

October 2015

*PwC Regulatory Update*



## 1

# Legislative/Government developments

## Government response to the Financial System Inquiry (FSI)

The Australian Government has released their [response](#) to the FSI. The response sets out an agenda for improving financial system that builds on existing Government policy with the aims of:

- strengthening the resilience of the financial system by reducing the impact of potential future financial crises
- improving the efficiency of the superannuation system and boost retirement incomes
- stimulating innovation in the financial system to unlock new sources of finance for the wider economy and support competition
- supporting consumers of financial products being treated fairly and increase confidence of consumers to participate in the financial system
- strengthening regulator capabilities and accountability.

Source: [The Treasury](#)

PwC Australia's Partner, Julie Coates recently communicated the [PwC perspective](#) on the Government's response to the FSI in an interview. PwC's first reactions to the FSI can also be found [here](#).

## Free Trade Agreement with European Union

The Minister for Trade and Investment, Andrew Robb has welcomed the release of the European Commission's new trade and investment strategy. The Commission will seek authorisation from the EU's member countries to negotiate a Free Trade Agreement (FTA) with Australia.

A decision to proceed to the commencement of bilateral negotiations is subject to agreement by the EU's 28 member countries.

Source: [Minister for Trade and Investment](#)

## 1

# Legislative/Government developments (cont'd)

## Trans-Pacific Partnership negotiations finalised

Negotiations over the Trans-Pacific Partnership (TPP) have concluded in Atlanta. The TPP is aimed at enhancing competitiveness and growth through reducing red tape and business costs and increasing regulatory transparency under common international trade and investment standards between the 12 member countries.

The TPP reduces barriers to Australian goods exports, services and investment and eliminate nearly all tariffs across everything from beef, dairy, wine, sugar, rice, horticulture and seafood through to manufactured goods, resources and energy. The TPP also supports exportation of a broad range of Australian services including education, professional services, transport, financial services, and access for Australian goods and services exporters to government procurement markets in the region.

Conclusion of the TPP negotiations is the first step in initiatives aimed at a Free Trade Area of the Asia Pacific. The agreement's open architecture allows for other members to join in the future.

Source: [Minister for Trade and Investment](#)

See also, the [Joint Declaration of the Macroeconomic Policy Authorities of TPP Countries](#).

## Constituency statement at the International Monetary Fund annual meeting

The Minister for Finance Mathias Cormann provided a statement to the International Monetary Fund (IMF) annual meeting in Lima, Peru on behalf of the Australia led constituency\*.

The statement notes the IMF's assessment of a modest, but uneven, economic recovery, including lower commodity prices. However it also highlights the contributions to global economic growth from emerging and developing economies in the Indo-Pacific region.

The statement also notes the efforts of members to reduce trade barriers, including the progress that has been achieved with the TPP and other trade enhancing agreements.

The constituency supports the full implementation of IMF Quota and Governance reforms, which should be ratified as a priority.

\* The Australia-led constituency comprises Australia, Kiribati, Korea (Republic of), Marshall Islands (Republic of the), Micronesia (Federated States of), Mongolia, New Zealand, Palau (Republic of), Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan and Vanuatu.

Source: [Minister for Finance](#)

## 2

# What have the regulators been up to?

## ASIC

Australian Securities and  
Investments Commission

## APRA

Australian Prudential and  
Regulatory Authority

## RBA

Reserve Bank of Australia

## ASX

Australian Securities  
Exchange

## AUSTRAC

Australian Transaction  
Reports and Analysis  
Centre

### ASIC consults on financial reporting and foreign licensees

ASIC has released two consultation papers, *Remaking ASIC class orders on rounding, directors reports, disclosing entities and other matters* ([CP 240](#)) and *Remaking ASIC class orders on foreign licensees and ADIs* ([CP 241](#)) seeking feedback on the amendment and remaking of corresponding class orders which are due to expire in 2016, 2017 and 2018.

The draft ASIC instrument related to [CP 240](#) and [CP 241](#) are available.

See [media release](#)

### ASIC remakes class order on registered managed investment scheme constitution

ASIC has remade ASIC Corporations (Managed investment product consideration) Instrument [2015/847](#). The new instrument is aimed at providing certainty and flexibility to responsible entities and members of registered managed investment schemes (other than time-sharing schemes) that were registered prior to 1 October 2013, in relation to the pricing provisions of their constitutions.

See [media release](#)

### ASIC releases market integrity report from 1 January to 31 June 2015

ASIC has released a market integrity report from 1 January 2015 to 30 June 2015, highlighting ASIC's achievements and outlining key priorities for the rest of 2015. The report has been released in a new format, consisting of a three minute [video](#) and [webpage](#).

ASIC implemented the Market Entity Compliance System (MECS), which provides market intermediaries with the tools and information to help them comply with their regulatory obligations. ASIC's improved access to data has resulted in a reduction of the number of notices issued to market participants for information.

ASIC also achieved a total of 11 significant market integrity enforcement outcomes during this time. This includes criminal convictions for insider trading, and outcomes for continuous disclosure, market manipulation and ASIC market integrity rule breaches.

ASIC is continuing to implement the Group of Twenty (G20) over-the-counter (OTC) derivatives reforms, and is reviewing high-frequency trading and listing standards. ASIC has also made substantial progress in implementing a requirement to centrally clear certain trades through central counterparties.

Three areas of ongoing focus for ASIC are cyber resilience, confidential information and conduct risk. ASIC has been actively campaigning to increase awareness of the potential consequences of, and its expectations regarding, these issues.

See [media release](#)

## 2

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### ASIC publishes changes to market integrity rules

ASIC has published amendments to ASIC market integrity rules to ensure warrants and exchange traded funds (ETFs) admitted to quotation on Chi-X Australia Pty Ltd (Chi-X)'s new investment product market are subject to an appropriate regulatory regime. This follows the recent variation to Chi-X's Australian market licence and amendments to Chi-X's operating rules.

These changes have been made with the aims of maintaining market integrity and ensuring a consistent regulatory framework is in place, in particular, for market participants and investors who may seek to trade warrants and ETFs on the Chi-X and/or ASX markets.

ASIC has also made minor amendments to the ASIC Market Integrity Rules (ASX Market) 2010 to incorporate recent changes to the definitions of 'ETF' and 'managed fund' in the ASX Operating Rules.

See [media release](#)

### ASIC publishes results of new reviews of high-frequency trading and dark liquidity

ASIC has released a report *Review of high-frequency trading and dark liquidity (REP 452)*. This report discusses the result of two new reviews, which build on ASIC's 2012 analysis of equity markets, and assess the impact of high-frequency trading on futures exchange markets.

