

June 2018

*PwC Regulatory Update*



## 1

# Legislative/Government developments

## The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

The fourth round of public hearings of the Royal Commission were held in Brisbane and Darwin in late June and early July. The hearings focused on issues affecting Australians living in remote and regional communities – including farming finance, natural disaster insurance, and interactions between Aboriginal and Torres Strait Islander people and financial services entities.

Source: [Royal Commission](#)

## Government consults on draft Bill Treasury Laws Amendment (2018 Measures No. 5) Bill 2018

The Government is seeking feedback on the [draft Treasury Laws Amendment \(2018 Measures No. 5\) Bill 2018](#). The Bill proposes a range of technical amendments, designed to ensure the new tax system for managed investment trusts (MITs) operates as it was intended to. The intention of the Bill is to clarify the new system for MITs, which was enacted in 2016.

Submissions are due by 16 July 2018.

Source: [Treasury](#)

## Proposed new laws to protect superannuation savings

The Government has introduced the [Treasury Laws Amendment \(Protecting Your Superannuation Savings Package\) Bill 2018](#) into Parliament. The Bill proposes a number of reforms to protect against the erosion of superannuation balances through disproportionate fees and unsuitable insurance arrangements.

The reforms will:

- Prevent trustees of superannuation funds charging administration and investment fees in excess of 3% per year, where the balance of accounts is below \$6,000.
- Require fund trustees to offer insurance on an opt in basis only to new members below the age 25, members with account balances below \$6,000, and members with inactive accounts, unless a member has directed otherwise.
- Require accounts with balance below \$6,000 to be transferred to the Commissioner of Taxation if they have been inactive for a period of more than 13 months.

Source: [Minister for Revenue and Financial Services](#)

## 1

# Legislative/Government developments

## Government consults on the new mandatory comprehensive credit reporting regulations

The Government sought feedback on the [draft](#) of the *National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Regulations 2018*. The proposed regulations, if passed, will put into effect a number of provisions within the *National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018*, including:

- the exclusion of certain types of accounts from being supplied within the mandatory regime;
- specifying additional events which require ongoing reporting under the mandatory regime;
- placing restrictions on credit reporting bodies from disclosing information they have received or derived through the mandated regime;
- setting out the types of information that credit providers and credit reporting bodies must include in statements to the Treasurer; and
- setting out circumstances when the ASIC can issue an infringement notice for a civil penalty.

Source: [Treasury](#)

The Australian Banking Association [highlighted](#) the four major banks agreement to protect vulnerable customers from unfair treatment as part of the new mandatory Comprehensive Credit Regime. The requirement for the four major banks to report the credit history of 50% of their customers by the end of September will not include customers who have reached agreement on hardship arrangements with their bank.

## Government consults on extending UCT to insurance contracts

The Government has published a [proposal paper](#) and is seeking feedback on the proposed extension of the unfair contract term (UCT) law to insurance contracts, which are currently regulated under the *Insurance Contracts Act 1984* (IC Act). The changes include:

- amending section 15 of the ICT Act to allow the UCT laws in the *Australian Securities and Investment Commission Act 2001* (ASIC Act) to apply to insurance contracts regulated by the *IC Act*, which includes both general and life insurance contracts; and
- adapting the UCT laws in the *ASIC Act* to accommodate specific features of insurance contracts.

Submissions are due by 27 July 2018.

Source: [Treasury](#)

## 1

# Legislative/Government developments

## Government consults on Passport regulations

The Government is seeking feedback on a [draft](#) of the *Asia Region Funds Passport (Passport) Regulations*. On 28 June 2018, legislation to establish the Asia Regions Funds Passport passed in the Senate. The draft regulations will provide additional detail on the operation of the recently passed Passport Bill. The regulations will:

- require an operator of a notified foreign passport fund to lodge copies of documents in the prescribed form and set out other requirements regarding lodging documents with ASIC;
- list the particulars which are to be included on the new register of passport funds and give the public a right to search the register;
- extend many of the disclosure requirements and exemptions that currently apply to managed investment products to foreign passport fund products; and
- amend various fee regulations to prescribe new fees for certain matters relating to notified foreign passport funds.

