1.4)	Net Delta Based Equivalent of Foreign Currency	Net Open Position (1.6)	Net Long Position (1.7)	Net Short Position (1.8)
GBP	-					-	-	-
CAD	-					-	-	-
EUR	-					-	-	-
JPY	-					-	-	-
CHF	-					-	-	-
Other	-					-	-	-
						-	-	-
						-	-	-
Total	-	-	-	-	-	-	-	-

950	Gold - Absolute Value of Open Position (1.9)	
960	Greater of the sum of absolute value of Net Long or Net Short Position (1.	-
970	Total	-
980	Total Capital Charge for FX Risk (1.11)	-

ITEM D - COMMODITY RISK

Note:Commodity Risk (does not include gold, which is recorded under Foreign Exchange Risk)

990 **Simplified Approach**

Commodity (1)	Long Position (1.1)	Short Position (1.2)	Gross Position (1.3)	Additional Capital Charge	Capital Charge (1.4)	Net Position (1.5)	Capital Charge %	Capital Charge (1.6)
			-	3.0%	-	-	15.0%	-
			-	3.0%	-	-	15.0%	-
			-	3.0%	-	-	15.0%	-
			-	3.0%	-	-	15.0%	-
			-	3.0%	-	-	15.0%	-
			-	3.0%	-	-	15.0%	-
			-	3.0%	-	-	15.0%	-

				Total Capital Charge
1000	Capital Charge	-	-	-
		(A)	(B)	(A)+(B)

1010 **Maturity Ladder Method**

Time Bands (1)	Long Position (1.1)	Short Position (1.2)	Matched Long and Short Positions (1.3)	Commodity Spot Price (1.4)	Spread Rate % (1.5)	Capital Charge (1.6)	Net Residual Unmatched Position	Capital Charge % (1.8)	Capital Charge (1.9)
0-1 months			-		1.5%	-	-	0.6%	-
1-3 months			-		1.5%	-	-	0.6%	-
3-6 months			-		1.5%	-	-	0.6%	-
6-12 months			-		1.5%	-	-	0.6%	-
1-2 years			-		1.5%	-	-	0.6%	-
2-3 years			-		1.5%	-	-	0.6%	-
over 3 years			-		1.5%	-	-	15.0%	-

				Total Capital Charge
1020	Capital Charge (1.10)	-	-	-
		(A)	(B)	(A)+(B)

Name of Licensee or Registered Person

Quarterly Capital Adequacy Return **30-Sep-2021**

MARKET-RELATED OFF-BALANCE SHEET CREDIT EXPOSURES (COUNTERPARTY CREDIT RISK)

		Notional Principal Amount (1.1)	Add-on Factor (1.2)	Potential future Credit Exposure (1.3)	Current Exposure (1.4)	Credit Equivalent Amount (1.5)	Risk Weight (1.6)	RWA (1.7)
1030	**Interest Rate Related Contracts**						(SEE GUIDANCE)	
1030	Residual maturity 1 year or less	-	0.0%	-		-		-
1030	Residual maturity > 1 year to 5 years	-	0.5%	-		-	82%	-
1030	Residual maturity > 5 years	-	1.5%	-		-		-
1030	Contracts with residual maturity > 1 year that are subject	-	0.5%	-		-		-
1031	Contracts with multiple exchange of principal	-				-		-
1031	Counterparty credit risk	-				-		-
1031	Total	-		-		-		-
1040	**Foreign Exchange And Gold Contracts**							
1040	Residual maturity 1 year or less	-	1.0%	-		-	50%	-
1040	Residual maturity > 1 year to 5 years	-	5.0%	-		-		-
1040	Residual maturity > 5 years	-	7.5%	-		-		-
1040	Contracts with multiple exchange of principal	-				-		-
1041	Counterparty credit risk	-				-		-
1041	Total	-		-		-		-
1050	**Equities Contracts**							
1050	Residual maturity 1 year or less	-	6.0%	-		-	50%	-
1050	Residual maturity > 1 year to 5 years	-	8.0%	-		-	52%	-
1050	Residual maturity > 5 years	-	10.0%	-		-	50%	-
1050	Contracts with multiple exchange of principal	-				-		-
1051	Counterparty credit risk	-				-		-
1051	Total	-		-		-		-
1060	**Precious Metal Contracts (Other Than Gold)**							
1060	Residual maturity 1 year or less	-	7.0%	-		-		-
1060	Residual maturity > 1 year to 5 years	-	7.0%	-		-		-
1060	Residual maturity > 5 years	-	8.0%	-		-		-
1060	Contracts with multiple exchange of principal	-				-		-
1061	Counterparty credit risk	-				-		-
1061	Total	-		-		-		-
1070	**Other Commodity Contracts (Other Than Precious Metals)**							
1070	Residual maturity 1 year or less	-	10.0%	-		-		-
1070	Residual maturity > 1 year to 5 years	-	12.0%	-		-		-
1070	Residual maturity > 5 years	-	15.0%	-		-		-
1070	Contracts with multiple exchange of principal	-				-		-
1071	Counterparty credit risk	-				-		-
1071	Total	-		-		-		-
1080	**Other Market-Related Contracts**							
1080	Residual maturity 1 year or less	-	10.0%	-		-	50%	-
1080	Residual maturity > 1 year to 5 years	-	12.0%	-		-	90%	-
1080	Residual maturity > 5 years	-	15.0%	-		-		-
1080	Contracts with multiple exchange of principal	-				-		-
1081	Counterparty credit risk	-				-		-
1081	Total	-		-		-		-
1090	**TOTAL MARKET-RELATED OFF-BALANCE SHEET RISK-WEIGHTED CREDIT EXPOSURES**							-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return ##########

BALANCE SHEET

ASSETS

US$ '000

Item No.	Item		Total
	Assets		
1100	Cash		-
1110	Securities purchased under agreements to resell	-	
1120	Trading assets	-	
1125	**Total Investments**		-
1130	Loans receivable from customers	-	
1140	Affiliate customers	-	
1150	Brokers, dealers and clearing organisations	-	
1160	Interest and dividends	-	
1165	**Total Receivables**		-
1170	Other assets		-
1420	**Total assets (items 1100-1410)**		-

