

May 2017

***PwC Regulatory Update***



## 1

# Legislative/Government developments

## Post-Implementation Review - Future of Financial Advice (FoFA)

The Treasury has published a [consultation paper](#), *Post-Implementation Review - FoFA*, on the Post Implementation Review (PIR) to identify and assess the impacts of the regulations and quantifying compliance costs in relation to the following five FoFA reform measures:

- The ban on up-front and trailing commissions for risk insurance within superannuation;
- The requirement for advisers to renew client agreement to ongoing advice fees every two years (opt-in regime);
- The ban on soft dollar benefits over \$300 per benefit;
- The limited carve-out for basic products from the ban on certain conflicted remuneration structures and best interests duty; and
- The clarification of access to scaled financial advice.

Source: [Treasury](#)

## External dispute resolution and complaints framework

The Treasury has released a [consultation paper](#), *Improving dispute resolution in the financial system*, seeking feedback on the establishment of a single external dispute resolution (EDR) scheme (a one-stop shop), being the Australian Financial Complaints Authority (AFCA), to deal with all financial disputes, including superannuation disputes. The framework will be enacted via the [Treasury Laws Amendment \(External Dispute Resolution\) Bill 2017](#) and the [Treasury Laws Amendment \(External Dispute Resolution\) Regulations 2017](#), which have been released for consultation.

The Government is seeking feedback on a range of matters, including:

- Compensation caps for certain financial products should move immediately to \$1 million upon commencement of the new one stop shop; and
- Removing the requirement for credit representatives to be members of the new one-stop shop.

Submissions are due by 14 June 2017.

The Treasury has also released a [supplementary issues paper](#), seeking feedback on the establishment, merits and potential design of a compensation scheme of last resort and the merits and issues involved in providing access to redress for past disputes.

Submissions are due by 28 June 2017.

Source: [Treasury](#)

## 1

# Legislative/Government developments

## Federal Budget 2017-18

The Government has announced the Federal budget 2017-18. Some of the key highlights include:

- A comprehensive housing affordability plan designed to improve outcomes across the housing spectrum.
- Plans to reduce complexities and regulatory burdens so that the rules are clearer and Government resources can be better allocated to investment proposals that warrant greater levels of scrutiny.
- A tightening of the rules around foreign investment in residential real estate.
- The introduction of a new dispute resolution framework that will empower financial services and superannuation customers. The Government will also implement a package to increase accountability and competition in the financial sector.
- The Government is committed to establishing Australia as a leading global financial technology hub and is announcing a new package that aims to position local FinTech industry as a world leader.

Source: [Budget 2017-18](#)

The Financial Planning Association of Australia (FPA) [expresses](#) concern with increased complexity to the superannuation system, but agrees with the aim to encourage older property owners to downsize.

Customer Owned Banking Association (COBA) [comments](#) on the Federal Budget and welcomes the Government's announcement that ADIs with less than \$50 million in capital will be able to use 'bank' to describe their business.

Financial Services Council (FSC) [comments](#) on the Federal Budget, welcoming the introduction of a one-stop shop for consumers to resolve disputes.

The Australian Financial Markets Association (AFMA) has [expressed](#) concern regarding the budget announcement of the Government to impose a Major Bank Levy.

PwC have expressed their own [analysis](#) of the 2017-18 Budget.

## Inquiry into competition in the financial system

The Government has asked the Productivity Commission to undertake an inquiry into competition in Australia's financial system. The Commission will look at improving consumer outcomes, the productivity and international competitiveness of the financial system and economy more broadly, and supporting ongoing financial system innovation, while balancing financial stability objectives.

The Inquiry will commence on 1 July 2017. The final report will be released by 1 July 2018.

Source: [Treasurer](#)

The customer owned banking sector [supports](#) the announcement of competition review in the financial system.

The FSC [welcomes](#) the financial services competition review.

The Australian Bankers' Association (ABA) [welcomes](#) the announcement of an inquiry into the competitiveness of the financial system.