Submissions are due by 13 July 2018.

Source: [Treasury](#)

The FSC publicly [supported](#) the Asia Region Fund Passport, but made clear the need for tax reforms to support the effective operation of the new legislation.

## Government consults on first tranche of CCIV Bill

The Government has introduced [draft legislation](#), the *Treasury Laws Amendment (Corporate Collective Investment Vehicle) (CCIV) Bill 2018*, and is now asking the public for feedback. The draft Bill reflects the previous consultation in 2017. The revised draft Bill includes:

- a revised draft of the new chapter in the *Corporations Act*, containing the core provisions establishing how the CCIV and its sub-funds will operate;
- amendments to apply Chapters 2A to 2P of the *Corporations Act* to CCIVs; and
- an outline in the explanatory materials of the proposed legislative approach to depositary independence.

Submissions are due by 11 July 2018.

Source: [Treasury](#)

## 1

# Legislative/Government developments

## Government introduces reforms to address corporate misuse of the FEG scheme

The Government has introduced [draft legislation](#), the *Corporations Amendment (Strengthening Protections for Employee Entitlements) Bill 2018*, and has sought feedback on the proposed changes, which aim to address corporate misuse of the Fair Entitlements Guarantee (FEG) scheme. These changes include:

- strengthening civil recovery action and the criminal and civil penalties available against company directors and other persons who engage in transactions that are directed at preventing, avoiding or reducing employer liability for employee entitlements;
- ensuring recovery of outstanding employee entitlements of an involvement corporate group member, where it would be just or equitable; and
- strengthening the ability to sanction directors and company officers with a history of insolvencies; under the law to sanction directors and company officers with a track record of insolvencies where FEG is repeatedly relied upon.

Source: [Treasury](#)

## Government consults on conditions to be complied by stapled entities

The Government has released a [proposal paper](#), *Stapled Structures Integrity Measures Proposal Paper* and is seeking feedback from key stakeholders on the proposed integrity rules, which the government views as necessary to protect against across cross-staple pricing arrangements during the transition / concession periods. The conditions include:

- extending the existing integrity rules that apply to MITs to ensure that all staples are required to set their rent at arms' length prices; and
- introducing statutory caps on the amount of cross-staple rent that is able to access the concessional rate of withholding tax for new and existing infrastructure projects during the transition or concession period.

Submissions are due by 12 July 2018.

Source: [Treasury](#)

## 1

# Legislative/Government developments

## Other key developments

The *Corporations (Fees) Amendment (ASIC Fees) Bill 2018* and related bills [passed](#) through Parliament on 28 June 2018.

The Government will now [bear](#) ASIC's costs of regulating the charities sector, meaning registered charities will no longer pay ASIC levies.

The Government is [enhancing](#) the early release of the superannuation process by making certain successful applicants receive funds sooner in their time of need. The Australian Taxation Office (ATO) will from 1 July 2018 be responsible for the administration of the early release of superannuation benefits on compassionate grounds. This role was previously owned by the Department of Human Services (DHS). Early release applications will be accepted by DHS up until 30 June 2018. A short transition period is expected to occur where DHS will still process existing applications and close out necessary reviews.

The Government is [forming](#) a new Advisory Board, which will support the government's reform agenda to disrupt the black economy. Mr. Michael Andrew was announced as the chair of the Black Economy Advisory Board. The Board, which will consist of members of the public and private sector will:

- strategically advise on trends and risks in the black economy;
- provide advice to the Treasury regarding implementation of the Government's decisions attacking the black economy; and
- every five years provide input to a Government report about new threats emerging in the black economy.