LIABILITIES AND CAPITAL

CORE CAPITAL - TIER 1

Item No.	Item	Total
1430	Ordinary shares/common stock (issued and paid up)	-
1440	Perpetual non-cumulative preferred shares/stock (issued and paid up)	-
1450	**Reserves**	-
1450.1	Share premium account	-
1450.2	Disclosed prior years reserves (excluding item 1520) etc	-
1450.3	Current year's retained profit verified by external audit	-
1450.4	Other	-
1460	Current year's net income (losses)	-
1470	Minority interests (in Tier 1 capital)	-
1480	**Total of items 1430 to 1470**	-
	Less: adjustments to capital:	
1490	Goodwill and other intangible assets (items 1350 and 1360)	
1500	Securitisations - gains on sale	
1510	**Total Tier 1 Capital (item 1480 less 1490 and 1500)**	-

SUPPLEMENTARY CAPITAL - TIER 2

Item No.	Item	Total
1530	Reserves/fair value gains on equity securities	-
1560	Hybrid (debt/equity) capital instruments	-
1570	Minority interests (in Tier 2 capital)	-
1580	Subordinated term debt (eligible for inclusion)	-
	Less: Adjustments to capital:	
1590	Amortisation of Tier 2 subordinated debt	-
1600	Excess Tier 2	-
1610	**Total Tier 2 Capital (items 1520-1580 less 1590 and 1600)**	-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return ##########

BALANCE SHEET

	CAPITAL DEDUCTIONS	
1620	**Total Capital Deductions**	**-**
1630	Investment in Subsidiaries (unconsolidated banking & financial company)	-
1640	Connected lending of a capital nature (item 360)	-
1650	Investments in the capital of other banks and financial institutions (item 1320)	-
1660	Securitisations - equity tranches (item 1300)	-
1670	Off balance sheet items of a capital nature	-
1680	Investments in other commercial entities	-
1690	Others	-
	TIER 1 & 2 CAPITAL AFTER DEDUCTION	
1700	**Tiers 1 & 2 Capital after Deductions (item 1730 less 1740)**	**-**
1710	Tier 1 Capital (item 1510)	-
1720	Tier 2 Capital (item 1610)	-
1730	Total Tier I & 2 Capital	-
1740	Total Capital Deduction (item 1620)	-
	SHORT-TERM CAPITAL - TIER 3	
1770	Subordinated short-term debt (eligible for inclusion)	-
1780	Other Tier 3	-
1790	**Total Tier 3 Capital (not to exceed 250% of Tier 1 trading-book capital)**	**-**
	OTHER CAPITAL	
1800	Surplus Tier 2 capital (not eligible for inclusion in item 1610)	-
1810	Subordinated term debt (not eligible for inclusion in item 1580)	-
1820	General provisions (not eligible for inclusion in item 1540)	-
1830	Surplus Tier 3 capital (not eligible for inclusion in item 1790)	-
1840	**Other Capital**	**-**
	OTHER NON-CAPITAL LIABILITIES	
1860	Collateralised financing agreements;	-
	Securities sold under agreements to repurchase -	
	Securities loaned to affiliate -	
1870	Borrowings from parent	-
1880	Trading liabilities	-
1890	Payables: Brokers, dealers and clearing organisations	-
1900	Payables: Customers	-
1910	Payables: Interest and dividends	-
1920	Payables: Accrued liabilities and others	-
1930	Long term borrowings at fair value	-
1940	**Total Non-Capital Liabilities**	**-**
1950	**Total Capital and Liabilities**	**-**
	Check	-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return **30-Sep-2021**

PROFIT AND LOSS

Item	Total for Qtr	Total YTD
Revenues		
Interest and dividends	-	-
Principal transactions	-	-
Transfer pricing	-	-
	-	-
Total Revenues	-	-
Interest expense	-	-
Net Revenues	-	-
Non-interest expenses		
Service fees with related parties, net	-	-
Compensation and benefits	-	-
Occupancy	-	-
Other	-	-
Total non-interest expenses	-	-
Net loss	-	-
Less: Net income attributable to non-controlling interest		
Net loss attributable to NSB	-	-
Retained earnings - beginning period	-	-
Dividends		
Other		
Retained earnings - ending period	-	-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

ALL CURRENCIES - SUMMARY

Maturity Method

Total General Interest Risk Requirement

CCY	*(S)*	*(T)*	*(U) + (V)*	*(Y)*	*(W) + (X)*	*(Z)*	TOTAL
USD	-	-	-	-	-	-	-
JPY	-	-	-	-	-	-	-
HKD	-	-	-	-	-	-	-
GBP	-	-	-	-	-	-	-
EUR	-	-	-	-	-	-	-
CHF	-	-	-	-	-	-	-
AUD	-	-	-	-	-	-	-
DKK							-
HUF							-
							-
							-
							-
TOTAL	-	-	-	-	-	-	-

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: USD

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon =/> 3%	Coupon <3%	Long	Short		Long	Short	Matched	Unmatched	Matched	Unmatched	Matched	Matched
Zone 1	1 month or less	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 months	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 & 2	
	3 to 6 months	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 months	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 & 3	
	7 to 10 years	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 years	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 years	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 years	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

		(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
CURRENCY:	**Calculated Amount**	-	-	-	-	-	-
	Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement		-	-	-	-	-	-

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
For example, instruments with a maturity of exactly one year are placed into the 6 to 12 months band

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: JPY

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon =/> 3%	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or less	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 months	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 & 2	
	3 to 6 months	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 months	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 & 3	
	7 to 10 years	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 years	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 years	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 years	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

	(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
Calculated Amount	-	-	-	-	-	-
Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement	-	-	-	-	-	-

CURRENCY:

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
For example, instruments with a maturity of exactly one year are placed into the 6 to 12 months band

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: HKD

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon =/> 3%	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or less	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 months	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 & 2	
	3 to 6 months	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 months	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 & 3	
	7 to 10 years	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 years	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 years	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 years	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

	(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
Calculated Amount	-	-	-	-	-	-
Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement	-	-	-	-	-	-

CURRENCY:

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
For example, instruments with a maturity of exactly one year are placed into the 6 to 12 months band