ASIC has concluded that current levels of high-frequency trading and dark liquidity are not adversely affecting the function of Australian markets for businesses and investors.

ASIC's analysis showed that market users have become better informed and equipped to operate in an electronic and high-speed environment, and negative sentiment about high-frequency trading has reduced. The level of high-frequency trading in Australia's equity markets has remained steady (at 27% of total turnover). High-frequency trading has grown by 130% in the futures market since December 2013 to 21% of volume traded in the SPI and 14% of bond futures. Dark liquidity has remained reasonably constant in recent years at around 25–30% of total equity market turnover.

ASIC has also published a summary version of the report: *Review of high-frequency trading and dark liquidity (INFO 209)*.

See [media release](#)

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### Speech: Opening Statement to Senate Economics Legislation Committee

ASIC's Chairman, Greg Medcraft together with the Deputy Chairman, and Senior Executive Leaders addressed the Committee. A number of FSI recommendations directly impact ASIC's work:

- A product design and distribution obligation will overcome disclosure limitations to address the interests and needs of consumers.
- A product intervention power will enable ASIC to respond to market problems.
- The Government's commitment to raising the professional, ethical and education standards for financial advisers.
- Strengthening the licensing regimes will allow ASIC to more effectively deal with poor behaviour and misconduct.
- The Government will review ASIC's enforcement regime, including penalties and breach notification in 2017 to ensure the right deterrents are in place.
- The Government is consulting on an industry model for ASIC which will be informed by the findings of the current capability review.

[FSC](#), [COBA](#), [ARCA](#), and [ABA](#) have also commented on the Government's response to FSI.

The full speech can be found [here](#).

### ASIC remakes instruments that affect financial reporting

ASIC has remade five legislative instruments that affect financial reporting by particular types of entities, following public consultation ([CP 233](#)). The relief applies to proprietary companies, non-reporting entities, stapled security issuers, registered schemes and entities generally.

The remade legislative instruments are as follows:

- ASIC Corporations (Exempt Proprietary Companies) Instrument [2015/840](#) (replaces Class Order 05/638)
- ASIC Corporations (Non-Reporting Entities) Instrument [2015/841](#) (replaces Class Order 05/639)
- ASIC Corporations (Stapled Group Reports) Instrument [2015/838](#) (replaces Class Order 05/642)
- ASIC Corporations (Related Scheme Reports) Instrument [2015/839](#) (replaces Class Order 06/441)
- ASIC Corporations (Post Balance Date Reporting) Instrument [2015/842](#) (replaces Class Order 05/644).

See [media release](#)

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### External peer review requirements for general insurers

APRA has released a [letter](#) to general insurers in response to the submissions received for the consultation on external peer review requirements.

In April 2015, APRA released a consultation letter outlining its proposal to amend the requirements in Prudential Standard GPS 320 Actuarial and Related Matters ([GPS 320](#)) relating to the external peer review of the Appointed Actuary's Insurance Liability Valuation Report (ILVR).

APRA has assessed all submissions received and has decided to proceed with the approach outlined in the consultation letter. APRA has removed the requirement for an annual external peer review of the ILVR but retains the right to require preparation of a review report on prudential grounds.

APRA has made a minor change to the proposed approach to address industry comments regarding the due date for submission of a review report if one is required by APRA. APRA considers that this approach achieves material regulatory cost savings without compromising the soundness of the prudential framework.

The final amended version of GPS 320 has been provided with the response letter. The new Prudential Standard will apply to general insurers from 31 December 2015.

See [website](#)

### Speech: Opening Statement to the Senate Economics Legislative Committee

Wayne Byres, Chairman at APRA addressed the Senate Economics Legislation Committee. He discussed four issues :

- **FSI:** FSI has made 44 recommendations: around half of these were of direct interest to APRA. APRA released a study on the relative capital strength of the major Australian banks against their overseas peers. APRA also announced a change to the risk weights for mortgage exposures for those banks that are accredited to use internal models to determine their capital ratios.
- **Sound lending standards for housing:** The rate of growth in credit for housing is still accelerating. APRA remains very alert to any sign of deteriorating credit standards, and is monitoring that those ADIs identified as needing to strengthen their lending policies do indeed do so.
- **Superannuation governance:** APRA supports the direction of the proposed changes in the *Superannuation Legislation Amendment (Trustee Governance) Bill 2015* as they will more closely align board composition requirements for the superannuation industry with those of other APRA-regulated industries.
- **Prudential supervision of private health insurance:** APRA has committed not to make any material changes to the prudential regime for private health insurers in the short term, but over time will look to align supervisory practices and prudential standards with those of other APRA-regulated industries.

The full speech can be found [here](#).

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### Speech: Governing superannuation in 2015 and beyond

Helen Rowell, member at APRA addressed the AIST Governance Ideas Exchange Forum in Melbourne. She discussed the topic of governance in the superannuation industry.

She discussed some of the fallacies in the current governance debate:

- independent directors will force fund structure and culture to change
- mandating independent directors will lead to underperformance
- the reforms only affect industry funds
- APRA's proposed new powers are unwarranted.

Her speech highlighted that effective implementation of the prudential standards will be an ongoing focus of the supervision activities, with particular focus on governance, risk management and risk culture. These are inherently linked: it is very difficult to have robust governance practices if the risk culture of the organisation is poor. APRA is looking for trustees to develop a risk culture and approach that is truly focused on identifying and effectively managing risks.

She concluded that the governance reforms are another step along the change journey for the industry. The proposed requirements in the *Superannuation Legislation Amendment (Trustee Governance) Bill 2015* on governance arrangements together with the supporting prudential standards will require all boards to reflect on their governance arrangements, review the changes that are needed and take steps to refresh their approach.

The full speech can be found [here](#).



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### Designation of payment systems in relation to review of card payments regulation

RBA has designated the American Express companion card system, the Debit MasterCard system and the eftpos, MasterCard and Visa prepaid card systems under the *Payment Systems (Regulation) Act 1998*, following a resolution of the Payments System Board.

The Board determined that it was in the public interest to designate these systems, having regard to the desirability of payment systems being efficient and competitive.

Designation does not impose regulation. It is the first step the Bank must take to exercise any of its regulatory powers. Any proposals to apply regulation to designated systems through standards or access regimes are subject to requirements for detailed consultation.

Designation of these five systems is designed to allow a more holistic consideration of the issues as the Bank undertakes the current review of the regulatory framework for card payments and considers the case for changes to that framework.