## 2

# What have the regulators been up to?

## APRA

Australian Prudential  
Regulation Authority

## ASIC

Australian Securities and  
Investments Commission

### APRA reviews its superannuation prudential framework

APRA has published a [letter](#) to all general insurers, life insurers and private health insurers regarding the issuing of prudential standards to support appointed actuary and actuarial advice within insurers effectively performing their role. The new prudential standards and prudential practice guide released are:

- [prudential standard](#), *CPS320 - Actuarial and Related Matters*;
- [prudential standard](#), *GPS340 - Insurance Liability Valuation*; and
- [prudential practice guide](#), *CPG320 - Actuarial and Related Matters*.

The standards and guide will come into effect on 1 July 2019. The extension of the transition period is intended to provide Appointed Actuaries and insurers with the necessary time to determine how they can most effectively implement changes and establish the necessary structures to realise these reforms.

See [media release](#)

### APRA consults on revisions to managing related parties' risks framework

APRA has published a [discussion paper](#) and is seeking feedback on revisions to the related entities framework for authorised deposit-taking institutions (ADIs) in managing risks.

APRA's proposed update of the framework includes:

- broadening the definition of related entities to include substantial shareholders, individual board directors and other related individuals;
- explicitly addressing 'step-in risk' by incorporating guidance from the BCBS;
- tightening certain limits on exposure to related entities in line with limits on exposures to unrelated entities in the revised APS 221, dealing with exposures to unrelated parties;
- removing the ability for certain overseas subsidiaries to be consolidated with the standalone ADI for prudential purposes; and
- updating existing reporting requirements to align with the changes to the framework.

APRA has also outlined revisions to [prudential standard](#), *APS 222 - Associations with Related Entities*, and the associated [reporting standard](#), *ARS 222.0 - Exposures to Related Entities*.

Submissions are due by 28 September 2018.

See [media release](#)



## 2

# What have the regulators been up to?

## APRA

Australian Prudential  
Regulation Authority

## ASIC

Australian Securities and  
Investments Commission

### ASIC publishes guidance for its oversight of the AFCA

ASIC has published [Regulatory Guide 267](#), *Oversight of the Australian Financial Complaints Authority*, which provides guidance on how ASIC will conduct its oversight role in relation to the Australian Financial Complaints Authority (AFCA). The financial firms' AFCA membership obligations are also addressed in the guide. The guide should be read in conjunction with [regulatory guide](#), *RG165 - Licensing: Internal and external dispute resolution*.

See [media release](#)

### ASIC publishes reports on proxy adviser engagement practices

ASIC has published a [report](#), *ASIC review of proxy adviser engagement practices*, which deals with ASIC's review of proxy adviser engagement practices.

It also sets out some of the good practice recommendations to encourage constructive engagement between companies and proxy advisers.

See [media release](#)

### ASIC implements regulatory regime for financial benchmarks

ASIC has implemented a comprehensive regulatory regime for financial benchmarks and published the following:

- [ASIC Corporations \(Significant Financial Benchmarks\) Instrument 2018/420](#), declaring five significant financial benchmarks;
- [ASIC Financial Benchmark \(Administration\) Rules 2018](#), imposing obligations on licensed benchmark administrators and requiring contributors to licensed benchmarks to cooperate with ASIC;
- [ASIC Financial Benchmark \(Compelled\) Rules 2018](#), equipping ASIC with the power to require holders of a benchmark administrator licence to continue to generate or administer the significant financial benchmark or to generate or administer the significant financial benchmark in a certain way.
- [Regulatory Guide 268](#), *Licensing regime for financial benchmark administrators*, details how ASIC administers the financial benchmark licensing regime and explains how licensed financial benchmark administrators can fulfill their obligations under the [ASIC Financial Benchmark \(Administration\) Rules 2018](#).

See [media release](#)



## 2

# What have the regulators been up to?

## APRA

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Regulation Authority

## ASIC

Australian Securities and  
Investments Commission

### Recent reports

ASIC has published a [report](#), *Registered liquidators' compliance with lodgement and publication requirements*. This report outlined the results of their project to review registered liquidators compliance with their obligations to:

- lodge certain forms with ASIC; and
- publish insolvency notices on ASIC's published notices website.

