



GOVERNMENT OF BERMUDA

**The Ministry of Finance**

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**Ministry of Finance Headquarters**

**Ministerial Statement**

To the Senate

By

**Senator Arianna Hodgson, JP**

Junior Minister for Labour, Finance and Health

**The Bermuda Monetary Authority Annual Report 2023**

Date: 17 July, 2024

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**Madam President**, in accordance with section 28 of the Bermuda Monetary Authority Act 1969, I am pleased to table the Bermuda Monetary Authority Annual Report 2023 (the “Report”).

**Madam President**, Bermuda’s financial services sector is subject to the regulation and supervision of the Bermuda Monetary Authority (the “Authority”). The Authority operates pursuant to the Bermuda Monetary Authority Act 1969 (the “Act”), which provides it with a number of principal objects, including the supervision, regulation and inspection of financial institutions operating in or from within Bermuda together with the promotion of financial stability and the soundness of financial institutions.

**Madam President**, the House would be aware that the Authority has specific licensing and supervisory responsibilities under the following regulatory statutes: the Banks and Deposit Companies Act 1999; Corporate Service Provider Business Act 2012, the Digital Asset Business Act 2018; the Insurance Act 1978; the Investment Business Act 2003; the Investment Funds Act 2006; the Money Service Business Act 2016, the Fund Administration Provider Business Act 2019; the Trusts (Regulation of Trust Business) Act 2001, together with other statutes. The Authority also regulates the Bermuda Stock Exchange.

### **Mission**

**Madam President**, the Authority's mission is to contribute to Bermuda's financial stability, protect customers of financial services and protect Bermuda's currency through maintaining effective and proactive regulatory frameworks through its highly skilled and engaged workforce; delivering efficient operations and sustainable business practices; and supporting responsible innovation locally and in global markets.

### **International Recognition**

**Madam President**, the Authority has received international recognition of its work. The House would be aware that Bermuda is one (1) of only seven (7) total jurisdictions worldwide that have received the US National Association of Insurance Commissioners (NAIC) "qualified jurisdiction" status.

Additionally, Bermuda is one of three jurisdictions to have received the NAIC elevated status of reciprocal jurisdiction. Bermuda has also been granted equivalence status under the European Union (EU) Solvency II Directive for its commercial insurer sectors. Bermuda is one of only two jurisdictions that has been granted this status.

**Madam President**, the Authority is recognised as a constructive participant in a number of international organisations. Meetings with such organisations offer opportunities for the Authority to strengthen its relationships with other supervisors. Currently, the Managing Director, Supervision of the Authority serves as a member of the International Association of Insurance Supervisors (IAIS) Executive Committee. BMA staff are also heavily involved as Chair, Vice Chair or Member of a variety of IAIS committees and subcommittees, such as the Macprudential Committee, the Policy Development Committee, the Signatories Working Group and the Financial Crime Forum.

In addition, the Authority is an active member of the Financial Stability Board Regional Consultative Group Americas and participates in and contributes to the Bank for International Settlements and the Organisation for Economic Co-operation and Development's Insurance and Private Pensions Committee. The Authority also is a coordination group member of the Global Financial Innovation Network (the "GFIN"). The GFIN is a group of regulators committed to supporting financial innovation in the best interests of consumers.

## **Legislation**

**Madam President**, the Authority is authorised to act as an adviser to the Minister of Finance on policy matters relating to any financial institution. Accordingly, it may propose laws that allow it to do so appropriately and consistently with its functions under the Bermuda Monetary Act 1969 (Act). In this regard, the legislative proposals advanced during the relevant period addressed, the establishment of a new digital asset business activity and enhancements to the Authority's oversight of digital asset business; the introduction of a recovery planning framework for commercial insurers, insurance groups and internationally active insurance groups; proposals to enhance the investment funds framework; and amendments to the fees payable by certain insurers, pursuant to the Act.

## **Supervision and Licensing**

**Madam President**, Members attention is drawn to the following key highlights:

- **Banking Sector**

**Madam President** the consolidated assets of the banking sector decreased by **8.8%** or **\$2.3** billion to **\$23.7** billion in 2023.

This change was in line with a decrease in deposit liabilities and is evidenced primarily by cash and deposits decreasing by 36.5% to **\$2.7 billion** (2022: **\$4.2 billion**).

**Madam President**, investments retained the largest share of total assets at 49.1% (46.0%:2022), followed by loans at 35.6% (34.7%:2022), and cash and deposits at 11.3% (16.2%: 2022).

**Madam President**, net interest income continues to be the largest component of the banking sector's income at \$790 million (\$620 million: 2022).

