



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministerial Statement

To the House of Assembly

By

The Hon. E. David G. Burt, JP, MP

Premier and Minister of Finance

The Banks and Deposit Companies Amendment Act 2022

Date: 1st July 2022

Mr. Speaker, I am pleased today to table the Bill entitled the Banks and Deposit Companies Amendment Act 2022 (the “Amendment Act”). The primary purpose of the Amendment Act is to provide the Bermuda Monetary Authority (the “Authority”) with an express power to issue codes of conduct in relation to the manner in which an institution conducts deposit-taking business. In addition, the Amendments will allow for the regulation of banking fees, similar to provisions that exist in other major countries. This is also seen as an important provision to enhance consumer protection in this sector.

Mr. Speaker, far too many Bermudians can, unfortunately, tell stories from their own experience or from close friends and family that have felt the wrath of local banks increasing fees at a moment’s notice leaving Bermudians to simply accept it.

Such decisions by our local financial institutions have contributed to the cost of living in this country and while banks continue to improve their bottom lines it is not lost on this Government that much of which comes at the expense of the people of Bermuda.

Mr. Speaker, This Government's position on this matter has been consistent as evidenced in the 2013 Progressive Labour Party Budget Reply where I then stated that, *"certain fees at local banks punish and compound distress for those in financial difficulty. One key issue is credit card over-the-limit fees which is difficult for the average customer to grasp given credit cards have "limits"; however, Bermuda banks allow customers to exceed their limit and then charge a fee every time they do, with fees sometimes far exceeding the transactions that triggered the fees. This punitive practice has been addressed in many jurisdictions with regulations restricting a bank to one over-the-limit charge per billing cycle. We call on the Minister of Finance to direct the BMA to put an immediate end to this practice in our local banks."*

Mr. Speaker, since the former Government was unwilling to put measures in place to protect the people of Bermuda from unjust banking practices that have long since been outlawed in other jurisdictions this Government will keep its promise as laid out in its election platform and take the action that voters demand.

Mr Speaker, though some local banks have adopted to global norms of limiting over-the-limit fees to one charge per billing cycle, there are still some local banks that have not. Additionally, some banking fees at local banks have increased by 400% over the last 3 years alone, which drains the purchasing power of everyday Bermudians as more of their hard earned money goes to banking fees.

Mr. Speaker, I understand that banks globally have resorted to fee income to supplement declining interest income while global interest rates were at historically low levels. But as interest rates increase, it is imperative of the Government to act to protect consumers.

Mr. Speaker, last week I relayed the position of the Government to the Bermuda Bankers Association and it is my hope that they will collectively address the escalating fees and also address the charges that are outside of global norms. However, Mr. Speaker, as I told them last week, I will tell this Honourable House and the people of Bermuda today; if they will not act - then this Government will act in the interest of consumers in Bermuda by introducing limits on banking fees to ensure fair access to banking services. Bermuda's Residents deserve no less than fair access to banking services and they should not be disadvantaged by punitive fees when compared to residents in other jurisdictions.

Mr. Speaker, this legislation will allow the Authority to ensuring banking institutions are appropriately complying with consumer protection requirements and promoting better and fairer treatment of their customers. Conduct matters in relation to financial institutions have been the subject of numerous discussions throughout the community. The changes proposed in this Bill are seen as a positive enhancement to the powers available to the Authority and the Minister to ensure that matters relating to the protection of customers are given appropriate consideration by entities in this sector.

Mr. Speaker, following discussions with the Ministry and extensive consultation with relevant stakeholders, including the general public, the new regime is intended to build upon existing conduct requirements and will be based on the standards set down by the Bank of International Settlements, the OECD and the G20 High-Level Principles on Financial Consumer Protection.

Mr. Speaker, having conducted a jurisdictional review, and noted that some jurisdictions have the same regulators having responsibility for prudential and conduct supervision, while others have allocated the responsibility for prudential regulation to a different agency from the one responsible for protection of consumers and financial markets. Given the scale of the Bermuda financial services market, it is feasible for the Authority to assume the conduct of business mandate alongside its prudential responsibilities.

Mr. Speaker, this legislation will allow the Authority to have a focus on ensuring the institutions are appropriately complying with consumer protection requirements. To complement the Authority's work in this area, the customer facing component will be addressed through a "fit for purpose" regime, which will come under the Consumer Affairs Department.

Mr. Speaker, the Bill entitled, "the Bermuda Monetary Authority Amendment Act 2022" will be debated by the House later today. The purpose of that Bill is to provide the Authority with an additional principal object relating to the Authority having oversight of the conduct of business by financial institutions for the purpose of promoting the protection of customers using products and services provided by financial institutions. This is an important change to the Authority's mandate which recognizes that consumer protection is now a core function of the Authority and will reinforce the changes to be made by this bill.

Mr. Speaker, addressing these matters will be beneficial to the community as a whole. Residents expect to have fair access to banking services and I therefore look forward to providing more details on this bill as we go through the legislative process.

Thank you, **Mr. Speaker**.