## 1

# Legislative/Government developments

## Extending Crowd-sourced Equity Funding (CSEF) to proprietary companies

The Government has released [draft legislation](#), seeking feedback on the proposal to amend the *Corporations Act 2001* to extend the CSEF regime to proprietary companies, improving access to financing for start-ups and innovative small businesses.

Investors will be protected by additional obligations that CSEF proprietary companies will be required to uphold, including:

- A minimum of two directors;
- Financial reporting in accordance with accounting standards;
- Audit requirements;
- Restrictions on related party transactions; and
- Minimum shareholder rights to participate in exit events.

Source: [Treasury](#)

## ASIC Supervisory Cost Recovery Levy Regulations 2017

The Government has released [draft regulations](#), *ASIC Supervisory Cost Recovery Levy Regulations 2017*, seeking feedback on regulations to support the industry funding model, which will recover ASIC's regulatory costs through annual levies and fees-for-service.

The regulations will establish the mechanisms used to calculate the levies payable by each class of regulated entity, each financial year.

Source: [Treasury](#)

## Proposed Financial Institutions Supervisory Levies for 2017-18

The Government has released a [discussion paper](#) in conjunction with the APRA, *Proposed Financial Institutions Supervisory Levies for 2017-18*, seeking feedback on the proposed levies that will apply for the 2017-18 financial year. The levies are set to recover the operational costs of APRA and other specific costs incurred by certain other Commonwealth agencies and departments.

Submissions are due by 22 June 2017.

Source: [Treasury](#)

## Major Bank Levy Bill 2017

The Government has passed the [Major Bank Levy Bill 2017](#) into the Parliament. All authorised deposit-taking institutions (ADIs), both foreign and domestically-owned, with greater than \$100 billion in licensed entity liabilities will be liable to pay the major bank levy, which will include the big four banks from 1 July 2017. The major bank levy will equal 0.015% of each affected bank's licensed entity liabilities each quarter, excluding additional tier 1 capital, deposits protected by the Financial Claims Scheme and the quarterly average value of Exchange Settlement Account balances held with the RBA.

Source: [Parliament of Australia](#)

ABA has written a [letter](#) to Treasury requesting its modelling to support the Major Bank Levy and has also made a [submission](#) in relation to taxation and release of a Regulatory Impact Statement.

## 1

# Legislative/Government developments

## Release of the interim report into the black economy

The Black Economy Taskforce has released an [interim report](#), presenting its initial findings on the scope, drivers and risks underpinning black economy activities.

The Government has accepted the recommendations identified for immediate action:

- Extending the Taxable Payment Reporting system (TPRS) to two high-risk industries – cleaning and couriers – to ensure payments made to contractors in these sectors are reported to the ATO;
- Banning the manufacture, distribution, possession, use or sale of sales suppression technology; and
- Providing funding for the ATO audit and lodgment activities to better target black economy risks.

Submissions are due by 30 June 2017.

Source: [Treasury](#)

## Reforms to address corporate misuse of the FEG scheme

The Government is [consulting](#) on reforms to address corporate misuse of the Fair Entitlements Guarantee (FEG) scheme.

The Government is seeking views on a range of options to reform the law to ensure businesses cannot exploit the federally-funded scheme and avoid their responsibilities to their employees. Options include reforming the law to prevent abuse of corporate group structures designed to avoid employee entitlements in the event of insolvency.

Source: [Treasury](#)

## Future fund investment mandate

The Government has registered a [revised investment mandate](#) for the Future Fund investment mandate to come into effect on 1 July 2017, which sets a target return of at least the Consumer Price Index (CPI) +4% to +5% over the long term.

