



BERMUDA DEPOSIT  
INSURANCE CORPORATION





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**BERMUDA DEPOSIT  
INSURANCE CORPORATION**

**Enhancing Bermuda's  
Financial Safety Net**

# Board of Directors

**Stephen Todd**, JP

CHAIRMAN

CEO, The Bermuda Hotel Association / Hotel Employers of Bermuda

**Jeremy Cox**

CEO, Bermuda Monetary Authority

**Mark Crockwell**, CFA

Treasurer, Said Holdings Ltd.

**Nathan Kowalski**, CPA, CA, CFA, CIM

CFO, Anchor Investment Management Ltd.

**Anthony Manders**

Financial Secretary, Government of Bermuda

**Marcia Woolridge-Allwood**

Senior Advisor, Bermuda Monetary Authority

# Chairman's Report



On behalf of the Board, I am pleased to present this first Annual Report on the operations of the Bermuda Deposit Insurance Corporation for the period ended March 31, 2017.

Just over 10 years ago, the incidence of significant financial losses on the part of financial institutions globally led to heightened interest on the part of the general public, policymakers and regulators in the key aspects of a country's financial safety net. The financial safety net typically consists of three elements: prudential regulation and supervision, a lender of last resort and deposit insurance. In Bermuda, which has no central bank or lender of last resort, the safety net has relied heavily on prudential regulation and supervision, which has been carried out by the Bermuda Monetary Authority (BMA). The setting and monitoring of requirements for capital adequacy and the assessment of risk within institutions represent key elements within the framework of prudential oversight and control provided by the BMA to help protect the interests of depositors. The approach developed and applied by the BMA in this regard has reflected the regulatory standards designed and promulgated by the Basel Committee on Banking Supervision and other international standard setting bodies.

While this approach has served Bermuda well in the past, the unprecedented developments affecting banks and financial institutions in the major developed economies at that time suggested that the establishment of a deposit insurance scheme (DIS) in Bermuda, to complement the role of the BMA and to provide a further layer of protection to depositors, was deemed necessary and timely. Deposit insurance is a guarantee to depositors in a bank that they will be compensated up to a maximum specified amount of their deposits upon failure of that institution. The primary function of a DIS therefore is to provide enhanced protection for depositors in the event that an individual banking entity has solvency or other problems that threaten its survival. A well-structured DIS can also help to bolster public confidence and thereby help to reduce the risk of problems in one bank escalating into a crisis or spreading to other banks.

The DIS in Bermuda has been established under the auspices of the Deposit Insurance Act 2011 and the Deposit Insurance Rules 2016.

Both pieces of enabling legislation were effectively brought into force on August 20, 2016 and by way of a further ministerial order, the effective date for the payment of premium contributions by scheme members was established as of July 1, 2016. Currently, the four licensed banks on the Island are contributors to the scheme.

In the first period of operations, total premiums received from scheme members aggregated approximately \$4.44 million with premiums earned on individual and joint accounts comprising approximately 90% of the total. Total premium income was based on a premium rate of 0.25% per annum charged on average quarterly declared insured deposits of \$2.37 billion for the period.

Net income earned after incurring expenses of \$364,000 was \$4.07 million. Through judicious and prudent expense management and control, the Board was able to ensure that approximately 92 cents on every dollar of premiums received accrued to the bottom line and effectively into the scheme fund. The Board intends to maintain this conservative approach to the management of the scheme going forward and to ensure that high levels of liquidity are preserved as the fund is being built.

Total assets stood at \$4.13 million and effectively comprised cash and equivalents of \$2.63 million together with accrued premiums of \$1.49 million.

The Board has worked diligently over the last few years to bring the scheme into operation and we are especially grateful for the efforts of a number of professional service providers who have assisted with the development of the enabling legislation as well as to operationalise the scheme. We are also particularly grateful for the constructive support received from the Bermuda Bankers Association who have worked in purposeful partnership with the Board to assist with the establishment of the scheme.