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: GBP

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon =/> 3%	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or less	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 months	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 & 2	
	3 to 6 months	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 months	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 & 3	
	7 to 10 years	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 years	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 years	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 years	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

CURRENCY:

	(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
Calculated Amount	-	-	-	-	-	-
Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement	-	-	-	-	-	-

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
For example, instruments with a maturity of exactly one year are placed into the 6 to 12 months band

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: EUR

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon =/> 3%	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or less	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 months	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 & 2	
	3 to 6 months	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 months	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 & 3	
	7 to 10 years	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 years	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 years	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 years	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

		(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
CURRENCY:	**Calculated Amount**	-	-	-	-	-	-
	Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement		-	-	-	-	-	-

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
For example, instruments with a maturity of exactly one year are placed into the 6 to 12 months band

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: CHF

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon =/> 3%	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or less	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 months	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 & 2	
	3 to 6 months	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 months	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 & 3	
	7 to 10 years	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 years	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 years	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 years	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

CURRENCY:

	(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
Calculated Amount	-	-	-	-	-	-
Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement	-	-	-	-	-	-

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
For example, instruments with a maturity of exactly one year are placed into the 6 to 12 months band

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: AUD

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon =/> 3%	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or less	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 months	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 & 2	
	3 to 6 months	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 months	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 & 3	
	7 to 10 years	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 years	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 years	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 years	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

CURRENCY:

	(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
Calculated Amount	-	-	-	-	-	-
Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement	-	-	-	-	-	-

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
For example, instruments with a maturity of exactly one year are placed into the 6 to 12 months band

Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: DKK

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 mont	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 &	
	3 to 6 mont	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 mor	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 &	
	7 to 10 yea	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 ye	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 ye	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 ye	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

CURRENCY:

	(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
Calculated Amount	-	-	-	-	-	-
Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement	-	-	-	-	-	-

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
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Name of Licensee or Registered Person
Quarterly Capital Adequacy Return

APPENDIX I
30-Sep-2021

Interest Rate Risk - General Market Risk

CURRENCY: HUF

Maturity Method

Zone	Maturity Band		Individual Net Positions		Weighting Factor	Weighted Net Positions		By Band		By Zone		Between Zones	
A	B	C	D	E	F	G (DxF)	H (ExF)	I	J	K	L	M	N
	Coupon	Coupon <3%	Long	Short		Long	Short	Matched	Unmatche	Matched	Unmatche	Matched	Matched
Zone 1	1 month or	1 month or less	-	-	0.00%	-	-	-	-	-	-		
	1 to 3 mont	1 to 3 months	-	-	0.20%	-	-	-	-	(T)		Zones 1 &	
	3 to 6 mont	3 to 6 months	-	-	0.40%	-	-	-	-			-	
	6 to 12 mor	6 to 12 months	-	-	0.70%	-	-	-	-			(W)	
Zone 2	1 to 2 years	1 to 1.9 years	-	-	1.25%	-	-	-	-	-	-		
	2 to 3 years	1.9 to 2.8 years	-	-	1.75%	-	-	-	-	(U)			Zones 1 & 3
	3 to 4 years	2.8 to 3.6 years	-	-	2.25%	-	-	-	-				-
Zone 3	4 to 5 years	3.6 to 4.3 years	-	-	2.75%	-	-	-	-	-	-		(Z)
	5 to 7 years	4.3 to 5.7 years	-	-	3.25%	-	-	-	-	(V)		Zones 2 &	
	7 to 10 yea	5.7 to 7.3 years	-	-	3.75%	-	-	-	-			-	
	10 to 15 ye	7.3 to 9.3 years	-	-	4.50%	-	-	-	-			(X)	
	15 to 20 ye	9.3 to 10.6 years	-	-	5.25%	-	-	-	-				
	Over 20 ye	10.6 to 12 years	-	-	6.00%	-	-	-	-				
		12 to 20 years	-	-	8.00%	-	-	-	-				
		Over 20 years	-	-	12.50%	-	-	-	-				

CURRENCY:

	(S)	(T)	(U) + (V)	(Y)	(W) + (X)	(Z)
Calculated Amount	-	-	-	-	-	-
Factor	10%	40%	30%	100%	40%	100%
General Interest Rate Risk Capital Requirement	-	-	-	-	-	-

Total General Interest Risk Requirement = 10%S + 40%T + 30%(U+V) + 40% (W + X) + 100%Y + 100%Z = -

Note: For instruments the maturity of which is the boundary of two maturity bands, the instrument should be placed into the earlier maturity bank.
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BERMUDA

INVESTMENT BUSINESS (STATUTORY RETURN) RULES 2022
BR / 2022

TABLE OF CONTENTS

The Bermuda Monetary Authority, in exercise of the power conferred by section 10A (1) of the Investment Business Act 2003, makes the following Rules:

Citation

1 These Rules may be cited as the Investment Business (Statutory Return) Rules 2022.

Interpretation

2 In these Rules—

"the Act" means the Investment Business Act 2003;

"investment provider" means a person granted an F licence or a registered person;

Annual returns

3

(1) Schedules I, II and III to these Rules shall have effect.

(2) An investment provider shall file with the Authority an annual return in accordance with the requirements of section 10C of the Act.

(3) The annual return shall be in an electronic format prescribed by the Authority and contain information in respect of the matters set out in Schedules I, II and III as such matters stand when the annual return is filed.

(4) The investment provider shall keep a copy of the annual return at its senior representative's office, registered office or place of business in Bermuda for a period of at least five years, beginning with the date on which the return was filed.

(5) If directed to do so by the Authority, the investment provider shall produce a copy of the annual return to the Authority on or before the date specified in the direction.

Declaration

4 At the time of filing the annual returns (Schedules I, II and III), an investment provider shall also file with the Authority declarations for each annual return, signed by two directors, one of whom may be the chief executive, that to the best of their knowledge and belief, the information in each of the three annual returns is fair and accurate.