- **Insurance sector**

**Madam President**, 1,220 insurers were registered as of 31 December, 2023 as compared to 1,196 in 2022. 62 insurers were added to the register in 2023 (80:2022).

**Madam President**, insurers and insurance groups are required to submit statutory financial returns either four months, five months or six months after their financial year-end depending on the applicable licence class. While the majority of insurers have a December 31 year-end, some have financial year-ends outside of the calendar year-end. Occasionally, insurers also apply and may be granted filing extensions. Underwriting statistics in the report incorporate aggregation of all data from the 2022 year-end filings received in 2023.

The 2023 year-end statutory filing's initial filing was due at the end of April 2024 and, therefore, 2022 year-end information is the most recent complete set of information.

According to 2022 year-end information, total capital and surplus was \$347 billion in 2022 (\$371bn:2021). Gross premiums written were \$277 billion in 2022 (\$268bn:2021).

The \$9 billion increase in gross premiums written between 2021 and 2022 is attributed to the growth in business written by large, commercial, general business and long-term insurers.

Total assets were \$1.65 trillion in 2022 (\$1.63 trillion: 2021). The main increase of \$21 billion in total assets from the previous year, is largely due to increased business written by a specific group of insurers.

- **Investment Sector**

**Madam President,** there were 47 (2022:48) **licensed investment business providers** operating in Bermuda in 2023. The aggregate total assets under management (**AUM**) were US\$224.5B compared to US\$216.2B AUM in 2022. 69% of AUM relates to European client business while 20% of the AUM relates to Bermuda-based clients. Total assets under administration (**AUA**) for 2023, was US\$28.1 billion, compared to US\$26.8 billion reported for 2022.

**Madam President,** in 2023, there were 804 (804:2022) **investment funds on the Investment Funds Act register** comprising 146 overseas funds being promoted in Bermuda and 658 Bermuda funds. This is contrasted against 2022, whereby 136 overseas funds were promoted in Bermuda and Bermuda funds totalled 668) with a net asset value reported in relation to Bermuda funds of \$280.94 billion (\$292.71 billion: 2022).

**Madam President,** at the end of 2023, 24 (24:2022) fund administrator licences were in issue, with \$238.3 billion in assets under administration.

- **Digital Asset Business Sector**

There were 24 (16:2022) digital asset business providers operating in Bermuda at year-end 2023.

- **Bermuda Stock Exchange**

**Madam President,** the total equity market capitalisation of the Bermuda Stock Exchange (the “BSX”) stood at \$191.7 billion at the end of 2023 as compared with \$166 billion at the end of 2022.

**Madam President**, a total of 195 (2022:142) new insurance-linked securities were added to the BSX in 2023 increasing the total nominal value to \$59 billion (\$52 billion:2022).

**Madam President**, domestic trading volume totalled 2.28 million shares in 2023 (1.42 million: 2022) and was valued at 20.4 million (\$13.1 million: 2022).

## **Employees**

**Madam President**, at year end 31 December 2023, the Authority was comprised of 273 full-time permanent employees as compared with 235 in 2022.

## **Financials**

**Madam President**, Members attention is drawn to the following highlights set out in the Statement of Accounts Report:

- **Madam President**, the net comprehensive loss was \$3.53 million down from net comprehensive income of \$5.45 million in the previous year.
- **Madam President**, total revenue increased by 8.80% up to \$86.66 million, up from \$79.65 million. The increase is mainly due to a \$3.44 million increase in revenue from supervisory and licensing fees.

- **Madam President**, expenses increased by 21.54% to \$90.19 million. The increase was mainly due to the \$10.09 million in increased salaries and benefits.
- **Madam President**, licensing fees were \$74.414 million at year-end as compared with \$71.049 million of which \$63.544 million was paid by the insurance sector.
- **Madam President**, Board Members are paid an annual fee of \$26,000 (\$26,000: 2022); Board Sub Committee Chairs are paid an annual fee of \$33,000 (33,000: 2022). The Chairman of the Board receives an annual fee of \$96,000 (\$96,000: 2022).
- **Madam President**, the CEO's salary is set at \$500,000 (no change) and he is eligible for a performance-based bonus of up to 50% of base salary. The salaries of the other 18 members of the executive team range from \$258,000 to \$459,000 in 2023 with a performance bonus of up to 37% (2022-37%) of salary.

### **Fines, penalties and other income**

**Madam President**, the receipt of funds from fines and penalties decreased by \$1.82 million from the previous year.

**Madam President,** upon reviewing the Authority's 2023 financial statements, the Auditor General has issued a clean opinion.

**Madam President,** I wish to express my sincere thanks to the Authority's board, who served and continue to serve this complex sector, and a special thank you to the Authority's staff.

**Thank you, Madam President.**