We acknowledge that the scheme is in the very early stages of establishment and that there will be a number of years of growth necessary before the fund is at a size to provide an effective stabilisation option should a bank experience difficulty. The Board looks forward to playing a vitally important stewardship and oversight role in the further development and positioning of the Bermuda Deposit Insurance Corporation and the scheme as an effective enhancement to Bermuda's financial safety net.



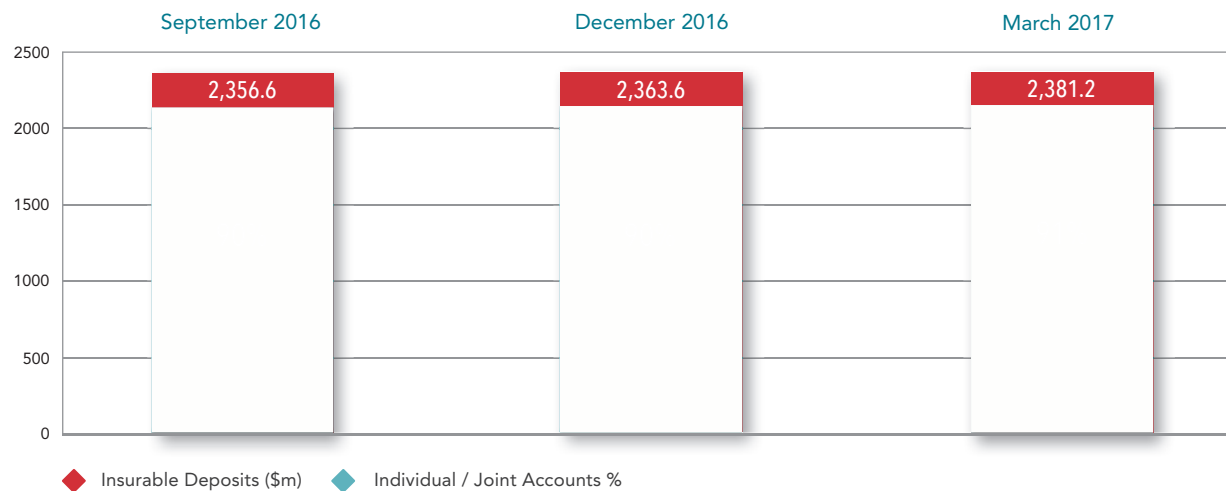
**Stephen Todd**

CHAIRMAN

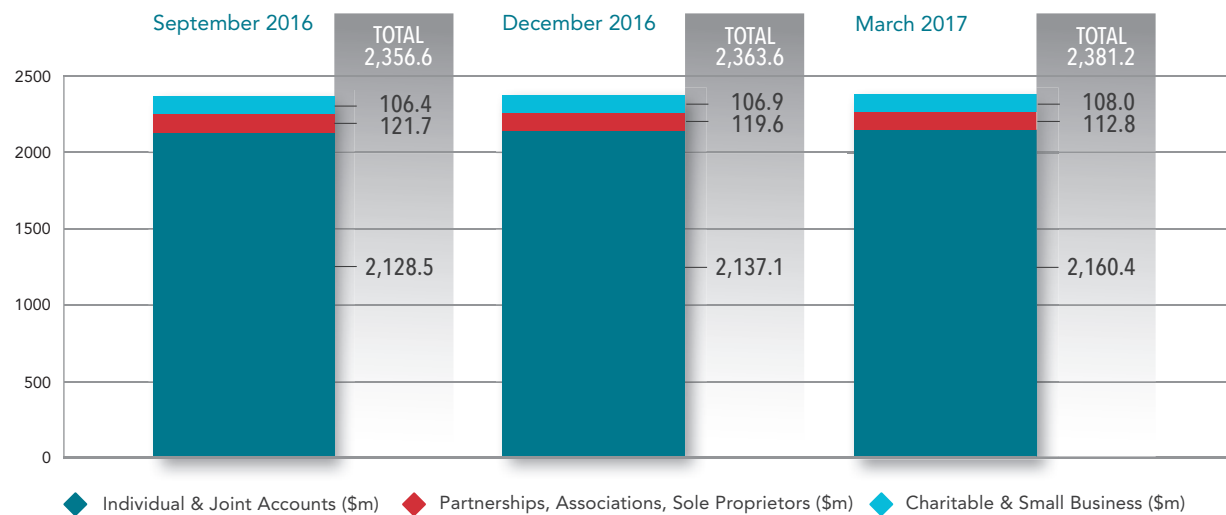


# Data & Analysis

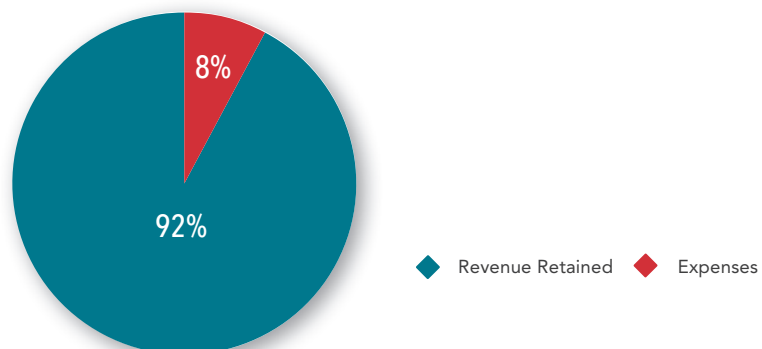
## INSURABLE DEPOSITS (\$M) AND INDIVIDUAL / JOINT ACCOUNTS %



## INSURABLE DEPOSITS BY CATEGORY (\$M)



## RETAINED REVENUE



December 13, 2018

The Hon Curtis L. Dickinson, JP, MP  
Minister of Finance  
Ministry of Finance  
Hamilton

Dear Minister,

In accordance with section 35(1) of the Deposit Insurance Act 2011, I have the privilege to submit to you a report of the operations of the Bermuda Deposit Insurance Corporation for the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017, together with the statement of accounts and the opinion of the Auditor General.

Yours sincerely



**Stephen Todd**

CHAIRMAN



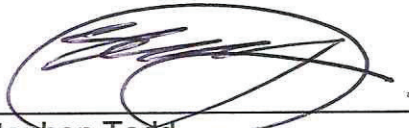
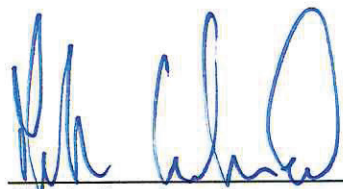
November 27, 2018

The accompanying financial statements of the Bermuda Deposit Insurance Corporation have been prepared by those charged with governance, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgements, where appropriate.

Those charged with governance are responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

Those charged with governance are responsible for ensuring that they fulfill their responsibility for financial reporting and internal controls. They meet periodically to discuss matters relating to financial reporting, internal control and audits. They also review the financial statements before their approval. The financial statements have been approved by those charged with governance and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

  
Stephen Todd  
Chairman  
Mark Crockwell  
Director



## ***Office of the Auditor General***

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### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the Bermuda Deposit Insurance Corporation

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Bermuda Deposit Insurance Corporation, which comprise the statement of financial position as at March 31, 2017, and the statements of comprehensive income, changes in equity and cash flows for the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Deposit Insurance Corporation as at March 31, 2017, and its financial performance and its cash flows for the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017 in accordance with International Financial Reporting Standards.

## **Report on Other Legal and Regulatory Requirements**

As required by Schedule 2 of the Deposit Insurance Act 2011, I also report that, in my opinion, the financial statements show fairly the financial transactions and the state of affairs of the Bermuda Deposit Insurance Corporation, proper accounting and other records have been kept, including records of all assets of the Bermuda Deposit Insurance Corporation, and the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Bermuda Deposit Insurance Corporation during the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017, were in accordance with the provisions of the Deposit Insurance Act 2011.

