



REGULATORY UPDATE

July–September 2024



Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 30 September 2024*.

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REGULATORY

Consultation/Discussion Papers

The BMA issued the following paper for consultation in Q3–2024:

- The Authority published a Consultation Paper on *Proposed Enhancements to the Corporate Service Provider Business Act 2012* and an illustrative draft amendment bill in June 2024. Following a peer review of the Bermuda Trust and Corporate Service Provider Regimes by the Group of International Financial Centre Supervisors, the Consultation Paper presented a comprehensive set of proposals to enhance prudential requirements, improve supervisory powers and make housekeeping amendments to bolster regulatory oversight and promote transparency within the sector. The Consultation closed on 9 August 2024

Policy and Guidance

The BMA issued the following guidance:

- The Authority published the Guidance Note (GN) entitled *General Business Insurers with Segregated Accounts and Separate Accounts* on 30 September 2024. This GN covers both limited purpose and commercial insurers in the General Business Insurance license classes that maintain Segregated Accounts as defined in the Segregated Accounts Companies Act 2000 (SAC Act) or maintain Separate Accounts as permitted by an insurer incorporated by a private act. This GN provides insurers that carry on general business and use Segregated Accounts and Separate Accounts (i.e. cells) with additional information related to how the cells should operate to comply with the relevant provisions of the regulatory regime. This is expected to result in greater consistency in reporting, licensing, authorisations and prudential supervision and provide the Authority with a more comprehensive view of insurance in cells in Bermuda

Thematic Review

- The Authority published a thematic review to collect comprehensive market data on key operational and regulatory developments across the digital asset sector. By focusing on governance and operations, conduct and stress testing, the thematic review aims to identify patterns, trends and emerging risks that affect the digital asset industry. The objective is to use the data to formulate best practices that promote compliance with the digital asset regulatory framework across all market sectors

Updates to Reporting Forms and Guidelines

The Authority published the following reporting forms and guidelines in Q3–2024:

- Discount Rates 30 June 2024 (9 July)

BMA Reports and Surveys

The Authority published the following reports and surveys in Q3–2024:

- *Liquidity Risk in the Bermuda Long-term Insurance Market* (30 August) – This report provides a detailed review of how Bermuda long-term insurers manage liquidity risk and the impact of regulation, emphasising liquidity risk associated with both assets and liabilities. The report delves into the nature of liquidity risk within the insurance sector, explores different insurance lines and discusses the strategies insurers use to manage liquidity risk
- *Private Credit – Deep Dive on Direct Loans, CLOs and Private Placements* (5 September) – This report provides an overview of some relevant private credit asset classes, namely direct loans, collateralised loan obligations and traditional private placements, their historical loss experience and forward-looking considerations that may not be fully reflected in historical data

BMA Reports and Surveys (Continued)

- *Collateral Structures in the Bermuda Long-term Insurance Market* (6 September) – This report discusses how asset-intensive long-term reinsurance is executed in Bermuda and how the collateral structures used in the market impact the net risk exposure cedants have to Bermuda reinsurers in the context of the size of the Bermuda market as measured by assets
- *Bermuda Cyber Underwriting Report 2023* (12 September) – This report outlines key statistics, findings and general recommendations for the industry regarding cyber insurance underwriting, including recognising Bermuda's pivotal role in covering a substantial portion of the cyber protection gap within the global cyber insurance landscape

LEGISLATIVE

Investment Business Amendment Act 2024

The Investment Business Amendment Act 2024 was amended in relation to Part IV to address matters related to the supervision and regulation of recognised investment exchanges and recognised clearing houses domiciled in Bermuda. The Investment Business Amendment Act 2004 became operative on 29 July 2024.

Investment Business (Recognised Bodies) (Reporting Accountants) (Facts and Matters of Material Significance) Regulations 2024

The Investment Business (Recognised Bodies) (Reporting Accountants) (Facts and Matters of Material Significance) Regulations 2024 contain requirements for auditors of Recognised Bodies under Part IV of the Investment Business Act 2003 to provide notice of certain facts and matters. These regulations became operative on 29 July 2024.

Investment Business (Recognised Bodies Recognition Requirements) Regulations 2024

The Investment Business (Recognised Bodies Recognition Requirements) Regulations 2024 were updated to include requirements that applicants must meet before being designated as a Recognised Bodies under Part IV of the Investment Business Act 2003. These regulations became operative on 29 July 2024.

Investment Business (Prudential Standards) (Recognised Bodies) Rules 2024

The Investment Business (Prudential Standards) (Recognised Bodies) Rules 2024 contain, among other matters, the requirements for a Recognised Body under Part IV of the Investment Business Act 2003 to maintain minimum capital and minimum liquidity.

The Banks and Deposit Companies (Restricted Banks) Amendment Order 2024


Amendments were made to the Banks and Deposit Companies Act 1999 that adjusted the minimum capital requirement for Restricted Banks to \$5 million. These banks can now serve casinos licensed under the Casino Gaming Act 2014 and individuals or entities not based in Bermuda. The Amendment Order took effect in July 2024.

INTERNATIONAL AFFAIRS

The BMA played an active role on the international stage throughout Q3-2024.

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 the third quarter. The BMA also participated in IAIS Committee meetings, which took place in Washington on 18-19 September.



The Executive Committee (ExCo) of the IAIS met in Washington DC on 19-20 September. Alongside reports from the Chairs of the Macprudential Committee (MPC), Insurance Capital Standard and Comparability Task Force (ICSTF) and the Secretary General, the ExCo agenda included:

- Approval of the initial list of proposed ExCo and other (sub)committee meeting dates (virtual and in-person) for 2025
- Approval of China, Hong Kong as the host jurisdiction for the 2026 Annual General Meeting and Annual Conference
- Outcomes of the Global Monitoring Exercise (GME) 2024 collective discussion. ExCo endorsed the key outcomes and proposed next steps with respect to individual insurer monitoring and sector-wide themes; and
- Approval of the Distinguished Fellows for 2024.

The ExCo also held its annual Strategic Retreat following the regular ExCo meeting. The outcome of the retreat included:

- Input on the prioritisation of projects and activities in the 2025-2026 Roadmap;
- Agreement to initiate a project to consider potential changes to governance structures and processes to best support the operationalisation of the 2025- 2029 Strategic Plan; and
- Input on enhancements to stakeholder engagement under the 2025-2029 Strategic Plan

International Affairs Activity

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

- An in-person, bilateral meeting with the NAIC in Bermuda
- Bilateral meetings with the European Commission, the National Bank of Belgium (NBB), the UK Prudential Regulatory Authority (PRA), the Federal Financial Supervisory Authority (BaFin) and Japanese Financial Services Authority (JFSA)

- The BMA organised a remote workshop with the insurance industry about the Insurance (Prudential Standards) (Recovery Plan) Plan Amendment Rules
- The International Organisation of Securities Commissions' (IOSCO) Regulation and Supervision of Crypto and Digital Asset Markets Seminar Training Programme in Madrid, Spain
- The Global Financial Innovation Network's (GFIN) Coordination group virtual meetings throughout Q3
- GFIN's AI Roundtable event in London, United Kingdom
- UK Financial Conduct Authority's (FCA) Data Innovation for Future of Regulation Conference in London, United Kingdom



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