Source: [Treasurer](#)

## 2

# What have the regulators been up to?

## APRA

Australian Prudential  
Regulation Authority

## ASIC

Australian Securities and  
Investments Commission

## ASX

Australian Securities  
Exchange

## AUSTRAC

Australian Transaction  
Reports and Analysis  
Centre

## RBA

Reserve Bank of Australia

### APRA releases letter in relation to substituted compliance for margin requirements for non-centrally cleared derivatives

APRA has released a [letter](#) to all APRA-regulated institutions other than private health insurers in relation to [draft prudential standard, CPS 226 - Margining and risk mitigation for non-centrally cleared derivatives](#), seeking feedback on APRA's proposal to recognise substituted compliance with respect to the margin requirements or provisions of seven foreign jurisdictions, subject to a condition for intra-group requirements for certain jurisdictions. APRA is also proposing to amend the standard to better align eligible collateral with the international framework.

See [media release](#)

### ASIC amends ASIC Corporations (Recognised Accountants: Exempt Services) Instrument 2016/1151

ASIC has amended [ASIC Corporations \(Recognised Accountants: Exempt Services\) Instrument 2016/1151](#), enabling Australian financial services (AFS) licensees with limited authorisations to provide exempt tax advice under the *Corporations Regulations 2001* in relation to financial products not covered by their AFS licence. They have also updated the [information sheet, AFS licensing requirements for accountants who provide SMSF services](#) to reflect the amendment.

See [media release](#)

### ASIC releases reports on Innovation Hub and promoting better behaviour within the Spot FX market

ASIC has released a [report](#), *ASIC's Innovation Hub and our approach to regulatory technology*, providing an update and outlining their approach to financial technology, regulatory technology and related areas and seeking feedback on current and proposed approach to regulatory technology. Submissions are due by 4 July 2017.

New initiatives proposed by ASIC within the report include:

- Establishing a new regtech liaison group;
- Continued use of technology trials; and
- A problem-solving event.

ASIC has also released a [report](#), *Promoting better behaviour: Spot FX*, highlighting behavioural drivers of conduct observed during investigation into the wholesale spot foreign exchange (FX) market and describing good practice principles to more effectively prevent, detect and respond to inappropriate conduct.

See [media release](#)

### ASIC releases ASIC Corporations (Life Insurance Commissions) Instrument 2017/510

ASIC has released an [instrument](#), setting the commission caps and required repayment if the policy is cancelled within the first two years, as part of the life insurance advice reforms.

ASIC has also released a [report](#) in response to submissions on [consultation paper, Retail life insurance advice reforms](#).

See [media release](#)

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### ASIC consults on remaking class orders

ASIC has released a [consultation paper](#), *Remaking ASIC class orders on financial counselling licensing relief*, seeking feedback from financial counselling agencies and rural financial counselling service providers on their proposal to remake three related class orders. Submissions due by 15 June 2017.

ASIC has released a [consultation paper](#), *Remaking ASIC class order on credit union member shares*, seeking feedback from the credit union industry, and mutual banks that previously operated as credit unions, on their proposal to remake a class order in relation to credit union member shares and proposing to remove relief in relation to dealing in member shares. Submissions due by 23 June 2017.

ASIC has released a [consultation paper](#), *Remaking ASIC class order on disclosure relief for an offer to a director or secretary*, seeking feedback on their proposal to remake the relevant class order. Submissions due by 30 June 2017.

See [media release](#)

### Updates from ASIC

ASIC [supported](#) the announcement of the second stage of the ground breaking whistleblower research project, which will provide a strong information base to assist consideration of whistleblowing practices.

ASIC has [announced](#) that the product dashboard requirements for choice products and the portfolio holdings disclosure requirements will be deferred for two years, until 1 July 2019 and from 31 December 2019 respectively.

Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and ASIC have [announced](#) that lenders, including the big four banks, will have to take action to protect small business from unfair contract terms. The big four banks have committed to:

- Removing entire agreement clauses from small business contracts;
- Removing financial indicator covenants from many applicable small business contracts;
- Removing material adverse event clauses from all small business contracts;
- Significantly limiting the operation of indemnification clauses; and
- Significantly limiting the operation of unilateral variation clauses.

ASIC has published an [information sheet](#), *Managed investment schemes – common registration issues*, explaining the common registration issues identified in the content of managed investment scheme, and provides guidance for scheme operators to address these issues.

