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PRESS RELEASE

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International Monetary Fund Report Highlights and Supports Bermuda's Risk-Sensitive Financial Sector Supervision

The Bermuda Monetary Authority (BMA) today welcomed the publication of the International Monetary Fund's (IMF) Report of its 2007 assessment of financial regulation and supervision in Bermuda. The assessment was conducted to determine the measure of progress Bermuda has achieved since the IMF's initial review of the regulatory framework here in 2003. The BMA's Chief Executive Officer, Matthew Elderfield, stated he was very pleased to note the Report's acknowledgement that the Bermudian authorities have made impressive progress in developing, and implementing, a risk-focused approach to supervision across the range of markets that form Bermuda's financial services sector.

"We welcome the IMF assessment and its confirmation of the high standards of regulation in Bermuda," Mr. Elderfield said. "This is a solid vote of confidence in Bermuda regulation. It's pleasing to see, for example, that for our leading market that Bermuda is formally recognised as being highly observant of international insurance standards. The IMF acknowledges that Bermuda is a leading insurance jurisdiction and has the regulation to match. However, even this favourable assessment is somewhat out of date and the Authority has been pushing forward with further enhancements to our solvency rules for both insurers and banks."

"We're very grateful to the IMF team for their diligence in conducting the assessment and its flattering to get such a good grade from what was a distinguished and rigorous group of assessors," he added.

The assessment examined regulation and supervision of Bermuda's banking, insurance and securities markets. In the report of the findings arising from the assessment, the IMF particularly notes that:

- *Bermuda's insurance supervision, especially for the large commercial (re)insurance companies, is highly observant of the Core Principles established by the International Association of Insurance Supervisors (IAIS). This reflects and confirms the very firm commitment of the Bermuda authorities to on going compliance with international standards for financial regulation;*
- *The BMA has instituted a strongly risk-focused supervisory approach in line with the diversified range of insurers in Bermuda, and the Bermudian insurance regulatory system is based on hands-on, risk-sensitive supervision. This acknowledges Bermuda's long-standing, risk-based approach to*

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regulation, which has been applied effectively and remains appropriate for the predominantly wholesale markets here, whether insurance or across the financial services sector;

- *The regulatory and legislative framework is well-developed for the banking sector in Bermuda, and banking supervision has progressed both organisationally and in supervisory practices.* This conclusion reflects overall regime enhancements, for key existing framework components such as off- and on site supervision and risk assessment and analysis, that the BMA has put in place. It also acknowledges the advanced stage of preparatory work and policy development we have conducted for the implementation of Basel 2;
- *Similarly, Bermuda's framework for securities regulation is also well-developed.* This recognises the enhancements implemented with the introduction of the Investment Funds Act 2006, which built on the BMA's supervisory powers with respect to fund regulation and enhanced the framework with initiatives such as new licensing requirements and a code of conduct for fund administrators;
- *Staff resources at the BMA continue to increase in both quantity and depth, particularly noting that larger supervisory teams have been established for all market sectors.* This point recognises the emphasis and effort the BMA has placed on enhancing its operational capability, and the success achieved in that regard, to ensure the proper resources are in place to support effective supervision of the financial markets in Bermuda; and
- *The BMA has taken a proactive approach to the sub prime crisis.* This highlights the periodic market surveys the BMA has conducted to maintain active monitoring and analysis for evaluating exposure of the banking, insurance and securities sectors here to sub prime. It also acknowledges the contribution this work, which still continues, has made to discussions about this issue within the international regulatory arena and in deliberations at the IAIS.

With respect to Bermuda's framework for anti-money laundering and countering the financing of terrorism (AML/CFT), the Report acknowledges the work that Bermuda has developed, and is in the process of actively implementing, to enhance the AML/CFT regime using a risk-based supervisory approach.

Mr. Elderfield stated that the IMF assessment complemented the continuous review of the regulatory framework that the BMA conducts to ensure regulation in Bermuda remains effective for the nature of business conducted here and consistent with international standards. "The Bermuda authorities regard such assessments and their recommendations as helpful input to our own on going, routine review of Bermuda's regulatory framework," he said.



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