See [media release](#)

### Speech: The transition to central clearing of OTC derivatives in Australia

Malcolm Edey, Assistant Governor (Financial System) at RBA addressed the International Swaps and Derivatives Association's (ISDA) 2015 Annual Australia Conference.

He focused on the move to central clearing of over-the-counter (OTC) derivatives in Australia. His speech covered what has been achieved so far, some of the key considerations in implementation, and looked ahead to some of the work that remains to be done.

The implementation of a mandatory clearing obligation has involved a number of important considerations. The aim has been to ensure that the financial stability benefits of central clearing are achieved, while supporting effective market functioning and keeping the Australian market globally connected. He discussed in detail how the regulators have sought to achieve this.

He highlighted that the reporting regime has been almost fully implemented and the transition to clearing is well advanced. However, some elements of the agreed international package of derivatives reform have yet to be completed. The international margining regime for non-centrally cleared derivatives is not due to come into force until next September. APRA is leading domestic work on the local implementation of that regime. ASIC has been working on a framework for assessing the case for mandatory platform trading.

The full speech can be found [here](#).

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### Speech: Remarks to APCA's Australian Payments 2015 Conference

Tony Richards, Head of Payments Policy at the RBA addressed the APCA Australian Payments 2015 Conference. His speech focused on two areas:

- Initiatives that came out of the 2012 conclusions of the RBA's strategic review of innovation in the payments system: The Bank asked the payments industry to consider ways of filling the gaps in the payments system that had been identified in the Review. The outcome was to build industry infrastructure called the New Payments Platform (NPP). The NPP delivers real-time, data-rich payments to end-users on a 24/7 basis. Another outcome was the establishment of an enhanced industry coordination body.
- Bank's ongoing review of card payments regulation: A number of issues related to card payments regulation were raised, such as the growing lack of transparency of payment costs to many merchants; the Bank consulting on whether it would be desirable to lower the interchange benchmarks or to make other changes to the system, such as to have more frequent compliance; whether it would be desirable to extend the coverage of the regulatory framework for interchange payments; and concerns over excessive surcharging in some industries.

Finally, his speech addressed the Government's response to the FSI. The response indicated that it will ban excessive surcharging and give the ACCC enforcement power in this area. Once the Board has greater clarity on what constitutes excessive surcharging, it will work closely with Treasury and the ACCC on legislation.

The full speech can be found [here](#).

### Speech: Fundamentals and flexibility

Philip Lowe, Deputy Governor at RBA addressed the CFA Institute Australia Investment Conference. The speech starts with the central message that the fundamentals of the Australian economy are strong and that they provide a basis to be optimistic about the future. It then highlights the importance of a flexible economy if we are to use those fundamentals to our best advantage.

The speech then moves onto the importance of flexibility, particularly in the face of advances in technology and shifts in the global economy. It suggests that there is no single policy lever called 'flexibility' or 'adaptability' but that they are the result of the accumulation of numerous decisions and policies across many areas.

The speech concludes that while the Bank has an important role in ensuring the stability of Australia's overall economy and financial system, it is unlikely that the Bank's action will drive the rate at which living standards will improve. Instead, it stresses that the improvement in living standards rests on the country's ability to develop its fundamentals and to ensure the economy is flexible so that it can take full advantage of the opportunities that arise.

The full speech can be found [here](#).

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### ASX releases review of the operation of listing rule 7.1A

ASX has released its [review](#) of the operation of listing rule 7.1A. The review includes discussion of changes that ASX is proposing to make to listing rule 7.1A and related rules, as well as changes that have been proposed to ASX by external stakeholders.

Rule 7.1A recognises the importance of equity placements as a capital raising mechanism for mid to small caps, and provides them with the ability to increase their placement capacity. ASX recognised the need to ensure that the interests of investors in mid to small caps are adequately protected, and introduced a set of requirements to accompany the additional 10% mandate, including:

- shareholder approval by special resolution at the subsequent annual general meeting
- enhanced disclosure requirements
- a floor on the issue price of 75% of the market price
- a 12 month limit on the mandate before it must be refreshed.

The review examines whether the rule has had its intended effect, whether there have been any indications of inappropriate use or unintended consequences of the rule, and whether any further amendments are required to improve its operation. The findings indicate that the rule is working as intended but that some refinements could make compliance easier for companies.

Submissions close on 9 November 2015.

See [media release](#)

## 2

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### AUSTRAC Industry Contribution 2015–16

The [Ministerial Determination](#) setting the AUSTRAC industry contribution for 2015–16 has been published.

In accordance with the government's 2013–14 Budget decision, the industry contribution is calculated based on AUSTRAC's budget appropriation, as well as annual depreciation and amortisation charges.

The Budget decision included an agreement that the proportion of AUSTRAC's costs to be collected through the industry contribution would increase incrementally over four years. The levy increased from 70 percent in 2014–15 to 90 percent in 2015–16. It will remain at 90 percent in 2016–17 before increasing to 100 percent of AUSTRAC's budget appropriation in 2017–18.

See [media release](#)

# 3

## *Industry bodies*

### COBA

Customer Owned Banking  
Association

### ASFA

Association of  
Superannuation Funds of  
Australia

### ABA

Australian Bankers'  
Association

### FINSIA

Financial Services Institute  
of Australasia

#### **Speech: Senate Economics Committee Inquiry into cooperative, mutual and member-owned firms**

Mark Degotardi, CEO at COBA addressed the Senate Economics Committee Inquiry into cooperative, mutual and member-owned firms. He discussed that credit unions, building societies and mutual banks are subject to the same regulatory framework as listed banks and are competing in the same business of retail banking but their reason to exist is entirely different. These institutions exist to meet the needs of their customers rather than to maximise returns for a separate group of shareholders.

In his speech, he highlighted that diversity of ownership brings more competition to the market. Competition brings choice and reduces concentration risk in the banking market – this is better for consumers and better for the stability of the economy.

The major banks have the advantage of their massive scale. This makes them formidable competitors for small players like COBA members and underlines the need to take steps to promote competition and diversity in the banking market.

COBA would like to see government, regulators and other stakeholders do more to promote and accommodate the customer-owned model.

APRA can do more to accommodate COBA's model in setting the prudential framework. ASIC can do more to alert consumers that there are genuine alternatives to the major banks. Government can do more to level the playing field in taxation of customer-owned banking institutions compared to listed banking institutions.

Full speech can be found [here](#).

## 3

## Industry bodies (cont'd)

### COBA

Customer Owned Banking  
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### ASFA

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Superannuation Funds of  
Australia

### ABA

Australian Bankers'  
Association

### FINSIA

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#### **\$2.75bn in compulsory super payments is lost each year**

Recent estimates of the ASFA suggest that \$2.75 billion each year is lost through non-payment of superannuation by employers, affecting more than 650,000 Australians.