This report includes guidance to assist registered liquidators compliance with their obligations.

See [media release](#)

ASIC has published a [report](#), *Improving practices in the retail OTC derivatives sector*, identifying a number of risks associated with the products offered to retail investors by OTC derivatives issuers during a recent review of 57 retail derivative issuers.

These include:

- misleading marketing materials;
- unclear pricing methodologies;
- inadequate risk management practices; and
- inadequate monitoring of counterparties.

In light of these risks, ASIC has called on issuers to:

- review and update their risk management and client money practices; and
- assess whether their arrangements with counterparties and referrers meet their AFS licence obligations.

### Other key updates

ASIC has [signed](#) the International Organisation of Securities Commissions (IOSCO) *Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMoU)*, an enhanced standard for cross-border enforcement cooperation. The EMMoU gives ASIC the powers to:

- obtain and share audit work papers, communications and other information relating to the audit or review of financial statements;
- compel physical attendance for testimony; and
- freeze assets or advice how to freeze assets.

ASIC has temporarily [extended](#) two ASIC instruments to allow extra time to consider particular disclosure obligations of managed investment schemes and superannuation trustees:

- [Relief from the Shorter PDS regime](#) extended by [ASIC Corporations \(Amendment\) Instrument 2018/473 to 30 June 2022](#); and
- [ASIC Superannuation \(RSE Websites\) Instrument 2017/570](#) extended by [ASIC Corporations \(Amendment\) Instrument 2018/474 to 30 June 2024](#).

Each instrument had been due to expire on 30 June 2018.

## 3

## Industry bodies

### APN

Australian Payments Network

### FSC

Financial Services Council

#### APN releases report on digital payments overtaking cheques and cash as the most popular payment method

APN has released ninth The Digital Economy [Report](#), which highlights that shift towards a digital economy, as digital payments increase at the expense of cash and cheques.

The report highlights the decline in cash and cheque payments with the AusPayNet report revealing that in 2017 there was a:

- 19.7% decrease in cheques written; and
- 5.9% decrease in ATM withdrawals.

Comparatively digital payments continue to increase with:

- Australians using their cards 12.2% more in 2017; and
- direct entry transactions (direct debit and direct credit) increasing by 9.1% to 3.9 billion.

The report also tracks progress on industry and government initiatives to support the transition to the digital economy including open-loop transit, open banking and the consumer data rights.

See [media release](#)

#### FSC releases report on targeted early intervention by life insurers

FSC has released a [report](#), *Falling through the cracks*. Key findings from this report include:

- early intervention is estimated to result in faster return to work time by five weeks;
- increased labour supply; and
- decreased cost to government.

See [media release](#)

## 4

# Overseas developments – Global

## FSB: Recent guidance

The Financial Stability Board (FSB) has published two documents to guide authorities on the implementation of the *Key Attributes of Effective Resolution Regimes* for global systemically important banks (G-SIBs):

- *Principles on Bail-in Execution* sets out principles to assist authorities operationalise resolution strategies for G-SIBs.
- *Funding strategy elements of an implementable resolution plan* covers the development of resolution funding plans G-SIB.
- Source: [FSB](#)

## FSB: Recent announcements

The FSB is seeking [feedback](#) from key stakeholders as part of its third thematic peer review on resolution regimes. The review intendeds to assess implementation by FSB jurisdictions of the resolution planning standard set out in the *Key Attributes of Effective Resolution Regimes for Financial Institutions* This could include feedback on:

- the adequacy and nature of requirements and practices for resolution planning in FSB jurisdictions;
- the nature and scope of guidance by authorities in relation to resolution planning;
- experiences and challenges faced as a result of the development of resolution strategies and plans, including in a cross-border context;
- the acceptability of public disclosures on bank resolution planning; and
- experiences and challenges faced in addressing barriers to resolvability, and implications for resolution planning.

