

SM/08/295
Correction 3

October 14, 2008

To: Members of the Executive Board
From: The Secretary
Subject: **Bermuda—Assessment of Financial Sector Supervision and Regulation**

The attached correction to SM/08/295 (9/8/08) has been provided by the staff.

Factual Error Not Affecting the Presentation of Staff's Analysis or Views

Page 1, para. 2, bullet 1: for “Insurance supervision for the commercial insurers and reinsurers is largely observant of the IAIS Core Principles” read
“Insurance supervision for the commercial insurers and reinsurers has a high level of observance of the IAIS Core Principles”

Questions may be referred to Ms. Zephirin, MCM (ext. 38680).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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ASSESSMENT OF FINANCIAL SECTOR SUPERVISION AND REGULATION

Prepared by the Monetary and Capital Markets Department

Approved by Jan Brockmeijer

September 8, 2008

This report is based mainly on information obtained during missions from June 12 to 22, and May 7 to 23, 2007 (for the AML/CFT evaluation), stress testing based on end-2006 company data, and consultations with the authorities between September 2007 and May 2008. The assessment team members comprised Ms. Mary G. Zephirin (Mission Chief), Messrs. Jorge Chan-Lau (Senior Economist) (both IMF), and Marcel Maes (consultant, banking supervision); and for the review of the insurance sector, Ms. Su Hoong Chang (consultant), Mr. Henning Göbel (consultant, German Federal Financial Supervisory Authority, BaFin), and Mr. Ray Spudeck (consultant, Florida Department of Insurance Supervision). The AML/CFT team comprised Messrs. Manuel Vasquez (Mission Chief), Antonio Hyman Bouchereau (both IMF), Ross Delston (consultant) and John Abbott (consultant).

Bermuda is a globally important reinsurance center and the second largest captive insurance domicile after the U.S. Appropriate oversight of its financial system therefore has significant cross-border benefits. The assessment found that, with the exception of the AML/CFT regime, recommendations of the earlier assessment had been implemented.

- Insurance supervision for the commercial insurers and reinsurers has a high level of observance of the IAIS Core Principles. Implementation of a risk-based regulatory framework is in place for the most systematically-important market segment. Full rollout to the industry is required for achievement of comprehensive market oversight.
- The Banking Supervision Department of the Bermuda Monetary Authority (BMA) has been restructured to support the introduction of a formal risk-based supervisory system. The regulatory framework has been substantially improved.
- Securities regulation has been updated with, in particular, 2006 legislation governing collective investment schemes and a dedicated inspection team. The BMA has also been given statutory oversight of clearing and settlements.
- The AML/CFT regime requires significant updating to keep pace with the FATF recommendations, and to implement the recommendations of the 2003 assessment.

This report was written by Mary G. Zephirin and Jorge Chan-Lau with contributions from other members of the assessment team.

The AFSSR is a summary report on implementation of the indicated financial sector regulatory standards. It has been developed to help jurisdictions identify and remedy weaknesses in financial sector supervision and regulation. The reviews do not directly assess risks such as those associated with asset quality, markets, or fraud that could affect the soundness of financial systems or individual institutions.

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