The average person affected loses nearly \$4,000 per annum in superannuation, or around 9 months' worth of super for someone on average weekly earnings.

The ASFA also found the loss of superannuation impacts particularly the following groups:

- younger Australians, who are not only missing out on the immediate amount but also its potential growth over the years until retirement
- lower-income earners who will be reliant on their superannuation savings to supplement the Age Pension in retirement.

See [media release](#)

## 3

## Industry bodies (cont'd)

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### ABA

Australian Bankers'  
Association

### FINSIA

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#### Report: Australia's banks - an integral part of the economy and the community

ABA has released a research discussion [paper](#) *Australia's banks: an integral part of the economy and the community*. This report discusses the strong contribution banks make to economic growth in supporting Australia's households, communities and businesses.

The key findings include:

- The finance and insurance industry is the equal-largest industry in Australia, a position it shares with the mining industry.
- Banks drive productivity by constantly improving the efficiency of their operations. Productivity growth for the finance and insurance industry is well above that for the economy as a whole.
- Banks make a significant contribution to government revenue, which in turn helps to fund the services and income support which governments provide. In 2014 the banking industry paid \$13.7 billion in taxes to governments.
- Banks are the predominant suppliers of finance for housing. Banks provide around 6 million loans to home buyers and investors.
- Australia's banks provide 150,000 jobs across Australia. Around \$24 billion in wages was paid by Australia's retail banks in 2014.
- Australia's banks make a significant contribution to facilitating business investment and activity. Banks provide almost one million loans to small businesses.

See [media release](#)

## 3

# Industry bodies (cont'd)

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## ABA

Australian Bankers'  
Association

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### Regulators outline their priorities for 2016

Representatives from three of Australia's major regulatory agencies (ASIC, APRA and RBA) have set out why 2016 will be an important year for the finance sector at Finsia's Regulators Panel in Sydney.

- ASIC: ASIC Chairman, Greg Medcraft, explained why digital disruption was one of the regulator's five key challenges for the year ahead. While he said that digital disruption presents great opportunities, it also creates significant risks. He further explained ASIC was focusing on the following issues:
  - promoting cyber resilience and identifying potential cyber attacks in markets through real time market monitoring
  - ensuring compliance with licensing obligations.
  - taking steps to help industry take advantage of the opportunities on offer while ensuring that investor and financial consumer trust and confidence is not compromised.
- monitoring overseas developments on regulating financial technology (fintech), such as the proportional approach evolving in many jurisdictions, including China.
- APRA: APRA Chairman, Wayne Byres, outlined six key issues for 2016 such as enacting the FSI recommendation, funding profile of the banking system, total loss absorbing capacity, powers for dealing with failing firms, governance and culture and technology.
- RBA: RBA Deputy Governor, Philip Lowe, pointed out two issues of concern. Firstly, the importance of good quality data to financial stability and secondly, payment system reforms.

See [media release](#)

### Comparison of the approaches of competition law to bank mergers in China and Australia

A recent study funded by the Centre for International Finance and Regulation (CIFR) has compared the approaches of competition law to bank mergers in China and Australia. It found that competition itself is unlikely to be the main determinant in allowing or limiting bank mergers in China.

While financial stability is an important consideration for both jurisdictions in reviewing proposed mergers, the study found that China places a particular emphasis on political, economic and financial stability. The focus on stability is further reinforced by China's Anti-Monopoly Law (AML) and the Ministry of Commerce (MOFCOM).

Deborah Healey, Associate Professor at the University of NSW, said the findings meant that bank merger determinations in China were likely to be based on issues such as the impact on national economic development rather than pure competition issues.

See [media release](#)



## 4

# Overseas developments – Global

## IAIS: Develops HLA requirement for G-SIIs

The International Association of Insurance Supervisors (IAIS) has concluded initial development of the Higher Loss Absorbency (HLA) requirement for global systemically important insurers (G-SIIs). The HLA has also been endorsed by the Financial Stability Board (FSB).

In July 2013, the IAIS published its initial assessment methodology and policy measures for G-SIIs. These policy measures include the HLA requirement to help reduce the probability and impact on the financial system of the distress or failure of a G-SII. The HLA will apply to G-SIIs from January 2019. From 2019, G-SIIs will be expected to hold qualifying regulatory capital that is not less than the sum of the required capital amounts from the Basic Capital Requirements (BCR) and HLA.

The HLA required capital formula utilises a factor-based approach. In order to reflect systemic risk sensitivity, the HLA also utilises a bucketing approach that assigns G-SIIs to a Low, Mid or High bucket of systemic importance.

Source: [IAIS](#)

## FSB: Releases progress report on FX benchmark reforms

The FSB has published a progress report on implementation of its [September 2014](#) recommendations for reforms to foreign exchange (FX) benchmarks. This report draws on assessments of market participants' progress which were undertaken by the main foreign exchange committees as well as by central banks in other large FX centres.

The recommendations responded to concerns raised about the integrity of FX benchmarks stemming particularly from the incentives for potential market malpractice linked to the structure of trading around the benchmark fixings.

The overall assessment of this report is that there has been good progress in implementing many of the recommendations; however, in some cases progress has been mixed. In particular, the report re-emphasises that the FSB recommendations are intended to apply to *all* FX benchmarks.

Source: [FSB](#)

## BIS: Report on the regulatory consistency of RWAs for counterparty credit risk

The Basel Committee on Banking Supervision has published a [report](#) on the regulatory consistency of risk-weighted assets (RWAs) for counterparty credit risk. This study is a part of its wider Regulatory Consistency Assessment Programme (RCAP), which is intended to ensure consistent implementation of the Basel III framework.

The report presents the findings from a hypothetical test portfolio exercise to examine variability in banks' modelling of derivatives, and specifically in exposure modelling.

The report focuses on the internal models method and the advanced credit valuation adjustments (CVA) risk capital charge for over-the-counter (OTC) derivative trades.

Based on the results of this study, the Basel Committee is considering whether it is necessary to narrow down certain modelling choices for banks and/or harmonise supervisory practices to enhance consistency in outcomes.

Source: [BIS](#)

## 4

# Overseas developments – Global (cont'd)

## BIS: Consultative report on correspondent banking issued by CPMI

The Committee on Payments and Market Infrastructures (CPMI) has issued a [consultative report](#) on correspondent banking. Through correspondent banking relationships, banks can access financial services in different jurisdictions and provide cross-border payment services to their customers, supporting international trade and financial inclusion.