Source: [FSB](#)

## FSB: Recent announcements

The FSB is seeking [feedback](#) from its publication of the technical implementation of the Total Loss-Absorbing Capacity (TLAC). Particularly ensuring G-SIBs had adequate loss-absorbing and recapitalisation capacity available, so that where a failure occurs they can be resolved in a manner that reduces impacts on financial stability, maintains the continuity of critical functions and avoids loss of public funds. The TLAC standard will be phased in from January 2019. Submissions are due by 20 August 2018.

Source: [FSB](#)

## 4

# Overseas developments – Europe

## EBA: Recent announcements

The European Banking Authority (EBA) has published its final amended technical standards on supervisory disclosure, Implementing Technical Standards (ITS). The standard specifies the format, structure, contents list and annual publication date of the supervisory information to be disclosed by competent authorities. The ITS incorporates the changes to the European Union (EU) legal framework and the formation of the Single Supervisory Mechanism (SSM).

Source: [EBA](#)

## EBA: Recent announcements

The EBA has published a Consultation Paper, seeking feedback on draft Regulatory Technical Standards (RTS), which outlines the conditions to allow institutions to calculate capital requirements of the securitised exposures in accordance with the purchased receivables approach laid down in the amended Capital Requirements Regulation (CRR). Submissions are due by 19 September 2018.

The EBA has published an opinion and consultation paper on draft guidelines to clarify the regulatory technical standards (RTS) on strong customer authentication and common and secure communication (SCA and CSC), which will come into effect from 14 September 2019.

Submissions are due by 13 August 2018.

Source: [EBA](#)

## ECB: Recent announcements

The Governing Council of the European Central Bank (ECB) has decided the final methodology for calculating the *Euro Short-Term Rate* (ESTER). ESTER is an overnight unsecured rate based solely on money market statistical reporting (MMSR). Publication of ESTER will begin in October 2019.

The Governing Council has made the decision to release the time-lagged publication of the daily rate, volume and dispersion data, which is based on the main methodological features of the soon to be release ESTER.

Source: [ECB](#)

## 4

# Overseas developments – UK

## FCA: Recent consultations

The Financial Conduct Authority (FCA) is seeking feedback on the proposed rules and guidance made in relation to claims management activities and the standards to be followed by claims management companies (CMCs), after the responsibility for regulating this sector is transferred to FCA in April 2019. Submissions are due by 3 August 2018.

The FCA is seeking feedback on proposed changes to complaints handling rules. FCA is proposing to require payment service providers (PSPs) handle complaints about alleged fraud relating to funds they have received in line with the *Dispute Resolution: Complaints sourcebook* (DISP) and allow eligible complainants to refer these complaints to the Financial Ombudsman Service. Submissions are due by 26 September 2018.

Source: [FCA](#)

## Bank of England: Recent announcements

The Bank of England is seeking views on:

- the proposed strategy for aligning credit payment messages across CHAPS, Bacs, and Faster Payments with the new global standard; and
- how the Common UK Credit Message (CCM) should be implemented by the Bank within CHAPS, the associated costs and challenges of this, and the migration path and timelines to achieve this.

The HM Treasury (HMT) has set out its approach to onshoring financial services legislation under the *European Union (Withdrawal) Act (EUWA)*.

Source: [Bank of England](#)

## PRA: Recent policy statements

The Prudential Regulation Authority (PRA) has released a policy statement, providing feedback in relation to the consultation paper, *Algorithmic trading*, which sets out the PRA's proposed expectations for firms' governance and risk management of algorithmic trading. The policy statement references the Supervisory Statement, *SS5/18 – Algorithmic trading*, effective from 30 June 2018 in its appendix.

The PRA has released a policy statement, providing feedback on the consultation paper, *Resolution planning: MREL reporting*, which outlines the PRA's final expectations for the reporting on the minimum requirement for own funds and eligible liabilities (MREL). The policy statement references the supervisory statement, *SS19/13 – Resolution planning*, effective from 1 June 2019 in its appendix.