Hamilton, Bermuda  
November 27, 2018



Heather Thomas, CPA, CFE, CGMA  
Auditor General

## BERMUDA DEPOSIT INSURANCE CORPORATION

### Statement of Financial Position

As at March 31, 2017

(Expressed in Bermuda Dollars)

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#### Assets

##### Current assets

Cash and cash equivalents (Note 4)	\$ 2,631,552
Accrued income (Note 8)	1,488,282
Prepayments	<u>5,302</u>
Total current assets	<u>4,125,136</u>

##### Non-current assets

Property, plant and equipment (Note 5)	<u>8,424</u>
Total non-current assets	<u>8,424</u>

<b>Total assets</b>	<b>\$ 4,133,560</b>
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#### Liabilities and equity

##### Current liabilities

Accounts payable and accrued liabilities (Note 8)	\$ <u>59,054</u>
Total current liabilities	<u>59,054</u>

##### Equity

Retained earnings	<u>4,074,506</u>
Total equity	<u>4,074,506</u>

<b>Total liabilities and equity</b>	<b>\$ 4,133,560</b>
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#### Commitments (Note 6)

*The accompanying notes are an integral part of the financial statements.*

Signed on behalf of Bermuda Deposit Insurance Corporation:



Chairman



Director



## BERMUDA DEPOSIT INSURANCE CORPORATION

### Statement of Comprehensive Income

For the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017  
(Expressed in Bermuda Dollars)

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<b>Revenue</b>	
Premiums (Note 7)	\$ 4,438,396
Interest income	<u>88</u>
Total revenue	<u>4,438,484</u>
 <b>Expenses</b>	
Professional fees	246,390
Administrative	95,521
Occupancy	21,827
Depreciation (Note 5)	<u>240</u>
Total expenses	<u>363,978</u>
 Net income	<u>4,074,506</u>
 Total comprehensive income for the period	<u><u>\$ 4,074,506</u></u>

*The accompanying notes are an integral part of the financial statements.*

## BERMUDA DEPOSIT INSURANCE CORPORATION

### Statement of Changes in Equity

For the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017  
(Expressed in Bermuda Dollars)

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#### Retained earnings

Balance, beginning of period	\$	—
Total comprehensive income for the period		<u>4,074,506</u>
Balance, end of period	\$	<u>4,074,506</u>

*The accompanying notes are an integral part of the financial statements.*

## BERMUDA DEPOSIT INSURANCE CORPORATION

### Statement of Cash Flows

For the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017  
(Expressed in Bermuda Dollars)

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#### Cash flows from operating activities

Total comprehensive income for the period	\$	4,074,506
Adjustment for:		
Depreciation		240
Changes in working capital:		
Increase in accrued income		(1,488,282)
Increase in accounts payable and accrued liabilities		59,054
Increase in prepayments		<u>(5,302)</u>
Net cash provided by operating activities		<u>2,640,216</u>

#### Cash flows from investing activities

Purchase of property, plant and equipment		<u>(8,664)</u>
Net cash used in investing activities		<u>(8,664)</u>

Net increase in cash and cash equivalents		2,631,552
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Cash and cash equivalents, beginning of period		<u>—</u>
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Cash and cash equivalents, end of period	\$	<u><u>2,631,552</u></u>
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Interest received	\$	<u><u>88</u></u>
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*The accompanying notes are an integral part of the financial statements.*

## BERMUDA DEPOSIT INSURANCE CORPORATION

### Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

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#### 1. General

The Bermuda Deposit Insurance Corporation (the "Corporation") was incorporated in Bermuda in 2011 as an independent body to administer and enforce the Deposit Insurance Scheme ("DIS") in Bermuda, as well as to manage the Deposit Insurance Fund (the "Fund"). These financial statements reflect the financial position, results of operations, changes in equity and cash flows of the Fund. The address of its registered and business office is 26 Victoria Street, Hamilton HM 12, Bermuda.