Until recently, banks have maintained a broad network of correspondent relationships, but there are growing indications that this situation might be changing. Some banks providing these services are cutting back the number of relationships they maintain.

The report provides some basic definitions, outlines the main types of correspondent banking arrangements and summarises recent developments. Following a detailed assessment of the advantages and disadvantages of certain technical measures, the report puts forward four recommendations for consideration by the industry and authorities.

Source: [BIS](#)

## BIS: Publishes supporting information for implementation of the countercyclical capital buffer

The Basel Committee on Banking Supervision has issued [frequently asked questions](#) and other supporting information to promote consistent implementation of the [Basel III countercyclical capital buffer](#).

The information published includes a list of all prevailing and pre-announced buffers, as well as developments related to domestic rule-making.

The webpage will be updated as jurisdictions inform the Committee of changes to domestic countercyclical capital buffer requirements. The countercyclical capital buffer requirement, when activated by member jurisdictions, will be phased in from 1 January 2016.

Source: [BIS](#)

## 4

# Overseas developments – Europe

## Joint Committee: Consult on anti-money laundering and countering the financing of terrorism

The Joint Committee of the three European supervisory authorities (EBA, EIOPA and ESMA) have launched a public consultation on two anti-money laundering and countering the financing of terrorism (AML/CFT) guidelines.

The [consultation paper](#) on the risk-based supervision guidelines specify the characteristics of a risk-based approach to AML/CFT supervision and set out what competent authorities should do to ensure that their allocation of supervisory resources is commensurate to the level of money laundering and terrorist financing (ML/TF) risk associated with credit and financial institutions in their sector.

The [consultation paper](#) on the risk-factors guidelines provides guidance on the factors credit and financial institutions should consider when assessing the risk of ML and TF associated with individual business relationships, and on how they should adjust their customer due diligence measures as a result of that risk assessment.

Source: [EIOPA](#)

## EIOPA: Revises the Solvency II reporting and disclosure package

The European Insurance and Occupational Pensions Authority (EIOPA) has published revised business documents related to the Solvency II reporting and disclosure package. The final reports on the consultation papers have been amended:

- regular supervisory reporting: [CP-14-052](#)
- procedures, formats and templates of the solvency and financial condition report: [CP-14-055](#)
- financial stability reporting: [CP-14-045](#)
- guidelines on third country branches: [CP-14-048](#).

The publication of these documents follows the 2.0.1 release of the EIOPA Solvency II [DPM, XBRL taxonomy and the List of Validations](#).

Source: [EIOPA](#)

## EIOPA: Modifies the methodology for Solvency II

EIOPA has decided on the following modifications as part of an ongoing review of the methodology for calculating the relevant risk-free interest rate term structures for Solvency II:

- The selection of financial instruments used to derive the basic risk-free interest rate term structures will be aligned to recent market developments.
- The treatment of government bonds issued by countries of the European Economic Area that are not Member States of the EU in the calculation of the volatility adjustment and the fundamental spread will be aligned to the treatment of government bonds issued by Member States.

The modifications will be implemented for the derivation of the term structures of end-October 2015, which will be published in November 2015. The [technical documentation](#) has been updated to reflect those modifications.

Source: [EIOPA](#)

## 4

# Overseas developments – Europe (cont'd)

## EBA: Consults on the disclosure of confidential information collected under the BRRD

The European Banking Authority (EBA) has launched a [consultation](#) on draft guidelines on how confidential information collected under the Bank Recovery and Resolution Directive (BRRD) should be disclosed in summary or collective form without identifying individual institutions or relevant entities.

The guidelines also introduce three principles that should be considered when disclosing such information:

- confidential information should relate to a minimum number of three institutions or entities
- no references should be made to specific characteristics, distinctive features, names or numerical, qualitative and other distinctive data
- disclosure of confidential information should be avoided under specific circumstances.

The consultation runs until 27 January 2016.

Source: [EBA](#)

## EBA: Consults on communication between authorities supervising institutions and statutory auditors

EBA has launched a [consultation](#) on its draft guidelines on the communication between competent authorities supervising credit institutions and statutory auditors of those institutions. The consultation runs until 21 January 2016.

The draft guidelines published include provisions on the main elements to effective communication, such as the scope of information shared, the form of communication, the participants in the exchange of information, the frequency and timing of communication.

In line with the EBA's mandate, these guidelines have been developed taking into account the current practices of each Member State, as well as other existing international guidance and practices, including the BCBS guidance on 'External audits of banks'.

Source [EBA](#)

## EBA: Consults on its benchmark rate under the Mortgage Credit Directive

EBA has published a [consultation paper](#) on its proposed benchmark rate under the Mortgage Credit Directive (MCD), which requires creditors to create two illustrative examples in the European Standardised Information Sheet (ESIS) for variable rate mortgages on the basis of a benchmark rate specified by the EBA.

The EBA has developed a formula to calculate the rate and would now like to hear the views from consumer and industry stakeholders on the approach it is proposing. The consultation runs until 20 November 2015.

Source: [EBA](#)

## 4

# Overseas developments – Europe (cont'd)

## European Parliament: Adopts revised directive on payment services

The European Parliament has adopted the revised Directive on Payment Services (PSD2), proposed by the European Commission in July 2013.

Some of the changes that the new rules introduce are:

- introduction of strict security requirements for the initiation and processing of electronic payments and the protection of consumers' financial data
- opening the EU payment market for companies offering consumer or business-oriented payment services based on the access to information about the payment account
- enhancing consumers' rights in numerous areas, including reducing the liability for non-authorised payments, introducing an unconditional refund right for direct debits in euro
- prohibition of surcharging whether the payment instrument is used in shops or online.

Source: [European Commission](#)

## European Parliament: Adopts regulation on transparency of the shadow banking sector

The European Parliament has adopted the regulation on Transparency of Securities Financing Transactions ([SFTR](#)). This new law was proposed by the European Commission in January 2014.

Securities financing transactions (SFTs) allow market participants to use assets to secure financing for their activities. It is designed to enhance transparency in three ways:

- It introduces the reporting of all SFTs to central databases known as trade repositories.
- Investment funds will have to start disclosing information on the use of SFTs and total return swaps to investors in their regular reports and in their pre-contractual documents.
- The Regulation introduces some minimum transparency conditions that should be met on the reuse of collateral, such as disclosure of the risks and the need to grant prior consent.

Source: [European Commission](#)

## ECB: Report on financial structures in the euro area financial sector

The European Central Bank (ECB) has published the report on financial structures ([RFS](#)) 2015. The report covers banks as well as other financial intermediaries.