Source: [PRA](#)

## 4

# Overseas developments – US

## CFTC: Recent announcements

The Commodity Futures Trading Commission (CFTC) has proposed to amend its regulations governing the minimum standards for self-regulatory organisation's ("SRO") financial surveillance examination program of futures commission merchants ("FCMs").

The CFTC and Securities and Exchange Commission (SEC) have approved a [MoU](#) to ensure continued coordination and information sharing between the two agencies.

Source: [CFTC](#)

## OCC: Recent announcements

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) have released a [final rule](#) to condense the standard settlement cycle for securities bought or sold by national banks, federal savings associations and FDIC-supervised institutions. The final rule will align with the industry-wide transition to a two business-day settlement cycle, which is designed to decrease settlement exposure and ensure consistent settlement practices across all market participants.

The Federal Reserve Board, CFTC, FDIC, OCC and SEC are jointly seeking views on a [proposal](#) to simplify compliance requirements related to the Volcker rule. The Volcker rule generally restricts banking entities from engaging in prohibited proprietary trading and from owning or controlling hedge funds or private equity funds.

Source: [OCC](#)

## SEC: Recent consultations

The SEC is seeking the public's view on its [proposed amendments](#) to the rules governing its whistleblower program. The proposed amendments will require the SEC to pay an award to eligible whistleblowers who voluntarily provide them with original information about a violation of the federal securities laws that leads to the successful enforcement of a covered judicial or administrative action, or a related action.

The SEC is seeking comments on its [proposal](#) of a new rule that would permit exchange-traded funds ("ETFs") to satisfy certain criteria to operate without the added expense and delay of obtaining an exemptive order. The proposed rule will establish a consistent framework for the vast majority of operational ETFs.

The SEC has adopted [amendments](#) to public liquidity-related disclosure requirements for certain open-end funds. The amendments would mean funds would need to disclose in their annual or semi-annual shareholder report the operation and effectiveness of their liquidity risk management programs.

Source: [SEC](#)

## 4

# Overseas developments – Asia

## HK: Recent announcements

The Securities and Futures Commission (SFC) is seeking feedback from stakeholders on its [proposal](#) to implement margin requirements for non-centrally cleared over-the-counter (OTC) derivative transactions. The contracting party to the transaction would be required to exchange margin with the counterparty if the notional amount of their outstanding non-centrally cleared OTC derivatives exceeds specified thresholds. Submissions are due by 20 August 2018.

The SFC and Hong Kong Monetary Authority (HKMA) have released a joint consultation conclusion paper on enhancements to the OTC derivatives regime for Hong Kong to:

- mandate the use of Legal Entity Identifiers to meet reporting obligations;
- widen the clearing obligation; and
- adopt a trading determination process for introducing a platform trading obligation.

The conclusions paper summarises the comments received in relation to the [Consultation Paper](#), and the SFC's responses to such comments and their conclusions.

Source: [SFC](#)

## HK: Recent announcements

The Securities and Futures Commission (SFC) has signed separate MoUs with China Banking and Insurance Regulatory Commission (CBIRC) and German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). The MoUs will enhance Hong Kong's supervisory cooperation and exchange of information of regulated entities that operate on a cross-boundary basis with Mainland China and Germany, respectively.

The SFC and Abu Dhabi Global Market (ADGM) Financial Services Regulatory Authority (FSRA) have signed a [MoU](#) to assist in the expansion of FinTech companies into each other's markets by collaborating on joint research projects, information exchange and expertise sharing.

Source: [SFC](#)

## Korea: Recent announcements

The Korea Financial Intelligence Unit (KoFIU) has proposed a revision to the Virtual Currency Anti-Money Laundering Guidelines to address some inadequacies related with the implementation of the Guidelines. The revised guideline will come into effect on 10 July 2018.