Commencement

5 These Rules come into operation on 1 January 2022.

SCHEDULES

(paragraph 3(1))

MATTERS TO BE INCLUDED IN STATUTORY RETURNS

The Schedules to these Rules (listed below) are published separately on the Authority's website, www.bma.bm, in accordance with section 10A (2) of the Investment Business Act 2003—

Schedule Number	Schedule Title
Schedule I	Annual Regulatory Information Return
Schedule II	Annual Reporting Form
Schedule III	AML/ATF Declaration Form

Made this day of December 2021

Chairman
The Bermuda Monetary Authority

[Operative Date: 01 January 2022]

SCHEDULE I – ANNUAL REGULATORY INFORMATION RETURN

ANNUAL REGULATORY RETURN INFORMATION FORM (ARI) FOR "F" LICENSEES, CLASS A AND CLASS B REGISTERED PERSONS

MATTERS TO BE INCLUDED IN THE FORMS

1. The following information is required in Annual Regulatory Information form—

Section I – All persons granted an "F" Licence are required to provide the following information:

- Confirmation of compliance with Minimum Registration Criteria in section 44 of the Act;
- Details of any material changes in the nature of products and services;
- Details of any material changes in corporate governance framework and organisational structure; and
- Number of full time (or equivalent) staff based in Bermuda.

Section II – All **Class A Registered Persons** are required to provide the following information:

- Confirmation of compliance with Minimum Registration Criteria in section 44 of the Act;
- Details of any material changes in the nature of products and services;
- Details of any material changes in corporate governance framework and organisational structure;
- Details of material service outsourcing arrangements; and
- Number of full time (or equivalent) staff.

Section III – All **Class B Registered Persons** are required to provide the following information:

- Confirmation of compliance with Minimum Registration Criteria in section 44 of the Act;
- Details of any material changes in the nature of products and services;

- Details of any material changes in corporate governance framework and organisational structure;
- Details of material service outsourcing arrangements; and
- Number of full time (or equivalent) staff based in Bermuda.

BERMUDA MONETARY AUTHORITY

BERMUDA MONETARY AUTHORITY

STATEMENT OF PRINCIPLES

INVESTMENT BUSINESS ACT 2003

JANUARY 2022

NOTE: For ease of comparison, paragraph references to the Second Schedule throughout this draft correspond to the Investment Business Act 2003 (the Act), and not the draft Investment Business (Amendment) Bill 2021, which was consulted on in July 2021.

Upon finalisation of changes to the Act, paragraph references in this Statement of Principles will be updated to reflect the amended numbering in the Act.

TABLE OF CONTENTS

I. INTRODUCTION

1. This Statement of Principles (SoP) is made pursuant to section 9 of the Investment Business Act 2003 (Act), which requires the Bermuda Monetary Authority (Authority or BMA) to publish, in such manner as it sees fit, a SoP in accordance with which it is acting or proposing to act in:

   a) Interpreting the minimum criteria specified in the Second Schedule to the Act and the grounds for revocation or restriction specified in section 21;
   b) Exercising its power to grant, revoke or restrict a licence or registration;
   c) Exercising its power to obtain information, reports and to require production of documents; and
   d) Exercising other enforcement powers.

2. The SoP should be read in conjunction with the relevant codes of conduct, which are issued pursuant to section 10 of the Act and which prescribe certain standards for the effective control of business by investment providers and for the fair treatment of their clients.

3. The SoP should be read in conjunction with any guidance notes, which are issued pursuant to section 5(2) of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 (POCA SEA); and in accordance with section 49M of the Proceeds of Crime Act 1997 (POCA), and section 12(O) of the Anti-Terrorism (Financial and Other Measures) Act 2004.

4. The SoP should also be read in conjunction with the Statement of Principles and Guidance on the Exercise of Enforcement Powers (Enforcement Guide). The Enforcement Guide sets out the principles in accordance with which the Authority acts or proposes to act in exercising its formal powers to compel compliance or to penalise noncompliance with statutory or regulatory requirements. In relation to enforcement activities, where there are any differences between the Enforcement Guide and the SoP, relative to POCA SEA and the SoP, then the content of the Enforcement Guide will prevail.

II. EXPLANATION FOR THE STATEMENT OF PRINCIPLES

5. The SoP, along with the Enforcement Guide, are relevant to the Authority's decisions on whether to issue a licence or registration to an investment provider or whether to revoke or restrict either a licence or registration, once granted. The Authority's interpretation of the minimum criteria for licensing or registration in the Second Schedule and the grounds for revocation in section 21 of the Act, together with the principles underlying the exercise of its powers, encapsulate the main standards the Authority considers when conducting its supervision of an investment provider. The functions of investment business supervision include monitoring the ongoing compliance of investment providers with these minimum standards and verifying compliance with the obligations imposed under the Act

and the policies and procedures of the investment providers. The Authority also monitors investment providers' compliance with other legislative obligations such as those contained in POCA, POCA SEA and the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008.

6. Where concerns arise relative to an investment provider, or the conduct of its business, during the course of supervision of the investment provider, the Authority will consider the steps that must be taken to address the issue and protect clients and, where appropriate, it will seek remedial action by persuasion and encouragement. Where persuasion and encouragement fail, the Authority may adopt stronger measures to ensure compliance. If the Authority considers it necessary to do so, it may, in the public interest, utilise the various powers provided in the Act, including the imposition of restrictions on either the licence or registration and ultimately revocation of the licence or registration. The process by which the Authority may take enforcement action is set out in the Enforcement Guide.

7. The SoP include references to various policy and guidance papers issued by the Authority from time to time. Copies of the relevant material are generally available from the Authority's website: www.bma.bm.

8. Section III of the SoP considers the interpretation of each of the minimum criteria for licensing and registration in the Second Schedule to the Act. Section IV sets out the considerations relevant to the Authority's exercise of its discretion to grant either a licence or registration. Section V sets out the principles underlying the exercise of the Authority's power to obtain information and reports and to require the production of documents.

9. The Enforcement Guide sets out the interpretation of the various grounds for the initiation of an enforcement action. The Authority will assess whether to initiate an enforcement action on a case-by-case basis, considering the wider context. The assessment will include consideration of whether using alternative tools is more appropriate, taking into account the overall circumstances of the investment provider itself, the conduct under review and the wider context.