The functions and powers of the Corporation are set out in Section 5 of the Bermuda Deposit Insurance Act 2011 and its amendments (the "Act"). The primary functions of the Corporation are to collect premiums from all members of the DIS, that is Bermuda's licensed banks and credit unions, and investing them, issuing the prompt payment of compensation to insured depositors from the Fund, up to a current maximum limit of \$25,000, educating the public on the DIS and its purpose and ensuring institutions adhere to the DIS.

#### 2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for the period presented, unless otherwise stated.

##### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board.

These financial statements were authorised for issue by the Board of Directors on November 27, 2018.

##### (b) Frequency of reporting

These financial statements have been prepared for the period from August 20, 2016 (effective date of commencement of operations) to March 31, 2017, to comply with the reporting requirements of the Act.

##### (c) Basis of measurement

These financial statements have been prepared under the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for assets or liabilities.

##### (d) Functional and presentation currency

These financial statements are presented in Bermuda dollars, which is the Corporation's functional and presentation currency.

##### (e) Use of estimates and judgment

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates and assumptions include evaluating the useful lives of property, plant and equipment and estimating the allowance for the provision of doubtful accrued income. Actual results could differ from those estimates.



## BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

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### 2. Basis of preparation and significant accounting policies (continued)

#### (f) Revenue from premium contributions

The Corporation collects premium contributions from the Scheme members in line with the DIS rules. Revenue from premium contributions is recognised at the fair value of the consideration received. Premiums are determined at the end of each premium period ending in March, June, September and December, based on the amount of insured deposits held by the Scheme members. Premium rates are fixed annually.

#### (g) Expenses

Expenses are recorded on the accruals basis in the period in which the goods or services are acquired or a liability is incurred.

#### (h) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash is measured at amortised cost, which approximates fair value, on the statement of financial position.

#### (i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The following useful lives are used in the calculation of depreciation:

<u>Assets</u>	<u>Useful life</u>
Furniture and Equipment	3 years
Computer hardware	3 years

Depreciation expense is included in expenses on the Statement of Comprehensive Income. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the Statement of Comprehensive Income.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the Statement of Comprehensive Income. The reversal of an impairment loss is recognised in the Statement of Comprehensive Income to the extent that an impairment loss was previously recognised.

## BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

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### 2. Significant accounting policies (continued)

#### (j) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accrued income, and accounts payable and accrued liabilities. All financial instruments are measured at amortised cost using the effective interest method.

It is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

#### (k) Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that financial assets not carried at fair value through the Statement of Comprehensive Income are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that one or more events that occurred after the initial recognition of the assets (a "loss event") and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

### 3. New standards and interpretations not yet adopted

A number of new or amended standards are effective for annual periods beginning on or after January 1, 2017, and early adoption is permitted; however, the Corporation has not early adopted the following new or amended standards in preparing these financial statements.

#### (a) IFRS 15 *Revenue From Contracts With Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Corporation has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements. Based on this assessment the Corporation does not expect any difference in the timing of revenue recognition. The Corporation plans to adopt IFRS 15 in its financial statements for the year ending March 31, 2019, using the practical expedient approach. This will result in completed revenue transactions that began and ended in the same comparative reporting period, as well as the revenue transactions that are completed at the beginning of the earliest period presented, not being restated.

**3. New standards and interpretations not yet adopted (continued)**

*(b) IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments: Disclosures*

IFRS 9 and amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation currently plans to apply IFRS 9 and amendments to IFRS 7 for its year ending March 31, 2019.

The actual impact of adopting IFRS 9 and amendments to IFRS 7 on the Corporation's financial statements in 2019 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Corporation holds and economic conditions at that time, as well as accounting elections and judgments that it will make in the future. The new standard will require the Corporation to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

*Classification – Financial assets*

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its preliminary assessment, the Corporation does not believe that the new classification requirements, if applied at March 31, 2017, would have had a material impact on its accounting for cash and cash equivalents and accrued income.