The Financial Services Commission (FSC) has proposed a draft bill to introduce a regulatory framework for financial benchmarks to improve the accuracy and credibility of financial benchmarks and protect financial consumers. Key provisions include:

- definition of a “financial benchmark” and designation of a “significant benchmark”;
- registration of administrators of significant benchmarks;
- conduct requirements for administrators and users of significant benchmarks; and
- prohibition of manipulation of significant benchmarks; and
- measures to ensure the effectiveness of the law.

Source: [FSC](#)



## 5

## PwC publications

### PwC UK: Monthly FS regulatory, accounting and audit bulletin

PwC UK has issued a monthly update, *Being better informed FS regulatory, accounting and audit bulletin*, which dealt with:

- the new regulatory landscape emerging in the UK;
- proposed future economic relationships post-Brexit;
- the UK's data sharing vision; and
- the FCA's auto investment concerns.

See [publication](#)

### PwC US: 2018 Actuarial modernisation survey findings

PwC US has released a report on the Actuarial Modernisation Survey 2018, which outlines the findings from the survey conducted to understand current state of Actuarial Modernization for both P&C and Life companies. Key findings included:

- Companies are modernizing for a number of reasons.
- Significant opportunity exists in the market to expand automation, increase “productive time” and reduce process specialization.
- Most companies possess timely and accurate data today.

See [publication](#)

### PwC US: Non-life run-off in the US

PwC US has released a report on Global Run-Off Survey entitled, *Non-life run-off in the US: Is the US market poised for a transaction surge?*

The survey confirmed the US as the largest single discontinued non-life insurance market in the work with an estimated value of US\$355bn and reported a number of key findings.

See [publication](#)

## 5

# PwC publications

## PwC US: PwC's 2018 Digital Banking Consumer Survey

PwC US has published a report, *PwC's 2018 Digital Banking Consumer Survey: Mobile users set the agenda*, summarising the findings from the survey of 4000 consumers regarding their banking habits.

The survey highlighted some clear preferences with respect to channels and goals.

Five key themes were drawn from the survey:

- think mobile-first, or else;
- we don't just value convenience;
- branches aren't going away;
- many users are becoming less "engaged"—but not all; and
- most financial consumers are goal-oriented—and they need help reaching those goals.

See [publication](#)

## PwC US: Digital intelligence - Solving the small business riddle

PwC US has released a report, *Digital intelligence - Solving the small business riddle*, outlining the key takeaways on the top digital developments influencing financial services:

- As financial services continue to evolve, the small business sector is next.
- Significant efficiencies may be gained in small business lending.
- Small commercial insurance customers may need an end-to-end digital experience, not just digital distribution.

See [publication](#)

## PwC US: Key points from the proposal to reform the Volcker rule

Five regulatory agencies have released for comment a long-awaited proposal to simplify the Volcker rule, which banks and regulators have said was overly complex. The proposed changes are intended to clarify and reduce the rule's compliance burden.

PwC US has published a report, highlighting the seven key points from the proposal to reform the Volcker rule:

- less trading activity, fewer requirements;
- proprietary trading clarified;
- hedging burden reduced;
- relief on RENTD;
- modified metrics;
- too little too late on covered funds; and
- more flexibility for FBOs.

See [publication](#)

## 5

# PwC publications

## PwC US: Key points from the final SCCL rule

The Federal Reserve Board (Fed) has released its final rule to establish single-counterparty credit limits (SCCL). The Fed has dealt with a number of industry concerns and comments, particularly with respect to certain key definitions, operational issues, and compliance requirements.

PwC US has published a report, highlighting seven themes from the final single counterparty credit limits rule:

- final rule reflects new refs and new law;
- accounting consolidation principles prevail;
- connected counterparties simplified;
- partial look-through for SPVs;
- FBOs get relief but IHCs still are in;
- more flexibility for internal models but FBOs in limbo; and
- balanced enforcement.

See [publication](#)

## PwC US: Current developments for mutual fund directors

PwC US has released a report, *Current developments for mutual fund directors*, featuring articles on topics impacting the mutual fund industry and a summary of recent developments.