ASIC has published a [consultation paper](#), *Example Statement of Advice for life insurance: Update to RG 90*, seeking feedback on proposals for updating regulatory guide RG 90 - *Example Statement of Advice: Scaled advice for a new client* by replacing the example Statement of Advice (SOA) with a new example SOA for scaled advice (i.e. personal advice that is limited in scope) about life insurance for a new customer. Submissions are due by 31 July 2017.

See [media release](#)

## 2

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### The ASX responds to consultation on OTC Rule and Handbook amendments related to client clearing API and multilateral compression service

The ASX has released a [response](#) to [consultation](#) on OTC Rule and Handbook amendments related to ASX's proposal to introduce a best practice OTC client clearing workflow for trade submission and a multilateral compression service. The document also includes the revised amendments that are subject to regulatory approval.

See [media release](#)

### AUSTRAC risk assessment of stored value cards (SVCs)

AUSTRAC has published a [report](#), *Stored value cards: money laundering and terrorism financing (ML/TF) risk assessment report*, highlighting the following key points:

- The report revealed how criminals can exploit these seemingly innocent modern technologies for ill-gotten gains, including ML/TF.
- The overall ML/TF risk associated with the use of stored value cards (SVCs) is assessed as medium, and their vulnerability to criminal misuse as high.
- Travel cards that can be reloaded and redeemed offshore in exchange for cash carry significantly higher levels of risk than low value retail gift cards.
- The most common crime-types in which SVCs are implicated are money laundering and cyber-enabled fraud. Of particular concern is the use of SVCs for terrorism financing purposes.

See [media release](#)

### AUSTRAC industry contribution 2017–18

AUSTRAC has released a [consultation paper](#), *AUSTRAC Industry Contribution 2017–18*, seeking stakeholder feedback on the proposed arrangements for the AUSTRAC Industry Contribution for the 2017–18 financial year. The paper includes a draft Ministerial Determination outlining the proposed charging model for determining the 2017–18 industry contribution levy.

In response to the consultation processes in 2016, AUSTRAC remains committed to enhancing the transparency of the contribution process and to communicating effectively with relevant entities about:

- The anticipated amount entities will be levied for the 2017–18 financial year;
- How AUSTRAC's annual budget allocation is to be expended for the 2017–18 financial year.

Submissions are due by 23 June 2017.

See [media release](#)

### Draft amendments to Chapter 51 of the AML/CTF rules

AUSTRAC has released [draft amendments](#) to Chapter 51 of the AML/CTF rules, seeking feedback on the rules meant to ensure that International Funds Transaction Instructions between PayPal Australia and PayPal Hong Kong are reported to AUSTRAC. Submissions are due by 5 June 2017.

See [media release](#)

## 2

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### Assessment of the Reserve Bank Information and Transfer System

RBA has published a [report](#), *Assessment of the Reserve Bank Information and Transfer System (RITS)*, presenting an assessment of the RITS against the Principles for Financial Market Infrastructures. The report covers the period from December 2015 to March 2017.

The Assessment identified that RITS observed all the relevant Principles. The Payments Policy Department will monitor progress to ensure that RITS remains resilient in the face of evolving cyber-security threats in these two areas:

- Implementing recommendations arising out of the completed reviews of RITS's cyber security and cyber resilience; and
- Evaluating current and emerging technology that could enable further enhancements to the ability to recover RITS from cyber attacks in a timely manner.

See [media release](#)

### BOK, HKMA, MAS, RBA and RBI welcome the publication of the FX global code

The Bank of Korea (BOK), the Hong Kong Monetary Authority (HKMA), the Monetary Authority of Singapore (MAS), the RBA and the Reserve Bank of India (RBI) have welcomed the publication of the [FX global code](#). They support the principles of good practices within the Code and will engage local market participants to promote adherence to the code. The code is voluntary and applies to wholesale FX market participants. Market participants are encouraged to demonstrate their commitment to adhere to the code through the Statement of Commitment, which is published as part of the code.