*Impairment – Financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition, and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

## BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

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### 3. New standards and interpretations not yet adopted (continued)

The Corporation's preliminary assessment indicated that application of IFRS 9's impairment requirements at March 31, 2017 would not have a material impact on the financial statements. However, the Corporation has not yet finalised the impairment methodologies that it will apply under IFRS 9.

#### *Classification – Financial liabilities*

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Corporation has not designated any financial liabilities at FVTPL and the Corporation has no current intention to do so. The Corporation's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at March 31, 2017.

#### *Disclosures*

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Corporation's preliminary assessment included an analysis to identify data gaps against current processes, and the Corporation plans to implement the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Corporation plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at April 1, 2019.

#### *(c) IFRS 16 Leases*

IFRS 16 introduces a single, lessee accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Corporation expects that adoption of IFRS 16 will not impact its financial reporting materially. The Corporation plans to adopt IFRS 16 in the financial statements for the year ending March 31, 2020.



## BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

### 3. New standards and interpretations not yet adopted (continued)

#### (d) Other Standards

The following amended standards and interpretations are not expected to have a significant impact on the Corporation's financial statements.

- *Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*
- *Transfers of Investment Property (Amendments to IAS 40).*
- *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration.*
- *IFRIC 23 Uncertainty over Income Tax Treatments.*

### 4. Cash and cash equivalents

Cash and cash equivalents is made up as follows:

Cash at bank	\$	106,211
Demand deposit		<u>2,525,341</u>
	\$	<u>2,631,552</u>

The effective interest rate for the Corporation's cash and cash equivalents is nil at March 31, 2017.

### 5. Property, plant and equipment

	March 31, 2017		
	Computer Hardware	Furniture and equipment	Total
Opening cost	\$ –	\$ –	\$ –
Additions	<u>5,279</u>	<u>3,385</u>	<u>8,664</u>
Cost at March 31, 2017	<u>\$ 5,279</u>	<u>\$ 3,385</u>	<u>\$ 8,664</u>
Opening accumulated depreciation	\$ –	\$ –	\$ –
Depreciation expense	<u>121</u>	<u>119</u>	<u>240</u>
Accumulated depreciation at March 31, 2017	<u>\$ 121</u>	<u>\$ 119</u>	<u>\$ 240</u>
Net book value at end of period	<u>\$ 5,158</u>	<u>\$ 3,266</u>	<u>\$ 8,424</u>

## BERMUDA DEPOSIT INSURANCE CORPORATION

### Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

#### 6. Commitments

The Corporation has entered into a five-year lease agreement for rental of office premises with a third-party lessor expiring September 2021. The lease includes annual rental charges of \$33,845 and annual maintenance charges of \$8,703.

Non-cancellable lease commitments are as follows:

Less than one year	\$ 42,548
Between one and five years	<u>148,918</u>
	<u>\$ 191,466</u>

#### 7. Premium revenue

Individuals and joint accounts	\$ 4,016,297
Partnerships and other organisations	221,284
Charitable organisations	<u>200,815</u>
Total premiums	<u>\$ 4,438,396</u>

The Deposit Insurance (Effective Date) Notice 2016 deemed that the effective date for the payment of premium contributions by Scheme members is July 1, 2016. Premiums billed and collected for the period July 1, 2016 through August 19, 2016 totalling \$800,500 are included in the premiums revenue in the Statement of Comprehensive Income.

#### 8. Financial instruments

The Corporation has designated its financial instruments as follows:

	Carrying value	Estimated fair value
<b>Financial assets</b>		
Cash and cash equivalents	\$ 2,631,552	\$ 2,631,552
Accrued income	<u>1,488,282</u>	<u>1,488,282</u>
	<u>\$ 4,119,834</u>	<u>\$ 4,119,834</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	\$ 59,054	\$ 59,054
	<u>\$ 59,054</u>	<u>\$ 59,054</u>

The fair values of cash and cash equivalents, accrued income, and accounts payable and accrued liabilities approximate their carrying values as they are short-term in nature.