10. The Enforcement Guide clarifies the circumstances where the Authority may decide to impose restrictions on a licence or registration, including cases of urgency or, ultimately, to revoke a licence or registration. It is likely that the Authority would exercise its powers to restrict or revoke a licence or registration in the context of the enforcement process. The Authority may also exercise its discretion to utilise such powers in a supervisory context, for example, to impose additional reporting requirements or where an institution ceases operations or conducts limited scope business. These powers might also be used to protect the interests of the public, in connection with an external threat that is not connected to the investment provider's conduct, in accordance with section 10B of the Act.

III. SECOND SCHEDULE: MINIMUM CRITERIA FOR LICENSING AND REGISTRATION

Introduction

11. Before the Authority may grant a licence or registration to an investment provider, the Authority must be satisfied that all the relevant criteria in the Second Schedule of the Act are, or are capable of, being fulfilled by the applicant. Once licensed or registered, investment providers are subject to the Authority's continuing supervision and regulation, to the degree applicable. The Authority assesses whether, on an ongoing basis, the investment provider meets the minimum criteria for licensing and registration. Investment providers are required to submit information about their business at intervals determined by the Authority in accordance with the Act and any related regulations, rules, guidance notes or codes. Where an investment provider fails to meet a criterion, the Authority can and may take action in accordance with the powers vested under the Act and, as detailed in the SoP, POCA SEA and the Enforcement Guide.

12. The Act sets out the minimum criteria for licensing and registration to be met by investment providers. These criteria are interpreted and applied in the context of the particular circumstances of each investment provider, and developments in the sector generally. In addition to reviewing the applicable submissions and other data received from investment providers, the Authority's supervision may involve detailed prudential discussions with the investment provider's senior management, as required. The Authority shall determine the frequency of those discussions by using a risk-based approach, considering the nature, scale and complexity and the risks undertaken by the investment provider and the conduct of its business. Meetings may take place at the Authority's offices or at the investment provider's premises. In the case of Class A Registered Persons, meetings may take place at the senior representative's office.

13. In addition, compliance visits are routinely made on the premises of licensed investment providers to add to the Authority's understanding of the investment provider's management structures, operations, policies and controls, and to assist the Authority in satisfying itself that each investment provider continues to conduct its business prudently and in accordance with all relevant criteria at all times. In the case of Class A Registered Persons, the Authority may perform compliance visits remotely or at the offices of the designated senior representative, after consulting with the relevant recognised regulator, as appropriate.

14. Where an investment provider becomes aware of breaches or potential breaches of any requirement or a contravention of any prohibition imposed by or under the Act, it is expected that the investment provider or, in the case of a Class A Registered Person, its senior representative, will alert the Authority forthwith so that any necessary remedial action can quickly be agreed and taken. Similarly, the investment provider or, for a Class A Registered Person, its senior representative, must alert the Authority to any proposed material change in its business. This

allows the Authority to assess whether the changes affect the investment provider's ability to fulfill the minimum criteria for licensing or registration.

15. This part of the SoP sets out the Authority's interpretation of the minimum licensing and registration criteria.

Schedule 2, paragraph 1: Controllers and officers to be fit and proper persons

16. This paragraph provides that every person who is, or is to be, a controller or an officer of an investment provider, whether licensed or registered, is to be a fit and proper person to hold the particular position that he or she holds or is to hold. Section 7 of the Act stipulates that an officer includes a person appointed as director or senior executive.

17. With regard to an individual who is, or is to be a controller or officer, the relevant considerations include whether the person has relevant experience, sufficient skills, knowledge and soundness of judgement to undertake and fulfil their particular duties and responsibilities. The standards required of persons in these positions will vary considerably, depending on the precise position held by the person concerned. Thus, a person could be fit and proper for one position, but not fit and proper for a position involving different responsibilities and duties.

18. The diligence with which the person is fulfilling, or is likely to fulfill, those duties and responsibilities is also considered so that the Authority can assess whether the person does or will devote sufficient time and attention to them.

19. The Authority's view is that the standards need to be high in the case of persons with primary responsibility for the conduct of an investment provider's affairs, considering the nature, scale and complexity of the investment provider's business.

20. In assessing whether a person has the relevant competence, soundness of judgement and diligence, the Authority considers whether the person has had previous experience with similar responsibilities, the record in fulfilling them and, where appropriate, whether the person has suitable qualifications and training. As to soundness of judgement, the Authority looks to the person's previous conduct and decision-taking.

21. The probity of the person concerned is very important. It is essential that a person who is responsible for the conduct of an investment provider's business is one of high integrity. In contrast to the fitness elements of this criterion, which reflect an individual judgement relating to the position that the person holds or is to hold, the judgement of probity reflects the common standard, applicable irrespective of the particular position held.

22. Specifically, the Authority takes into account the person's reputation and character. It considers, inter alia, whether the person has a criminal record,

including, but not limited to, convictions for fraud or other dishonesty. The Authority also considers whether the person has contravened any provision of law, including legislation covering the fund administration, trust, banking, insurance, corporate services, money services, digital asset business, digital asset issuance or investment business sectors or other legislation designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice.

23. In addition, the Authority considers whether the person has been involved in any business practices that appear to the Authority to be deceitful, oppressive or improper, or which would otherwise discredit their method of conducting business. In addition to compliance with statutory provisions, the Authority also considers a person's record of compliance with various non-statutory codes insofar as they may be relevant to the minimum criteria for licensing and registration, the public interest and the interests of clients and potential clients.

24. The Authority also takes into consideration whether the person has been censured or disqualified by professional or regulatory bodies, such as, the Bermuda Bar Association; the Chartered Professional Accountants of Bermuda; the Institute of Chartered Secretaries and Administrators; the Institute of Directors; the Society of Trust and Estate Practitioners; the Chartered Financial Analysts Institute; the Bermuda Stock Exchange or corresponding bodies in other jurisdictions. Those who have been censured or disqualified are unlikely to be acceptable.

25. While any evidence of relevant past misconduct needs to be taken into consideration, the Authority recognises that lapse of time and a person's subsequent conduct are factors that may be relevant in assessing whether the person is now fit and proper for a particular position.