See [media release](#)

The UK Financial Conduct Authority (FCA) [comments](#) on publication of the FX global code.

The Bank of England [welcomes](#) the publication of the FX global code.

The European Banking Authority (EBA) [welcomes](#) the enhanced FX global code.

The Governors of the Global Economy Meeting also [welcome](#) the global code of conduct for currency markets.

# 3

## Industry bodies

### ABA

Australian Bankers'  
Association

### AFMA

Australian Financial Markets  
Association

### APCA

Australian Payments Clearing  
Association

### FSC

Financial Services Council

#### ABA releases report on how Australia's banks are making a better banking industry

ABA has released an [annual report](#), *How Australia's banks are making a better banking industry*, outlining the following:

- The progress made by the banks against each of the initiatives in the Banking Reform Program;
- How the industry has adjusted the program over the year to include additional initiatives targeted at addressing specific issues for individual and small business customers; and
- Additional initiatives incorporated to address new and emerging issues to make a better banking industry.

See [media release](#)

#### AFMA releases notice of change to the Inflation Products Conventions and debt capital market issuance disclosure requirements

AFMA has released a [notice](#) stating that the notional principal for tenors beyond 6 years has been reduced from AS\$25m to AS\$10m, to improve market liquidity.

AFMA has also released a [notice](#) stating that where an issuer has sanctioned price and tenor guidance, disclosure of price and tenor is to be made to the broad market through a media release before this information is shared other than under an official wall crossing,

See [media release](#)

#### APCA releases report on digital payments taking over cheques and cash

APCA has released the seventh [Milestones report](#), showing that the growing digital economy is accelerating the decline in use of cheques and cash.

Cash use also continues to decline, with the number of ATM withdrawals down by 7.5% in 2016 and 5.5% in 2015, having dropped 4.7% in 2014. Since 2011, ATM withdrawals have dropped by 22%. Over the last five years, card transactions grew by 72% and direct entry by 36%.

The use of digital payments is growing:

- Australians used their cards 12.3% more in 2016, making 7.4 billion transactions.
- Direct entry transactions (direct debit and direct credit) increased by 8.6% to 3.5 billion.

The report also tracks progress on initiatives supporting Australia's transition to the digital economy including the industry's New Payments Platform and Australian Payments Plan.

See [media release](#)

# 3

## Industry bodies

### ABA

Australian Bankers'  
Association

### AFMA

Australian Financial Markets  
Association

### APCA

Australian Payments Clearing  
Association

### FSC

Financial Services Council

#### Insurance in Superannuation Working Group (ISWG) third discussion paper

The ISWG has released the [third](#) in a series of discussion papers, extending the Life Insurance Code of Practice to superannuation trustees, seeking feedback on member communication and engagement proposals to shape an enforceable Code of Practice and Good Practice Guidance for Trustees.

The ISWG is identifying changes that can improve superannuation member value and protections. Priorities include:

- Reducing benefit erosion on superannuation account balances for members, including establishing the right level of automatic cover for young people and low income earners;
- Reducing inappropriate, multiple insurance policies;
- Providing better and more timely assistance to members during claims;
- Improving superannuation fund member communications on insurance;
- Improving data standards to improve service to members; and
- Undertaking independent research on the costs and benefits of group insurance within superannuation.

See [media release](#)

#### New agreements progress Asia Region Funds Passport

The FSC recognised the progress made by the Asia Region Funds Passport Joint Committee at its second meeting. The Joint Committee reached a number of important agreements:

- An annual report which will include information that will assist the industry in preparing for the passport's commencement on 1 January 2018 will be published.
- Guidance about rules applying to funds using the passport will also be developed.
- Australia will chair a working group of tax specialists to meet in early June to consider what information can be given to funds and investors on the tax treatment.