The key findings are:

- Banks, insurance companies and pension funds in largest euro area economies are exposed primarily domestically.
- Consolidation and rationalisation in the banking sector continued in 2014, and the median Tier 1 ratio increased to 14.4% from 13%.
- Insurance companies and pension funds are starting to adjust structurally to low yield environment.
- Shadow banking sector continues to grow mainly on account of an expanding investment fund sector.

Source: [ECB](#)

## 4

# Overseas developments – Europe (cont'd)

## ESMA: Publishes statement to improve quality of disclosures in financial statements

The European Securities and Markets Authority (ESMA) has published a public statement on improving the quality of disclosures in financial statements.

ESMA encourages all parties involved in preparing financial statements to contribute to improving the quality of disclosures:

- issuers should focus on preparing disclosures which are relevant and material, making them as specific and readable as possible
- auditors should encourage issuers to focus on materiality and entity-specific information
- national enforcers should promote best practice amongst issuers and reflect on their enforcement practices.

European national enforcers will monitor and discuss together progress on improvements to the quality of disclosures.

Source: [ESMA](#)

## ESMA: Publishes final guidelines on Alternative Performance Measures

ESMA has published its final guidelines on Alternative Performance Measures (APMs) for listed issuers.

The guidelines apply to APMs disclosed by issuers or persons responsible for drawing up a prospectus on or after 3 July 2016. These guidelines are addressed to:

- issuers defined as natural persons or legal entities governed by private or public law, other than States, whose securities are admitted to trading on a regulated market and who are required to publish regulated information
- persons responsible for the prospectus under article 6 (1) of the Prospectus Directive.

These guidelines apply to all competent authorities (CAs) under the Transparency Directive or the Market Abuse Regulation or the Prospectus Directive.

Source: [ESMA](#)

## ESMA: Published its annual public statement on priorities for 2015

ESMA has published its annual public statement on European Common Enforcement Priorities (priorities) for 2015, which identifies key focus areas in examining listed companies' 2015 financial statements.

The priorities focus on recurring issues identified in the application of IFRS requirements like the current interest rate environment, foreign exchange rate and country risks. The priorities encompass the following topics:

- impact of financial markets conditions on financial statements
- statement of cash flows and related disclosures
- fair value measurement and related disclosures.

ESMA will collect data on how European listed entities have applied the priorities and will publish its findings in early 2017.

Source: [ESMA](#)

## 4

# Overseas developments – UK

## Bank of England announces proposals to strengthen the financial system through structural reform

The Bank of England has published two consultation papers (CPs): [ring-fencing](#) and [operational continuity](#).

The CP on ring fencing sets out its policy proposals in three areas:

- the capital and liquidity requirements applicable to a ring-fenced body and how the bank will determine the adequacy of its financial resources
- the management of intragroup exposures and arrangements
- the use of financial market infrastructures.

The CP on operational continuity sets out bank's proposed framework to require firms to ensure continuity of critical shared services to facilitate recovery action, resolution or post resolution restructuring.

Firms will be able to put in place detailed plans to ensure that they are prepared to ring-fence their core retail activities from 1 January 2019 with the help of these CPs.

Source: [Bank of England](#)

## PRA: Sets approach to identifying other systemically important institutions (O-SIIs)

The Prudential Regulation Authority (PRA) has released a [consultation paper](#) (paper), setting out the criteria and scoring methodology it proposes to use to identify O-SIIs under the Capital Requirements Directive (CRD).

The proposals in this paper are intended to identify and designate as O-SIIs those firms whose distress or failure would have a systemic impact on the UK or the EU economy or financial system due to size, importance, complexity, cross-border activity, and interconnectedness.

This consultation is relevant to credit institutions, investment firms and EEA parent (mixed) financial holding companies incorporated in the United Kingdom. The proposals do not apply to EEA and third-country branches operating in the UK.

This consultation closes on 18 January 2016.

Source: [PRA](#)

## Bank of England publishes approach to stress testing the UK banking system

The Bank of England has published its [approach](#) to stress testing the UK banking system. This approach aims to provide clarity for firms and the wider public about the plans for stress testing for the next three years until 2018.

Key features of the Bank of England's approach are:

- the introduction of an annual cyclical scenario
- a biennial exploratory scenario covering risks unrelated to the financial cycle
- systematic and transparent hurdle rate framework
- including banks with total retail deposits greater than £50 billion. UK subsidiaries of foreign-owned investment banks will not be brought into scope at this time
- developing its own modelling capabilities further. The approach will ensure there continues to be a range of modelling input into stress testing.

Source: [Bank of England](#)

## 4

# Overseas developments – UK (cont'd)

## PRA: Ensuring operational continuity in resolution

The PRA has released a [consultation paper](#) setting out a proposed framework to require firms to ensure continuity of critical shared services to facilitate recovery action, resolution or post resolution restructuring.

This CP is relevant to banks, building societies and PRA-authorized investment firms. The main areas include ensuring the critical shared services provider:

- has arrangements in place that are capable of being continued or replaced in resolution and are well documented
- has sufficient financial resources and capability to allow the firm to operate in resolution and the service arrangements are capable of being restructured
- if in a group, has clearly defined reporting lines that are capable of continuing in resolution
- if in a group, is structured so that upon failure or resolution, no group entity receives preferential access to critical services over another.

Source: [PRA](#)

## PRA: Solvency II: reporting and public disclosure

The PRA has published a [supervisory statement](#) to UK insurance firms and groups within the scope of Solvency II, the Society of Lloyd's and, where applicable, to third country branches.

This supervisory statement sets out the PRA's expectations of firms where the Solvency II supervisory reporting Implementing Technical Standards (ITS) and the Solvency II public disclosure ITS allows supervisory authorities to specify different approaches to the default set out in the standards, or requires supervisory authorities to issue instructions.

Source: [PRA](#)

## FRC: Proposes new guidance on reporting on risks and the going concern basis of accounting

The Financial Reporting Council (FRC) has issued for [consultation](#) *Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks*.

The guidance is intended to assist directors in applying the relevant requirements in accounting standards and company law, incorporating recent regulatory developments such as the introduction of new UK and Ireland GAAP and the Strategic Report.

Consultation will close on 15 January 2016.

Source: [FRC](#)



## 4

# Overseas developments – UK (cont'd)

## FCA: Strengthening accountability in banking and insurance

The Financial Conduct Authority (FCA) has released a [consultation paper](#) *Strengthening accountability in banking and insurance: regulatory references (CP15/31)* in partnership with the PRA.