This edition includes articles on:

- SEC issues new proposal regarding the loan rule;
- tax reform and investment management: Impact on mutual funds;
- key takeaways from the Financial Stability Oversight Council 2017 Annual Report;
- resolutions: how regulations and taxes are shaping the future of ETFs; and
- cybersecurity guidelines for asset managers.

See [publication](#)

## PwC US: Key points from the Fed's 2018 DFAST

The Federal Reserve has released its *Dodd-Frank Act Stress Test* (DFAST) quantitative results. The DFAST results suggest all firms capacity to pass CCAR on a quantitative basis, but using history as a guide, some failures (objections) or special resubmissions (conditional non-objections) can be expected from the Fed's qualitative assessment.

PwC US has issued a report, bringing out key points from the Fed's 2018 DFAST, these include:

- the final DFAST;
- dFAST volatility is problematic for the SCB;
- new model changes make the test harder to predict;
- fed's trading revenue projections are a glaring weakness;
- different test for the new IHCs; and
- Fed emphasises outstanding NPRs.

See [publication](#)

## 5

## PwC publications

### PwC US: Transition Resource Group for credit losses

The Transition Resource Group for Credit Losses convened in June and discussed the following topics related to application of the current expected credit loss:

- capitalised interest when using a method other than a discounted cash flow method;
- accrued interest and the reversal of accrued interest on non-performing financial assets;
- transferring loans from held-for-sale to held-for-investment or credit impaired debt securities from available-for-sale to held-to-maturity;
- expected recoveries from a financial asset that has been written off or may be written off in the future; and
- loan refinancing and prepayments.

PwC US has released a report summarising the topics discussed by the Transition Resource Group for credit losses.

See [publication](#)

### PwC US: Amendments to IFRS 17 on the IASB board agenda

The IASB Board has agreed to make clarifying amendments to IFRS 17, 'Insurance Contracts', to ensure that the words in the standard reflect the decisions made by the Board during its deliberations.

The Board has agreed to make clear that, for contracts subject to the variable fee approach, the determination of coverage period and quantity of benefits should include investment-related services in addition to insurance coverage.

PwC US has released a report, *Amendments to IFRS 17 on the IASB board agenda*, detailing the clarification given by IASB Board in relation to IFRS 17 amendments.

See [publication](#)

## 5

## PwC publications

### PwC China: China to allow foreign investor controlled Chinese securities companies

The China Securities Regulatory Commission (CSRC) has released the Administrative Measures of Foreign-invested in Securities Companies (New Measures). The New Measures softened some restrictions and established an application process for foreign investors to take up majority stakes in securities firms.

PwC China published a Financial Services Tax News Flash, which delves into the key changes of the New Measures, and provides a number of points to consider when setting up a foreign controlled securities Joint Venture in China.

See [publication](#)

### PwC HK: China banking newsletter - 2017 review and 2018 outlook

PwC HK has published a banking newsletter, *China banking newsletter - 2017 review and 2018 outlook*, summarising its analysis of China's listed banks and the wider industry.

PwC's analysis covers 34 A-share and/or H-share listed banks that have released their 2017 annual results. A key finding of this analysis was that as of 31 December 2017, the total assets of these banks accounted for 78.91% of the total assets of China's commercial banking sector.

See [publication](#)

### PwC HK: Three simple ideas can take the panic out of your prep for IFRS 17

Insurance companies must adopt the International Financial Reporting Standard in the next three years (IFRS 17). IFRS 17 will force companies to overhaul underlying account systems. The standard introduces a new measurement of insurance liability (contractual service margin) and makes risk adjustment and discounting of future cash flows essential. The operational impact to insurance companies will be great. Designing new systems to integrate the required changes will be even more difficult because of legacy systems and bespoke technical workarounds that many insurance companies have added over the years through multiple acquisitions and tactical fixes.

PwC HK has released an article discussing the core decisions and ideas to be considered to ensure that the company's operations can adapt and thrive under the new rules.

See [publication](#)

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