See [media release](#)

#### FSC launches new guide to help consumers to meet their financial goals

The FSC has launched a new guide, *The Value of Professional Funds Management: How Fund Managers Help to Grow Your Wealth*, in order to help consumers understand how a professional fund manager can assist them in meeting their financial goals. The guide emphasises the additional diversification and risk management that investors get when they invest in managed funds as well as the broader range of assets they can access.

See [media release](#)

## 4

# Overseas developments – Global & UK

## FSB: Report on next steps to mitigate misconduct risks

The Financial Stability Board (FSB) has published a [report](#), providing a stock-take of existing initiatives and sets out next steps on misconduct governance work.

The report sets out three areas for further work by the FSB:

- Rolling bad apples - define and size the problem, and explore the current and potential uses of governance frameworks to make employee screening and due diligence more effective.
- Responsibility mapping - examine the ways in which responsibility mapping and related tools could be used to mitigate misconduct risk, including through supervisory examination or enforcement practices focused on the legal and regulatory requirements applicable to those individuals.
- Culture - explore how governance mechanisms, such as escalation processes, training and non-financial incentives, may mitigate misconduct risks posed by the culture of a firm.

Source: [FSB](#)

## Bank of England: Blueprint for a renewed RTGS service

The Bank of England (BoE) has published a [blueprint](#) for a renewed Real-Time Gross Settlement (RTGS) service to deliver a sterling payment system for the United Kingdom.

The renewed RTGS service is designed to:

- Respond to the changing structure of the financial system;
- Meet user demand for simpler and more resilient payment pathways;
- Build capacity to interface with new payment technologies as adoption increases;
- Ensure continued resilience in the face of evolving threats such as cyber-attacks; and
- Support the evolution of regulatory and monetary policy tools.

Source: [Bank of England](#)

## FCA: Enters cooperation agreement with SFC

The UK Financial Conduct Authority (FCA) has entered into a [cooperation agreement](#) with the Securities and Futures Commission (SFC), setting out how the authorities plan to share and use information on innovation in their respective markets, to foster collaboration in support of financial technology (Fintech) innovation.

Source: [FCA](#)

## 4

# Overseas developments – Europe

## EBA: Recent consultations

The Joint Committee of the three European Supervisory Authorities have launched a [consultation paper](#), seeking feedback on draft Regulatory Technical Standards (RTS) specifying how credit and financial institutions should strengthen group-wide money laundering and terrorist financing risk management. Submissions are due by 11 July 2017.

The European Banking Authority (EBA) has released a [consultation paper](#), seeking feedback on draft RTS specifying eligibility criteria for granting simplified obligations for recovery and resolution planning. Submissions are due by 8 August 2017.

The EBA has published a [consultation paper](#), seeking feedback on its draft guidelines on security measures for operational and security risks under the revised Payment Services Directive (PSD2). Submissions are due by 7 August 2017.

Source: [EBA](#)

## EBA: Recent announcements

The EBA has published an amended version of its Implementing Technical Standards ([ITS](#)) related to benchmarking of internal approaches to assist the EBA and competent authorities in their 2018 assessment of internal approaches for credit and market risk.

The EBA has published its final [guidelines](#) on credit institutions' credit risk

management practices and accounting for expected credit losses (ECL) to support with the implementation and ongoing application of ECL accounting models.

The EBA has published its final [draft Technical Standards](#) under the Payment Accounts Directive, setting out the standardised terminology for services linked to a payment account, and the standardised formats and common symbol of the fee information document and the Statement of Fees.

Source: [EBA](#)

## ESMA: Recent announcements

European Securities and Markets Authority (ESMA) has released a [consultation paper](#), seeking feedback on the draft technical advice, draft implementing technical standards (ITS), and guidelines under the Money Market Funds Regulation (MMFR). The key proposals relate to asset liquidity and credit quality, the establishment of a reporting template and stress test scenarios.

ESMA has published an [opinion](#), setting out principles based on the objectives and provisions of the legislation of the ESMA Regulation, to be applied in the specific case of relocation of entities, activities and functions following the UK's withdrawal from the EU.