## BERMUDA DEPOSIT INSURANCE CORPORATION

Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

### 8. Financial instruments (continued)

#### *Interest rate risk*

Interest rate risk arises from changes in prevailing levels of market interest rates. The Corporation is not exposed to significant interest rate risk.

#### *Credit risk*

Credit risk is the risk that a member or counterparty to a financial instrument fails to meet its contractual obligations to the Corporation and arises from cash and cash equivalents and accrued income. The maximum exposure to credit risk is represented by the carrying values of these financial assets on the Statement of Financial Position. Cash and cash equivalents are held by two reputable financial institutions with credit ratings of AA+ and A- as at March 31, 2017, based on reports published by Moody's Investors Services. Accrued income is due from Bermuda's banks, which are regulated by the Bermuda Monetary Authority. Management actively monitors accrued income and the credit performance of the banks and believes that all balances are collectible in full.

The aging of accrued income at the reporting date was:

	<u>Current to past 30 days</u>	<u>Past 60 days</u>
<b>As at March 31, 2017</b>		
Accrued income	\$ 1,488,282	\$ –
	<u>                    </u>	<u>                    </u>
	\$ 1,488,282	\$ –
	<u>                    </u>	<u>                    </u>

#### *Liquidity risk*

Liquidity risk is the risk that the Corporation will encounter difficulties meeting its financial obligations as they become due. Balances due within twelve months are met within the Corporation's normal 30-day cycle of disbursements.

		<u>March 31, 2017</u>		
	<u>Total</u>	<u>0 - 3 months</u>	<u>4 - 12 months</u>	<u>Greater than 1 year</u>
<b>As at March 31, 2017</b>				
Accounts payable and accrued liabilities	\$ 59,054	\$ 58,701	\$ 353	\$ –
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total financial liabilities	\$ 59,054	\$ 58,701	\$ 353	\$ –
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

The Corporation receives sufficient revenue from premiums to meet its funding requirements for at least the next 12 months.

## BERMUDA DEPOSIT INSURANCE CORPORATION

### Notes to the financial statements

March 31, 2017

(Expressed in Bermuda Dollars)

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#### 8. **Financial instruments** (continued)

##### *Price risk*

Price risk is the risk that the future changes in the market prices may render financial instruments less valuable or increase the liability associated with such instruments. The Corporation is not exposed to significant price risk.

#### 9. **Capital management**

The Corporation's capital consists of equity which comprises retained earnings. The Corporation's objective is to hold sufficient retained earnings to enable it to withstand negative unexpected financial events. The Corporation seeks to achieve this objective through receipt of premiums from all members of the DIS. The Corporation is not subject to any externally imposed capital requirements.

#### 10. **Related party transactions**

The Corporation is related to all Government of Bermuda (the "Government") departments, ministries, agencies, funds and quasi-autonomous non-governmental organisations under the common control of the Government. Also, the Corporation is related to organisations that the Government jointly controls or significantly influences.

The Corporation enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

During the period, the Ministry of Finance has paid expenses amounting to \$102,472 on behalf of the Corporation. The balance payable to the Ministry of Finance was settled by the Corporation by the end of the period.

The Board of the Corporation assumed responsibility for expenses incurred by the Corporation from April 1, 2015. The total expenses incurred in the period April 1, 2015 to August 19, 2016 was \$108,400 and is included in the various expense lines in the Statement of Comprehensive Income.

# Board Committees

Stephen Todd



Jeremy Cox



Nathan Kowalski



Mark Crockwell



Marcia Woolridge-Allwood



Anthony Manders



## Board Committees

◆ Audit, Risk and Remuneration

◆ Investment

◆ Premiums and Claims











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