



REGULATORY UPDATE

January–March 2024



Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 31 March 2024*.

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REGULATORY

Consultation/Discussion Papers

The BMA issued the following paper for consultation in Q1 2024:

- The Authority published the new *Digital Asset Business (Custody of Client Assets) Rules 2024 (Rules)* for consultation. The Rules are applicable to Digital Asset Businesses (DABs) that hold any client assets, whether fiat or digital, to provide more clarity and guidance on their custody obligations. The Rules cover segregation, fiduciary duty, pooling events, delegation and accounting, and they supplement the existing cyber risk requirements for digital asset custodial wallet providers

Policy and Guidance

The BMA issued the following guidance:

- *The Digital Asset Business (Cyber Risk) Rules 2023* became operative on 1 January 2024
- On 28 March, the Authority published a Guidance Note (GN) entitled *Guidance Note – For Commercial Insurers and Insurance Groups’ Statutory Reporting Regime*. This GN aims to guide commercial insurers and insurance groups on refinements to the Authority’s Economic Balance Sheet (EBS) framework, which reflect the enhancements to the Authority’s regulatory and supervisory regime that entered into force on 31 March 2024. The most material refinements include revised requirements for insurers to use the scenario-based approach, revised risk margin calculation for insurance groups and the creation of a new standalone EBS schedule
- On 28 March, the Authority published a second GN entitled *Guidance Note – For Application for Adjustments Under Section 6D of the Insurance Act 1978*. This GN clarifies the Authority’s revised approach to implementing Section 6D of the Insurance Act 1978 in a more defined, standardised and transparent manner. Specifically, the Authority introduced a Schedule of Adjustments, which focuses on the types of adjustments to the standard solvency framework that commercial insurers and insurance groups may apply for and the requirements for approval

- *The Digital Asset Business Operational Cyber Risk Management Code of Practice*, which specifies the cyber risk management obligations for licensed DABs, was published in January 2024 in its final form and is now effective
- The revised *Digital Asset Business Custody Code of Practice (2024)*, which specifies the asset safekeeping obligations of digital asset business custodial wallet service providers, was published in February 2024 in its final form and is now effective
- Guidance Notes on the revised requirements under Basel III for banks and deposit companies (15 February)

Updates to Reporting Forms and Guidelines

The Authority published the following reporting forms and guidelines in Q1 2024:

- The information bulletin has been updated to reflect the amendments introduced with the new DAB application forms (T, M and F) (21 February)
- Brokers and Agents Annual Return 2024 (28 February)
- Insurance Managers Annual Return 2024 (28 February)
- 2023 Year-end Collateralized Insurer Model (18 March)
- 2024 Catbond Checklist (22 March)
- 2024 Year-end Insurance Group Instructions Handbook (28 March)
- 2023 Year-end Limited Purpose Insurers Supporting Documents (Revised) (4 April)
- 2023 Year-end Filing Requirements for Class 1, 2, 3, A and B (4 April)
- Discount Rates 31 March 2024 (9 April)
- March 2024 Quarterly Financial Return Template – Long term (11 April)

Updates to Policy, Reporting Forms and Guidelines

(Continued)

- March 2024 Quarterly Financial Return Template – Property and casualty (11 April)
- The Digital Asset Business FAQs were updated to include an answer to a frequently asked question about the exemption process for Non-Specified Persons under Schedule II to the DAB Exemption Order 2023
- A new Cyber Risk Annual Return has been published. It will be filed by applicable licensed Class F DABs within four months of their financial year-end (whereas Class M and Class T DABs are required to file on a date determined by the Authority)

LEGISLATIVE

Investment Business Amendment Act 2024

The Investment Business Act 2003 was amended primarily in relation to Part IV to provide for matters concerned with the supervision and regulation of recognised investment exchanges and recognised clearing houses domiciled in Bermuda. The Investment Business Amendment Act 2024 received the Governor's assent on 20 February 2024 and is not yet operative.