Source: [ESMA](#)

## 4

# Overseas developments – US

## CFTC: Recent announcements

The US Commodity Futures Trading Commission (CFTC) has approved a [final rule](#), amending its regulations and forms to enhance the process for reviewing whistleblower claims and to make related changes to clarify staff authority to administer the whistleblower program. The Commission is also making appropriate rule amendments to implement its reinterpretation of the Commission's anti-retaliation authority and is enhancing the award claims review process.

The CFTC has approved a [final rule](#), amending the form and manner in which regulatory records must be kept, including modernising the way in which records must be kept and making the process technology neutral.

Source: [CFTC](#)

## FRB: Recent announcements

The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration and Office of the Comptroller of the Currency have issued an [interagency advisory](#) to apprise insured depository institutions and bank holding companies of two existing options that may address appraiser shortages, particularly in rural areas: temporary practice permits and temporary waivers.

The Federal Reserve Board (FRB) has announced [final amendments](#) to the check collection and return provisions in *Regulation CC (Availability of Funds and Collection of Checks)*, effective from 1 July 2018. The FRB is [consulting](#) on the proposal to amend Regulation CC to address situations where there is a dispute as to whether a check has been altered or is a forgery, and the original paper check is not available for inspection.

Source: [FRB](#)

## 4

# Overseas developments – Asia

## Hong Kong: Recent announcements

The People's Bank of China (PBoC) and the HKMA have [approved](#) that Mainland Financial Infrastructure Institutions will collaborate with Hong Kong Financial Infrastructure Institutions in establishing mutual bond market access between Hong Kong and Mainland China (Bond Connect).

The SFC has issued a [guidance note](#) on directors' duties and a [circular](#) to financial advisers regarding valuations in corporate transactions.

The SFC has [announced](#) that enhancements to the position limit regime will come into operation on 1 June 2017, the commencement date of amendments to the *Securities and Futures (Contracts Limits and Reportable Positions) Rules*.

The SFC is [consulting](#) on the proposed guidelines related to online distribution and advisory platforms. Submissions are due by 4 August 2017.

Source: [HKMA](#) and [SFC](#)

## Japan: Recent announcements

The Council of Experts on the Stewardship Code has published the final *revised Japan's Stewardship Code*, laying down the principles to be followed by responsible institutional investors to promote sustainable growth of companies through investment and dialogue.

The Working Group on Financial Markets under the Financial System Council has published a [report](#), covering:

- Households' stable asset building and Customer-Oriented Business Conduct;
- Use of exchange-traded funds in households' stable asset building and the position of indexed investments;
- High-speed algorithmic trading; and
- Competition among trading venues and alternative trading platforms.

The Task Force on Fair Disclosure Rule has released [another report](#), summarising discussions on ensuring fair and timely disclosure of information to investors.

Source: [FSA](#)

## Singapore: Recent consultations

The Monetary Authority of Singapore (MAS) has released a [consultation paper](#), *Proposed Amendments to Regulatory Requirements in relation to Credit Loss Provisioning*, seeking feedback on proposed changes in the recognition and measurement of allowance for credit losses introduced in IFRS 9 and SFRS 109. Submissions due by 12 June 2017.

The MAS has released another [consultation paper](#) seeking feedback on amendments to the *Securities and Futures Act* together with draft regulations to enhance the protection of customers' moneys and assets, and other proposals relating to remote clearing members and the base capital requirement for certain capital markets services licensees.

The proposed amendments are:

- *Securities and Futures (Licensing and Conduct of Business) Regulations*; and
- *New Securities and Futures (Offers of Investments) (Shares, Debentures and Business Trusts) Regulations 2017*.

Submissions are due by 23 June 2017.

Source: [MAS](#)

## 5

## PwC publications

### PwC: Insurance Banana Skins 2017

PwC has published a report, *The Insurance Banana Skins 2017*, providing valuable insights into the risk concerns at the top of the boardroom agenda and how these perceptions change over time.