The FCA and the PRA set out proposals for regulatory references for candidates applying for:

- senior management functions under the Senior Managers Regime (SMR)
- significant harm functions under the Certification Regime (CR)
- PRA senior insurance management functions under the Senior Insurance Managers Regime (SIMR)
- FCA insurance controlled functions
- notified non-executive director roles and credit union NEDs
- key function holders within an insurer.

Source: [FCA](#)

## FCA: Introduces new rules on whistleblowing

FCA has published [new rules](#) on whistleblowing in partnership with the PRA. These changes follow recommendations in 2013 by the Parliamentary Commission on Banking Standards (PCBS) that banks put in place mechanisms to allow their employees to raise concerns internally.

The new key rules on whistleblowing require a firm to:

- appoint a Senior Manager as their whistleblowers' champion
- put in place internal whistleblowing arrangements able to handle all types of disclosure from all types of persons
- tell UK-based employees about the FCA and PRA whistleblowing services
- present a report on whistleblowing to the board at least annually
- inform the FCA if it loses an employment tribunal with a whistleblower.

Source: [FCA](#)

## FCA: Proposes changes to pension rules

FCA has released a [consultation paper](#) *Pension reforms – proposed changes to our rules and guidance*. The key proposals from the paper include:

- rules and guidance to encourage consumers to explore the full range of options for accessing their pension savings and enable informed decision-making
- new rules on the methodology for providing illustrations to members wishing to access their pensions flexibly
- to add guidance to make explicit the application of existing rules in the context of pension reforms, particularly in relation to debt collection and debt advice
- restrictions on the promotion and distribution of high risk investments and amendments to the FCA's definition of certified high net worth investor (HNWI) and restricted investor (RI).

Source: [FCA](#)

## 4

# Overseas developments – US

## CFPB: Finalises a rule about access to credit in the mortgage market

The Consumer Financial Protection Bureau (CFPB) has finalised a [rule](#), which is designed to improve information reported about the residential mortgage market.

It aims to provide consumers' access to mortgage credit by updating the reporting requirements of the Home Mortgage Disclosure Act (HMDA) regulation.

The changes include improving market information, monitoring fair lending compliance and access to credit, easing reporting requirements for some small banks and credit unions; and aligning reporting requirements with industry data standards.

Source: [CFPB](#)

## SEC: Adopts rules to permit crowdfunding

The Securities and Exchange Commission (SEC) has adopted [final rules](#) to permit companies to offer and sell securities through crowdfunding.

The SEC also voted to [propose amendments](#) to existing Securities Act rules to facilitate intrastate and regional securities offerings.

The rules limit the amount of money an issuer can raise using the crowdfunding exemption, impose disclosure requirements on issuers for certain information about their business and securities offering, and create a regulatory framework for the broker-dealers and funding portals that facilitate the crowdfunding transactions.

The new crowdfunding rules and forms will be effective 180 days after they are published in the Federal Register. The forms enabling funding portals to register with the Commission will be effective 29 January 2016.

Source: [SEC](#)

## CFTC: Issues order of exemption from registration as a DCO to two exchanges

The U.S. Commodity Futures Trading Commission (CFTC) has issued an order of exemption from registration as derivatives clearing organization (DCO) to Korea Exchange, Inc. ([KRX](#)) and Japan Securities Clearing Corporation ([JSCC](#)). The Commission issued this order based on its authority under Section 5b(h) of the Commodity Exchange Act.

This order permits CFTC to exempt a clearing organization from DCO registration for the clearing of swaps to the extent that it determines that such clearing organization is subject to comparable, comprehensive supervision by appropriate government authorities in the clearing organization's home country.

Source: [CFTC](#)

## 4

# Overseas developments – US (cont'd)

## Federal agencies finalise swap margin rule

Five federal agencies (Board of Governors of the Federal Reserve System, Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Agency and Office of the Comptroller of the Currency) have issued a final rule to establish capital and margin requirements for swap dealers, major swap participants, security-based swap dealers, and major security-based swap participants (“covered swap entities”).

The final rule establishes minimum margin requirements for swaps and security-based swaps that are not cleared through a clearinghouse.

The final rule will phase in the variation margin requirements between 1 September 2016, and 1 March 2017. The initial margin requirements will phase in over four years, beginning on 1 September 2016.

Source: [OCC](#)

## FRB: Proposes rule regarding the largest banks operating in the US

The Federal Reserve Board (FRB) has proposed a new [rule](#) aiming to strengthen the ability of the largest domestic and foreign banks operating in the United States to be resolved without extraordinary government support or taxpayer assistance.

The proposed rule would apply to domestic firms identified by the Board as global systemically important banks (GSIBs) and to the U.S. operations of foreign GSIBs. These institutions would be required to meet a new long-term debt requirement and a new “total loss-absorbing capacity” requirement.

Source: [FRB](#)

## 4

# Overseas developments – Asia

## China: Launch of RMB cross-border inter-bank payment system

The Phase One of RMB Cross-border Inter-bank Payment System (CIPS) started operation on 8 October 2015. The CIPS, as an important financial infrastructure, provides clearing and payment services for financial institutions in the cross-border RMB and offshore RMB business.

The CIPS Phase One has the following features: real time gross settlement of fund transfer of both individual customers and financial institutions; one-point entry by all direct participants for centralized clearing through a shortened route of clearing to achieve efficiency; the adoption of ISO20022 message dash board for straight-through processing of cross-border businesses; its operation hours covering the time zones of Europe, Asia, Africa and Oceania, where the RMB business essentially take place.

Source: [PBC](#)

## Hong Kong: Consultation response on establishment of an effective resolution regime for FIs

The Government and the financial regulators, namely the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Insurance Authority have released a [consultation response](#) to the second stage of public consultation on proposals to establish a cross-sector resolution regime for financial institutions (FIs) in Hong Kong.

The response summarises the respondents' views on the proposals, and sets out the Government's responses along with its refined policy positions on certain aspects of the proposed resolution regime, including pre-resolution powers, loss absorbing capacity requirements to facilitate bail-in, resolution funding arrangements, the recognition of cross-border resolution actions and safeguards for those affected by resolution action, including appeal mechanisms.

Source: [HKMA](#)

## Hong Kong: Revised capital rules for banks gazetted

The Banking (Capital) (Amendment) Rules 2015 were gazetted to introduce some miscellaneous refinements to the principal Rules.

The amendments align certain aspects of the Banking (Capital) Rules more closely with the relevant Basel III standards, addressing several technical details noted in an earlier evaluation by the Basel Committee on Banking Supervision on Hong Kong's capital regime.

