



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement

To the House of Assembly

by

The Hon. David Burt, JP, MP

Premier and Minister of Finance

Banking Sector Reform

Date: 15th November 2024

Mr Speaker, the purpose of this Ministerial Statement is to provide the House of Assembly with a report on policy discussions currently held with the banking sector regarding matters related to caps on over the limit fees charged by deposit-taking institutions; financial inclusion or access to bank accounts and a general fee approval framework.

Caps on over the limit fees charged by deposit taking institutions

Mr Speaker, Members would recall that the Banks and Deposit Companies Act 1999 (the “Act”) was amended in 2022 to provide the Minister of Finance with a power to make Regulations for the purpose of regulating any commercial or business fee, charge or penalty to be paid by clients of an institution holding a deposit-taking licence, pursuant to the Banks and Deposit Companies Amendment Act 2022.

Mr Speaker, subsequent to the amendment, the Ministry of Finance working together with the Authority, has developed a framework which provides for limits on the fees which may be charged on certain types of transactions, should a person exceed an agreed credit limit, which occurs as a result of the relevant person's use of certain services, products or facilities provided by a deposit-taking institution.

Mr Speaker, it is proposed to enact the Banks and Deposit Companies (Over-the-Limit Fees) Regulations 2024 shortly. Key features of the proposal are as follows:

Customer scope It is proposed that changes should be applicable to all clients of a deposit-taking institution. This includes existing as well as new customers.

Agreements There will be a requirement for the terms and conditions to be set out in an agreement.

Where a customer declines to accept the terms and conditions of an agreement, they will be required to confirm in writing that they will not have access to the product, service or the facility beyond the agreed limit.

It is proposed that over-the-limit fees would not be charged more than once per billing cycle per product, service or facility.

It is proposed that an agreement be terminated in writing by the customer at any time prior to the termination date of such agreement.

Termination of an agreement shall not invalidate an over-the-limit transaction.

Mr Speaker, it is proposed that different provisions of the Regulations will come into effect on different commencement dates. It is likely that matters related to changes client agreements will take effect on a later date while the limits on the fees which may be charged will come into effect on publication of the Regulations. Members are advised that the draft Regulations have been submitted to the Bermuda Banker's Association for final comment.

Mr Speaker, following consultation with the banking sector, Members should be aware that some institutions have already taken steps towards meeting this commitment while others have advised that they may either withdraw the service or they will consider the impact on their operations based upon legislation which has been finalised.

Financial Inclusion

Mr Speaker, the Financial Action Task Force Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion (the FATF Guidance'') defines financial inclusion as involving the provision of access to an adequate range of safe, convenient and affordable financial services to disadvantaged and other vulnerable groups, including low income, rural and undocumented persons, who have been underserved or excluded from the formal financial sector.

Mr Speaker, Members would be aware that the World Bank and the Financial Stability Board have documented the sustained deterioration in the provision of correspondent banking services by large international banking groups. Members should be aware that the costs of compliance to ensure retention of correspondent banking worldwide have significantly increased as countries react to developments in global regulation. This in turn affects a bank's ability and willingness to provide banking services to sectors considered particularly at risk by large international banks providing correspondent banking services. In response, countries are encouraged to increase their communication and outreach on supervisory practices, to further contribute to more differentiated risk decision-making by banks.

Mr Speaker, following discussions with the Bermuda Monetary Authority and the Bermuda Bankers Association, the Government intends to introduce a framework regarding matters related to basic bank accounts in accordance with the standards set down by the Financial Action Task Force and the National Anti-Money Laundering Committee. Although, further discussions are required with the banking sector, the Ministry and the Authority are close to finalising a framework for discussion.

Mr Speaker, the framework will be guided by the general principle that persons who are currently underserved, from a banking perspective, or persons who have been derisked for reasons other than the services banks are legally permitted to offer, should be provided with access to a bank account to facilitate their inclusion in the formal economy. This policy approach is in keeping not only with the guidance set down by the Financial Action Task Force but also with the World Bank definition of the term “financial inclusion” which has also been defined to mean that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a reasonable and sustainable way.

General Fee Approval Framework

Mr Speaker, following the approval of the over-the-limit fees, the Ministry of Finance, working together with the Authority, intends to advance a proposal to address how other banking fees could be addressed. Details of the proposal will be released to the public in due course.

Mr Speaker, apart from fee initiatives, work is also underway to determine how to enhance the banking sector ecosystem. Working together with the Bermuda Monetary Authority, different reforms are currently under review to address the lack of diversification in the banking sector and the impact that the current state is having on consumers. The immediate touch points for customers range from the mortgage guarantee proposal, to enhanced conduct rules, open banking and digital identification. As per the Government's normal custom and practice, the proposals are always shared with the Financial Policy Council and the Bermuda Bankers Association, at various stages of the process, to help the Government to better understand which combination of reforms would best meet the Government's objectives and what the aggregate impact would be.

Mr Speaker, Bermuda's banks and deposit companies are required to meet, on an ongoing basis, the minimum licensing criteria set out in the Banks and Deposit Companies Act 1999 (the "Act"). The Act requires institutions to conduct their business in a prudent manner, including that they maintain capital and financial resources commensurate with the nature and scope of their operations. The capital requirements imposed seek to appropriately reflect their size and the nature and scope of their business. There is no intention to modify these requirements.

Thank you, **Mr Speaker**.