The ten years since the first edition have seen a considerable maturing in how risks are managed and built into decision making within the insurance industry. This maturing is reflected in an increasingly integrated and forward-looking approach to enterprise risk management (ERM), as well as in the growing status and influence of the Chief Risk Officer within strategic management.

See [publication](#)

### PwC AUS: Prosperity or peril - Federal Budget 2017-18

PwC Australia has published a report, *Prosperity or peril - Federal Budget 2017-18*, analysing the measures announced in the Federal Budget 2017-18:

- Housing tax measures: Increased CGT discount for investing in affordable housing; annual charge on foreign owners of under-utilised residential property; denying access to the main residence exemption for foreign and temporary residents; denying deductions for travel expenses on residential rental property.
- Financial services: Introduction of a Major Bank Levy.
- Global taxes: Application of the hybrid mismatch rules to regulatory capital.
- Private business: Extension of immediate \$20,000 write-off of depreciable assets; changes to the small business capital gains tax (CGT) concessions.
- Superannuation measures: Extending tax relief for merging superannuation funds.

See [publication](#)

### PwC Hong Kong: Value from risk and finance alignment

Managers of financial institutions are under pressure from management, boards of directors, investors, and regulators to:

- Deliver improved and more transparent performance management data; and
- Effectively price for risk when making business decisions while meeting regulatory expectations.

In order to meet these demands, PwC sees a significant industry shift towards greater alignment between the risk and finance functions. Though some institutions have already started along the path towards alignment, results from the recent global survey of 30 financial institutions indicate a significant gap between the importance that progress management is making towards greater alignment of the two functions and the results achieved thus far.

See [publication](#)

## 5

## *PwC publications*

### **PwC US: The CAT's silver lining - why broker-dealers should adopt the cloud**

By 2018, the US Securities and Exchange Commission (SEC) will have adopted the cloud, transforming their market surveillance capabilities by allowing them to use advanced analytics and machine learning to analyse data stored in the Consolidated Audit Trail (CAT). National securities exchanges and FINRA (self-regulatory agencies or SROs), alternative trading systems, and broker-dealers (collectively, CAT Reporters) will be required to submit information on trade events, including customers and prices, to the CAT on a daily basis.

PwC US has published a financial services digital brief explaining:

- Why CAT Reporters should adopt the cloud;
- How using the cloud can help CAT Reporters to anticipate the capabilities of the SEC and SROs; and
- What CAT Reporters should do now.

See [publication](#)

### **PwC US: DOL's fiduciary rule announcement and FAQs**

The Department of Labor (DOL) Secretary capped months of uncertainty about the DOL's fiduciary duty rule by announcing that the June compliance date would not be delayed. The DOL clarified its policy on enforcement through the end of this year and released a new set of FAQs, one of which made clear that it will continue an in-depth analysis of the rule and consider modifications.

PwC US has released a report, bringing out five key points from the DOL's fiduciary rule announcement and FAQs:

- Two weeks to a 'best interest' standard;
- The Best-Interest Contract (BIC) exemption will change significantly;
- More clarity in FAQs;
- DOL has a non-enforcement policy, but other agencies may not follow suit; and
- Amendments to PTE 84-24 already delayed, will they go into effect?

See [publication](#)

### **PwC Hong Kong: Asset & wealth management tax highlights - Asia Pacific**

PwC Hong Kong provides a roundup of key regulatory activities around the region in the past few months:

- China: Circular 140 and its supplement bring clarity to the industry's major concerns after B2V transformation; New rules for setting up WFOE PFMs; Hong Kong-China Bond Connect Scheme.
- Hong Kong: The 2017/18 Hong Kong Budget; Signing of the Hong Kong/Belarus CDTA; Signing of the Hong Kong/Pakistan CDTA; Hong Kong revises its strategy on implementing automatic exchange of financial account information; Hong Kong ready for the buoyant aircraft leasing market with the new tax regime.
- Philippines: Procedure for claiming tax treaty benefits for dividend, interest and royalty income of non-resident income earners.
- Singapore: The Singapore Variable Capital Company.

See [publication](#)

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