26. Once an investment provider is either licensed or registered, the Authority has continuing regard to the performance of the person in exercising their duties. Imprudence in the conduct of an investment provider's business, or actions that threatened (without necessarily having damaged) the public interest, will reflect adversely on the competence and soundness of judgement of those responsible. Similarly, failure by an investment provider to conduct its business with integrity and professional skills will reflect adversely on the probity and/or competence and/or soundness of judgement of those responsible. This applies whether the matters of concern have arisen from the way the persons responsible have acted or from their failure to act in an appropriate manner. The Authority takes a cumulative approach in assessing the significance of such actions or omissions– that is, it may determine that a person does not fulfil the criterion based on several instances of such conduct, which, if taken individually, may not lead to that conclusion.

Shareholder controllers

27. Shareholder controllers, as defined by sections 7(5) of the Act, may hold a wide variety of positions relating to the investment provider, and the application of the fit and proper criterion takes account of this fact. The key consideration is the likely or actual impact on the interests of clients and potential clients of a person holding the position as shareholder controller. This is viewed in the context of the circumstances of the individual case, and of the particular position held. The general presumption is that the greater the influence on the investment provider, the higher the threshold will be for the shareholder controller to fulfil the criterion. For example, higher standards will generally be required of a shareholder controller owning 50% or more of the shares of an investment provider, compared with a shareholder controller owning 10%.

28. In reviewing the application of the criterion to shareholder controllers or persons proposing to become such controllers, the Authority considers two main factors:
    a) The influence the person has or is likely to have on the conduct of the affairs of the investment provider. If the person does, or is likely to, exercise close control over the business, the Authority would look for evidence that they have the probity and soundness of judgement and relevant knowledge and skills to perform the functions in relation to any activity carried on by an investment provider. Alternatively, if the shareholder does not, or is not likely to, influence the directors and management of the investment provider on the detailed conduct of the business, it would not be necessary to require such a level of relevant knowledge and experience; and
    b) Whether the financial position, reputation or conduct of the shareholder controller or prospective shareholder controller has damaged or is likely to damage the investment provider through "contagion" that undermines confidence in that investment provider. For example, if a holding company or major shareholder were to suffer financial problems, it could damage client or potential client confidence in the stability or financial integrity of the licensed or registered investment provider. Generally, the higher the shareholding, the greater the risk of contagion if the shareholder encounters financial difficulties. The risk of contagion is not, however, confined to financial weakness. Publicity about illegal or unethical conduct by a holding company or another member of the group may also damage confidence in the investment provider.

29. In the case of the controller who directs or instructs a shareholder controller, similar considerations apply to those relevant to assessing the fulfilment of the shareholder controller's criterion. In other words, the standards that an indirect controller needs to satisfy are likely to be, at a minimum, the standards also required of the person who is indirectly controlled.

30. Where a person is a controller of an investment provider by virtue of directing or instructing the board of a company or the members of a limited liability company, the standards required are high. The controller has to have the probity and the

relevant knowledge, experience, skills and diligence for managing an investment provider. The qualities required are those which are also appropriate for the board of directors or partners of the investment provider.

Schedule 2, paragraph 1a: Corporate governance

31. This paragraph provides that the investment provider shall implement corporate governance policies and processes as the Authority considers appropriate given the nature, scale, and complexity of the investment provider. The Authority will take into consideration the investment provider's compliance with the corporate governance policy when assessing whether the investment provider meets the minimum criterion for licensing or registration to implement corporate governance policies and processes.

32. In the case of an investment provider that is a company or partnership, the business should be (a) effectively directed by at least two persons; and (b) under the oversight of such number of non-executive directors appointed as the Authority considers appropriate given the nature, scale and complexity of the investment provider. The Authority recognises that standards of good corporate governance may differ among investment providers according to the size and complexity of their respective businesses.

33. In the case of an investment provider that is a company, the directors should include such number (if any) of non-executive directors, as the Authority considers appropriate. The number will depend on the circumstances of the investment provider and the nature, scale and complexity of the investment provider.

34. The Authority considers that non-executive directors can play a valuable role in bringing an outsider's independent perspective to the running of the business and to ensure proper challenge to the executive directors and other management. The Authority sees non-executive directors as having an important role as members of an investment provider's audit committee or in performing the role that such a committee would otherwise perform.

Schedule 2, paragraph 5: Business to be conducted in a prudent manner

35. Paragraph 5 of Schedule 2 to the Act makes it clear that there is a general requirement for investment providers to conduct their business in a prudent manner. It is the overall responsibility of the board, partners and senior management of an institution to ensure there is effective control over the entire business and that it is conducted prudently. Board members, partners and senior management must understand the underlying risks in the business and be committed to maintaining a robust control environment.

36. Paragraphs 5(2) to (8) set out several specific requirements, each of which must be fulfilled before an investment provider may be regarded as conducting its business in a prudent manner.

37. The Act also makes it clear that the specific requirements outlined in sub-paragraphs 5(2) to (8) are not exhaustive. Accordingly, the Authority considers a range of other factors in assessing whether an investment provider is prudently run. These include, for example, the investment provider's:

- Management and corporate governance arrangements (such as, in the case of a company, the composition of the board of directors and the arrangements for the board's overall control and direction of the institution)
- General strategy and objectives
- Anti-money Laundering/Anti-Terrorist Financing (AML/ATF) policies and procedures
- Planning arrangements
- Policies on accounting and market conduct
- Recruitment arrangements and training to ensure the investment provider has adequate numbers of experienced and skilled staff to carry out its various activities in a prudent manner
- Ability to maintain adequate liquidity to meet actual and contingent obligations as they fall due
- Procedures for overseeing, managing and monitoring all outsourced activities

38. Particularly close attention is also paid to the arrangements in place for preventing and detecting criminal activities, and for ensuring compliance with the investment provider's legal obligations in preventing money laundering and terrorist financing. The Authority would also expect investment providers and senior representatives of Class A Registered Persons to occupy premises suitable for the purpose of conducting their business.

39. Failure by the investment provider to comply with applicable laws in foreign jurisdictions in which the investment provider or its subsidiaries (if any) operate may also affect the Authority's assessment of prudent conduct.

40. An investment provider should have policies and procedures to enable it to comply with international sanctions in force in Bermuda.