Source: [FSTB](#)

## 4

# Overseas developments – Asia (cont'd)

## Hong Kong: SFC launches pilot initiatives to enhance fund authorization process

The Securities and Futures Commission (SFC) has announced the launch of new initiatives to further enhance the authorization process for new fund applications (Revamped Process) and for new Mandatory Provident Funds (MPF) and Pooled Retirement Fund (PRF) products.

Both initiatives will be implemented on 9 November 2015 for a six-month pilot period after which refinements may be made before the initiatives will be adopted as policy.

Under the Revamped Process, new fund applications will be bifurcated into two streams, namely "Standard Applications" and "Non-standard Applications".

Separately, a six-month application lapse policy will be applied to applications for new MPF and PRF products seeking SFC authorization following consultations with the Mandatory Provident Fund Schemes Authority (MPFA) and key industry stakeholders.

Source: [SFC](#)

## Singapore: MAS consults on margin requirements for uncleared derivatives

The Monetary Authority of Singapore (MAS) has issued for [consultation](#) proposals to implement margin requirements on all OTC derivatives that are not cleared by a qualifying central counterparty (QCCP), except physically-settled foreign-exchange forwards and swaps.

The margin requirements will be implemented in phases, starting with banks, which have the largest exposures to uncleared derivatives.

Source: [MAS](#)

## Korea: FSC improves prudential standards across financial sectors

The Financial Services Commission (FSC) plans to implement prudential regulations in accordance with global standards to prevent regulatory arbitrage across financial services sectors.

Regulatory regimes for Domestic Systemically Important Banks (D-SIBs), capital buffers, and Basel Pillar 2 will be implemented from 2016 and gradually strengthened over time.

Detailed plans will be set out to adopt Recovery and Resolution Plans (RRP) from the end of 2017. Leverage ratios and Net Stable Funding Ratios (NSFR) are scheduled to be implemented from 2018.

Consolidated Risk-Based Capital (RBC) and Own Risk & Solvency Assessment (ORSA) are scheduled to be implemented in 2016 and 2017 respectively.

The FSC is also considering recapitalization plans for insurers in preparation for IFRS4 phase 2 and measures to strengthen credit risk management for off-balance-sheet exposures.

Source: [FSC](#)

## 5

# PwC publications

## PwC Australia: Banking Matters – Major Bank Analysis

PwC Australia's biannual analysis of the four major Australian banks' results revealed that the Australian banks have delivered combined cash profits of \$30.2 b, up 5.3% compared to September 2014. The half on half results were down 4.7% with only one of the banks showing growth in margin and cash earnings since March 2015. Net interest margins have declined 4bps to 2.02%, a record low, though the story varies for the composition of the movements. Reductions in bad debt expense, which delivered a combined \$10.2 b pre-tax net profit growth since 2009, appears to have reached a bottom, growing 8.9% year -on-year and 17.4% half-on-half.

There are multiple dynamics at play in the bank results, reflective of where the industry finds itself as the economic and regulatory environment post-crisis comes to fruition.

The banks have continued to do what they do best and delivered another record set of results. Business reshaping and investment in innovation feature heavily in the results and outlook.

See [publication](#)

## PwC China/Hong Kong: Regulations for electronic trading

The SFC has strengthened its regulations on electronic trading and cyber security in recent years. As a result, licensed corporations are expected to conduct thorough assessments on a regular basis and put in place a process to demonstrate the effectiveness of operational and technology controls in place and ensure compliance with regulatory requirements.

Learn how we strive to help our clients to meet the electronic trading and cyber security regulatory requirements. A large number of our clients have already benefited from our effective approach to assess their controls, identify and help remediate issues. Our approach can also be tailored to suit your specific needs.

See [publication](#)

## PwC China/Hong Kong: Sharpening strategies for regulatory change

As regulation becomes increasingly globalised, politicised and centralised, the implementation demands and strategic influence on insurers are now reaching an unprecedented level of intensity.

To emerge stronger from this, insurers need to develop a detailed understanding of how these changes will affect their organisations and determine the steps needed to embrace them:

- steering the response
- shaping the debate
- gearing up your business
- seeing the bigger picture.

See [publication](#)

## 5

## *PwC publications*

### PwC US: All set for Pillar 3

Pillar 3 brings a lot of new information into the public domain for the first time. It's also going to open up return on capital, risk sensitivities and reserving strategies to much greater scrutiny and comparison. In turn, there may be market pressure to disclose more information and drill deeper into the areas you're required to report publicly, especially among large international insurers.

As we explore in this paper, it's important to consider how your business will come across under these new public disclosures and how to respond to market pressure for more detail. It's also important to look closely at how the decisions being made for Solvency II in areas such as target solvency ratios, the management of capital demands and the application of long-term guarantee measures will affect your reported earnings and funds available for investment and dividend payments.

See [publication](#)

### PwC US: How insurers can harmonize customer communications

PwC US has released a report entitled "From solos to symphony - How insurers can harmonize customer communications". This publication discusses how customers today are overwhelmed with irrelevant and inconsistent messages from their insurance carriers. While many carriers know this, solving the problem is easier said than done.

Developing a customer-centric communications strategy involves a commitment to collaboration that puts shared corporate objectives ahead of departmental goals. To make this work, insurers need the right technology and governance to support consistency, reuse, and personalization of content.

See [publication](#)

### PwC Singapore: AIFMD for Asian fund managers marketing non-EU AIFs in the EU

PwC Singapore has released a report "AIFMD for Asian fund managers marketing non-EU AIFs in the EU".

Pursuant to article 42 of the Alternative Investment Fund Managers Directive (AIFMD or the Directive) non-EU/Asian Alternative Investment Fund Managers (AIFMs), as from 2013, can only market the non-EU/Asian Alternative Investment Funds (AIFs) they manage to EU investors via private placement regimes (PPRs), where available and applicable. Access to the European Union (EU) passport has not yet been granted to non-EU AIFMs.

It is expected that in the coming years, Asian AIFMs may be granted access to the EU passport for the Asian AIFs they manage, at which point in time they will have to fully comply with the Directive (similarly to an EU AIFM).

This document provides a useful overview of the main requirements and steps to follow in order to market without passport within the European Union (EU).

See [publication](#)

# 6

## Contacts

### Sydney



#### **Nicole Salimbeni**

Partner  
nicole.salimbeni@au.pwc.com  
(02) 8266 1729



#### **Edwina Star**

Partner  
edwina.star@au.pwc.com  
(02) 8266 4940

### Melbourne



#### **Rachael Phelan**

Partner  
rachael.phelan@au.pwc.com  
(03) 8603 0155



#### **Shari Emin**

Director  
shari.emin@au.pwc.com  
(03) 8603 3050



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