Insurance (Prudential Standards) Amendment Rules 2024

- a) Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Amendment Rules 2024
- b) Insurance (Prudential Standards) (Class 4 and Class 3B Solvency Requirement) Amendment Rules 2024
- c) Insurance (Prudential Standards) (Class 3A Solvency Requirement) Amendment Rules 2024
- d) Insurance (Prudential Standards) (Class C, Class D, Class E Solvency Requirement) Amendment Rules 2024 (referred to herein as 'Amendment Rules')

The Amendment Rules, which became operative on 31 March 2024, reflect enhancements to the calculation of insurers' Technical Provisions, Bermuda Solvency Capital Requirement (BSCR) computation and flexibility of the BSCR framework, among other matters.

Insurance Account Amendment Rules 2024

The Insurance Account Rules 2016 were amended to accommodate reporting requirements introduced by the International Accounting Standard Board's accounting standard for insurance contracts IFRS 17. The Insurance Account Amendment Rules 2024 became operative on 25 March 2024.

Insurance (Group Supervision) Amendment Rules 2024

The Insurance (Group Supervision) Rules 2011 were amended to accommodate reporting requirements introduced by the International Accounting Standard Board's account standard for insurance contracts IFRS 17. The Insurance (Group Supervision) Amendment Rules 2024 became operative on 25 March 2024.

INTERNATIONAL AFFAIRS

The BMA played an active role on the international stage throughout Q1-2024.

International Association of Insurance Supervisors (IAIS)

The BMA is represented on nearly all IAIS committees and subcommittees and actively participated in the work conducted by these groups during Q1 2024. The BMA participated virtually in the IAIS Committee meetings on 7-8 March 2024. The Executive Committee (ExCo) met virtually on 7 and 8 March. Alongside reports from the Chairs of the IAIS parent committees, Climate Risk Steering Group and Insurance Capital Standard (ICS) and Comparability Task Force, the ExCo agenda included:

- Approval of the 2024 ICS data collection package

- Approval of the draft Application Paper on supervising diversity, equity and inclusion: the governance, risk management and culture perspective, for public consultation
- Progress on the draft revisions to recovery and resolution related standards for consultation
- Approval of the Climate Risk Consultation Package Three (ICP guidance and supporting material) and progress on the development of climate disclosure supporting material, which will form part of Climate Risk Consultation Package Four
- Approval of the Global Insurance Market Report (GIMAR) special topic for 2025 on potential financial stability implications of natural catastrophe protection gaps
- Approval of draft revisions to Holistic Framework supervisory material for public consultation (ICP 24.1, 16.6, 16.9 and related ComFrame standards)
- Next steps in the implementation assessment of the Holistic Framework supervisory material
- An update on the development of the 2025-2029 Strategic Plan and Financial Outlook
- An overview of the outcomes of the survey on ExCo Membership Principles for the 2023 year, conducted at the beginning of 2024
- A BMA delegation led by the Deputy Chief Executive Officer participated in the annual meeting of financial regulators from the British Overseas Territories in Miami
- The Authority delivered a presentation as a part of its work in the Coordination Group's virtual meeting of the Global Financial Innovation Network (GFIN)
- Representatives from the Investment Funds Team attended the International Financial Reporting Standards Sustainability Symposium in New York
- The BMA participated in a joint Caribbean Regional Technical Assistance Centre and International Monetary Fund (IMF) workshop on climate risk and financial stability in Panama City
- The Authority took part in a joint Financial Stability Board and IMF workshop on recent developments in banking resolution in Washington, DC

International Affairs Activity

The BMA participated in the following international meetings and conferences during the quarter:

- The BMA undertook a wide programme of engagement and meetings in the UK with the Prudential Regulatory Authority and Lloyd's of London
- The BMA also attended the National Association of Insurance Commissioners (NAIC) fall meetings in Phoenix, Arizona, USA
- The Authority presented an update on its Business Plan and activities related to innovation and technology at the International Organisation of Securities Commissions' Inter-American Regional Committee of securities regulators in Mexico City



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