41. Investment providers face a wide variety of potential major financial risks in their business, although the possibility of many of these risks materialising is, generally, remote. An investment provider will not be regarded as carrying on its business in a prudent manner unless it maintains minimum net assets as the Authority may provide for in rules or additional capital requirements it may otherwise directly require, taking into account the nature, scale and complexity of the investment provider. Investment providers are expected to monitor closely their net asset position. The Authority requires investment providers to maintain

net assets[1] of such amount and in such form as to safeguard the interests of clients and potential clients, having regard to:

a) The risks inherent in the investment business;
b) The risks inherent in any operations of related entities so far as they can affect the institution; and
c) Any other factors deemed relevant by those charged with governance of the investment provider or which appear to the Authority to be relevant.

42. An investment provider must also effect a policy of insurance to cover risks inherent in the operation of its business of an amount commensurate with the nature, scale and complexity of its operations. In judging the adequacy of insurance protection, the Authority looks to be satisfied that the scope and scale of coverage provides reasonable assurance of the ability of the investment provider to continue to operate if it should face either major damage to its infrastructure or material claims from clients for loss or damage sustained. It is in the first instance for those directing the business of the investment provider to assess the level of risk they face and to determine the type and extent of coverage appropriate for that business. Relevant types of insurance include the following: errors and omissions/professional indemnity; directors' and officers' liabilities; fidelity and forgery; loss of property; computer crime; computer damage; business interruption and office contents. The Authority will review the adequacy of coverage, having regard to the nature, scale and complexity of the business. An investment provider will not be regarded as carrying on its business in a prudent manner unless it maintains insurance coverage that is appropriate to the nature, scale and complexity of its operations.

Schedule 2, paragraph 5(6): Adequate accounting and record-keeping systems

43. The Authority does not regard an investment provider's records and systems as adequate unless they enable its business to be prudently managed and the investment provider is able to comply with the Act. In other words, the records and systems must be such that the investment provider is able to fulfill the various other elements of the prudent conduct criterion and identify threats to the public interest. They should also be sufficient to enable the investment provider to comply with notification and reporting requirements under the Act. Thus, delays in providing information or inaccuracies in the information provided will call into question the fulfillment of the requirement of sub-paragraphs 5(6) and (7). The systems for client records should be sufficient to enable the investment provider to maintain its books and records with satisfactory back-up in place.

44. The nature and scope of the particular records and systems that an investment provider should maintain should be commensurate with its needs and particular

[1] This paragraph should be read in conjunction with the Investment Business (Net Assets, Capital and Liquidity) Rules 2022, and its accompanying guidance.

circumstances, so that its business can be conducted without endangering its clients and potential clients. In determining whether an investment provider's records and systems are adequate, the Authority considers the nature, scale and complexity of its business.

45. The Authority requires investment providers to keep and maintain up-to-date accounting records in the English language, which:

a) In respect of the investment provider's business, disclose particulars of:

   i. Assets held for the investment provider's own account;
   ii. Liabilities incurred for the investment provider's own account; and
   iii. Entries of income and expenditure made, and an explanation of their nature; and

b) In respect of the affairs of the clients of an investment provider, disclose particulars of:

   i. All assets held, managed or controlled by the investment provider for the account of clients, both individually respecting each client and collectively respecting all clients;
   ii. All liabilities incurred by the investment provider on behalf of clients, both individually respecting each client and collectively respecting all clients;
   iii. All transactions effected and carried out on behalf of clients, both individually respecting each client and collectively respecting all clients;
   iv. Every document evidencing title to a client's assets held by the investment provider;
   v. Where such document is held by a third party, particulars of such document and the name and address of that person; and
   vi. Entries of the date on which every document evidencing title to a client's asset came into or left the possession or control of the investment provider.

46. For the purpose of paragraph 45 above, an investment provider may accept and rely on records kept by a third party where such records are capable of being reconciled with records kept by the investment provider.

47. The Authority requires investment providers to keep, either at their principal office or registered office or senior representative's office, or in such a manner that they can be produced to the Authority within such period as the Authority may specify, the following records for the following periods in respect of all investment business conducted by or through the investment provider:

a) Entry records, including account opening records, verification documentation and written introductions, for a period of at least five years from the date of the closing of the account;

b) Account ledger records, for a period of five years from the date of the relevant transaction or series of transactions; and

c) Supporting records, including all records in support of ledger entries, credit and debit slips and cheques, for a period of five years from the date of the relevant transaction or series of transactions.

48. Any of the records required by paragraph 47 may be recorded and kept by an investment provider in electronic form or such other form as the investment provider sees fit, provided that it is possible for the information to be inspected and for a copy of it to be produced in legible form. Information must be maintained to ensure there is a clear and precise audit trail for every transaction.

Schedule 2, paragraph 6: Consolidated supervision

49. The Authority may agree to take on a wider role of consolidated supervisor of an investment provider and its related institutions, particularly when the related institutions may have implications for the investment provider. Under such an arrangement, the investment provider and its related institutions are expected to fully cooperate with and provide all requested information to the Authority.

50. This paragraph requires the Authority to be satisfied, in the case of investment providers that are members of wider groups or have ownership links with other entities, that the structures and relationships are not such as to obstruct the conduct of effective consolidated supervision. The Authority needs to ensure that any risks to an investment provider arising from its membership to a wider group are fully considered. The objective, however, is to supervise the entity as part of its group, and not to supervise all companies in the group.

51. In order to conduct such monitoring and assessment, the Authority may need access to information relating to other parts of the group and to other connected entities. Where there are obstacles to transparency as a result of the particular structure adopted or the location of parts of the group, the Authority needs to satisfy itself that adequate information will be forthcoming and that the structure and relationships are not such as to cause any other risks to the interests of the investment provider’s clients and potential clients.

Schedule 2, paragraph 7: Integrity and skill

52. This paragraph is concerned with the way the business of the investment provider is conducted and is distinct from the question of whether its controllers and officers are fit and proper persons. The business of an investment provider must be conducted ethically and honestly, and the staff employed by the

investment provider must have the skills and knowledge appropriate to the nature, scale and complexity of the investment provider.

53. The integrity element of the criterion requires the investment provider to observe high ethical standards in conducting its business. Criminal offences or other breaches of statute will obviously call into question the fulfilment of this criterion. Particularly relevant are contraventions of any provision made by or under enactments, whether in Bermuda or elsewhere, designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice. Doubts may also be raised if the investment provider fails to comply with recognised ethical standards such as those embodied in the code of practice and conduct. The Authority considers the seriousness of the breach of the code, whether the breach was deliberate or an unintentional and unusual occurrence, and its relevance to the fulfilment of the criteria in the Second Schedule and otherwise to the interests of clients and potential clients.

54. The Authority would expect an investment provider to have a number of employees sufficient to carry out the range and scale of its business. The Authority, in determining whether an investment provider has sufficient personnel, may consider the human resources that the investment provider may draw upon through other arrangements (e.g., outsourcing, secondments, or other similar arrangements, as well as the methods of recruitment) to ensure that the investment provider employs an adequate number of persons who are fit and proper to perform the duties for which they are employed.

55. Staff must be provided with on-the-job training on the investment provider's internal policies, procedures and internal controls. The investment provider should ensure that adequate training is provided that is specific to the roles and responsibilities that staff members perform. Such training should be provided on an ongoing basis, including training on its AML/ATF responsibilities and cyber/information security policies and controls.

56. Investment providers shall establish procedures to ensure the adequate supervision of staff in their dealings with clients. Appropriate records relating to the training, experience and qualifications of staff must be maintained.

IV. PRINCIPLES RELATING TO THE GRANTING OF LICENCES AND REGISTRATION

57. To grant a licence or registration under the Act, the Authority needs to be satisfied that all minimum licensing and registration criteria in the Second Schedule are met. In order to be so satisfied, the applicant and any other relevant parties must first have provided all the appropriate information requested by the Authority in connection with the application. Even where it is satisfied that the criteria can be met, the Authority retains a residual discretion to not grant a licence or registration if it doubts the criteria will be met on a continuing basis or if it

considers that, for any reason, there might be significant threats to the public interest or interests of clients or potential clients.

58. The Authority also considers, in exercising its discretion, whether it is likely that it will receive adequate information from the investment provider and relevant, connected parties to enable it to monitor the fulfilment of the criteria and to identify potential threats to the investment provider's clients.

V. POWERS TO OBTAIN INFORMATION AND REPORTS

59. The Authority's supervisory arrangements for licensed and registered investment providers comprise three principal elements. First, the Authority conducts certain off-site analyses and reviews based on data received from investment providers. This is supplemented with regular prudential discussions, during which the Authority interviews senior management on a wide range of relevant issues, including recent and current performance, material compliance and control issues, and business development and strategy questions.

60. The Authority intends to conduct on-site reviews of licensees and Class A Registered Persons on either a routine or ad hoc basis, and consistent with its risk-based approach to supervision, to assess ongoing compliance with aspects of the licensing and registration criteria and, in particular, with paragraph 5(2) of the Second Schedule to the Acts. These compliance reviews are intended to provide insight into the effectiveness of the internal controls in place and the ability of management to identify, monitor and manage key risks arising from the investment provider's operations. They also provide an opportunity for the Authority to check, through sample testing, that the procedures and practices in place within an investment provider are, in practice, enabling it to fulfil the specific obligations imposed by the Proceeds of Crime Act 1997 and the associated regulations.

61. Supervision involves the receipt and analysis of a variety of regular and ad hoc information from investment providers. The Authority's standard reporting arrangements are kept under review and amended from time to time in light of developments.

62. Section 45 of the Act provides formal powers of the Authority by notice in writing to require from an investment provider such information as it may reasonably require for the performance of the Authority's functions under the Act. The section also provides for the Authority to require an investment provider to make available a report by its auditor (or by an accountant or other person with relevant professional skill) on any aspect of or any matter about which the Authority has required or could require the investment provider to provide. In the case of reports commissioned under section 45(1)(b), the Authority has agreed it will, wherever possible, be commissioned from the investment provider's own external auditors. However, in certain circumstances, another professional firm may be used. This would be the case, for example, where a report called for particular technical skills or when the Authority has had previous concerns about the quality or completeness of work conducted by the external auditor.

63. The Authority has also agreed that, as a general rule, it will limit the extent to which it will have recourse to professional reports of this nature. Instead, the Authority's general policy is to use its own staff to assess directly through the on-site work, described above, the adequacy of an investment provider's systems and controls. Nevertheless, where particularly specialised work is required or other special considerations arise, the Authority may commission a professional report under section 45.

64. Section 46 of the Act provides statutory powers for the Authority by written notice to require an investment provider to produce relevant documents or information. This power can also be used to obtain relevant documents in the possession of other persons and also to require information or documents from entities related to an investment provider. Section 47 of the Act provides the Authority with specific powers to enter the business premises of persons on whom a notice under sections 45(1) or 46(1) has been served for the purpose of obtaining relevant information or documents. (In the case of Class A Registered Persons, it would be the premises of the senior representative). The Authority makes routine use of section 45 and section 46 powers, when conducting its on-site review visits to licensed and registered investment providers, to deal with any client confidentiality issues that might arise during compliance testing.

65. Much of the information required by the Authority for its supervision of investment providers is provided pursuant to the Authority's statutory powers in the Act to require relevant information and documents. In addition, the Act stipulates certain matters as being subject to specific statutory reporting requirements, notably, the requirement for an investment provider to submit a certificate of compliance, signed by two officers (either two directors or one director and a senior executive), certifying that the investment provider has complied with the minimum licensing and registration criteria to the best of their knowledge, as provided for in section 44 of the Act.

VI. CONCLUSION

66. The SoP are of general application and seek to take into account the diversity of investment providers that may be licensed or registered under the Act and the prospect of institutional and market changes. Consequently, the SoP may be revised and developed further over time. If the Authority makes a material change to the SoP, the Authority will publish a statement of the change or the revised version of the SoP.

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BMA Discussion/Consultation Paper Comment Form

Enter name of BMA Discussion/Consultation Paper here:

- Stakeholders should complete this form and send as an attachment to policy@bma.bm prior to the discussion/consultation period closing. Please note that we cannot guarantee that late submissions will be taken into consideration.

- Please be advised that ***unless advised otherwise*** the name of your entity may be included in a 'Response to Consultation Comments' document which may be posted separately on the BMA website.

Please check box: ***Disagree to posting***

Name	Paragraph/ Section	Comment	Resolution (for BMA use)