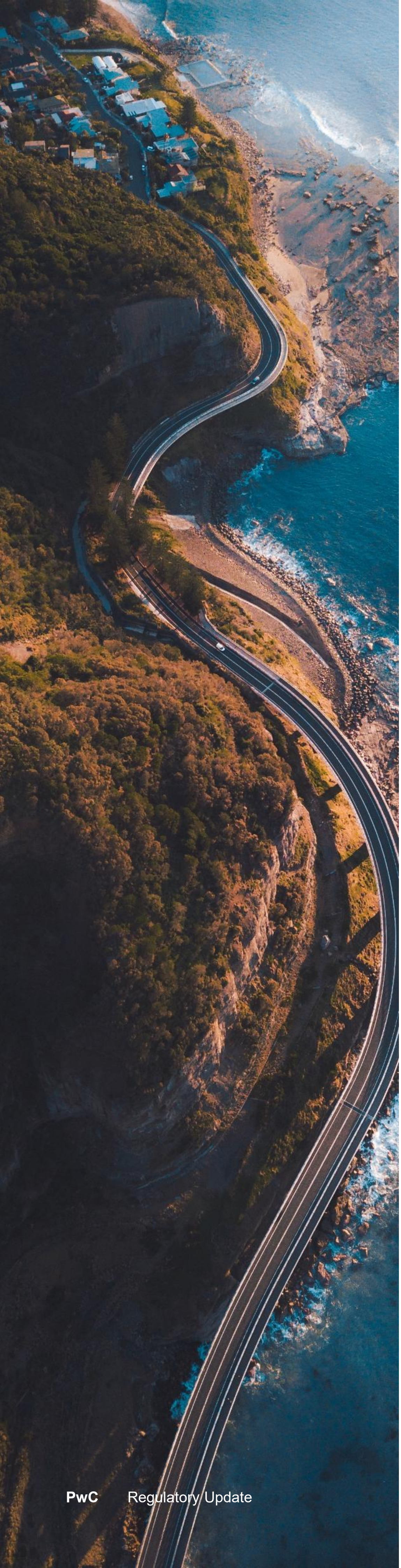
PwC Regulatory Update

September 2026



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01

Legislative/ Government developments

Legislative/ Government developments

Australian Office of Financial Management independent review

An independent review of the Australian Office of Financial Management (AOFM) has been commissioned by the Secretary, following a request from the AOFM CEO. Dr Guy Debelle will chair the review, which will assess the AOFM's operations, capabilities, and overall effectiveness. The Secretary informed the Treasurer of this decision on 23 January 2026. The review is now closed.

Source: Treasury

02

What have the regulators been up to?

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APRA - Australian Prudential Regulation Authority

Response to consultation on transition of Life Insurance D2A data collections to APRA Connect

APRA is finalising updated *Reporting Standards LRS 112.3 Related Party Exposures* (LRS 112.3), *Reporting Standard LRS 114.2 Derivatives Activity* (LRS114.2) and *Reporting Standard LRS 114.3 Off-balance Sheet Business* (LRS 114.3) for life insurance data collections. These updates support the transition of data submissions from the now-decommissioned Direct to APRA (D2A) platform to the streamlined APRA Connect system. This change will streamline reporting processes and reduce reporting burdens for life insurance companies by providing a single, more efficient platform.

APRA consulted on these amendments between April and July 2026 but received no submissions. Minor adjustments were made to enhance clarity and consistency. The revised standards will apply from reporting periods ending 31 December 2026. Until then, life companies should use alternative submission arrangements. Updated data collections will be available in APRA Connect's external test environment by the end of September 2026.

Source: APRA

Quarterly superannuation statistics

APRA publishes quarterly statistics on the superannuation industry, providing detailed insights into financial performance, asset allocation, and key ratios across various fund types including corporate, industry, public sector, and retail funds. The Quarterly Superannuation Performance Statistics offer aggregate data on industry financial health and trends, segmented by fund type. Furthermore, the Quarterly MySuper Statistics present data at the individual product level, covering asset allocations, investment returns, fees, and costs. These statistics help track industry trends and product performance, allowing stakeholders in monitoring superannuation fund health.

The next release is scheduled for November 2026, covering data up to September 2026. These publications are accessible on the APRA website.

Source: APRA

APRA releases 2026 superannuation performance test and product insights

APRA has released the 2026 superannuation performance test results, assessing 547 products covering 61% of APRA-regulated superannuation member benefits. Twelve products failed, including one MySuper product (first failure since 2023) and 11 platform trustee-directed products (TDPs), with five failing consecutively. Poor investment performance primarily drove failures rather than fees. All 356 non-platform TDPs passed. APRA Chair John Lonsdale highlighted progress in reducing underperforming memberships but stressed ongoing trustee responsibility.

APRA also published the 2026 Comprehensive Product Performance Package, revealing declining administration fees but higher costs and underperformance for platform TDPs. APRA urges trustees to focus on fees and performance to better serve members' interests. The Government is considering strengthening the test to boost productivity and protect members.

Source: APRA

Insights from the APRA-ASIC Industry Roundtables

In mid-2026, APRA and ASIC jointly hosted nine roundtables with over 600 attendees from 380 financial entities to examine frontier AI risks to Australia's financial system. The discussions highlighted the accelerating cyber, technology, and operational threats posed by frontier AI, underlining the critical need for entities to strengthen governance, cyber fundamentals, crisis preparedness, and operational resilience.

Key insights included maintaining strong cybersecurity basics, improving board-level decision-making and escalation protocols, and managing third-party concentration risks. Participants emphasised collaboration and information sharing as vital for enhancing system-wide resilience. Regulators expect entities to progress from awareness to actively implementing and testing robust AI risk management strategies supported by government cyber resources.

Source: APRA

APRA publishes 2026-27 Corporate Plan

APRA's 2026-27 Corporate Plan focuses on ensuring banks, insurers, and superannuation trustees strengthen risk management amid a rapidly evolving threat landscape. The plan outlines three strategic priorities: maintaining financial system safety, balancing regulatory effectiveness with industry cost, and improving APRA's organisational agility.

Key supervision focuses include resilience against AI-enabled cyber threats, managing risks from reliance on common technology platforms, reinforcing geopolitical risk expectations, and conducting thematic reviews of lending practices. Policy priorities include superannuation reforms, governance enhancements, capital framework updates, and reducing regulatory burden through simplification. APRA aims for a net neutral regulatory impact by offsetting new requirements with efficiency gains. Chair John Lonsdale emphasised the need for agility and skilled resources to respond to emerging challenges, leveraging AI to boost APRA's effectiveness. The plan aims to sustain financial system resilience in an uncertain and volatile environment.

Source: APRA

AFCA – Australian Financial Complaints Authority

Record complaints mark third consecutive year above 100,000

Australians lodged a record 119,949 complaints with the Australian Financial Complaints Authority (AFCA) in 2025–26, marking the third consecutive year with over 100,000 complaints. Key issues include delays in claim handling, poor service quality, and claim rejections, primarily in personal transaction accounts, motor vehicle insurance, and credit cards. Complaints related to financial difficulty and credit reporting rose sharply. Investment collapses and superannuation disputes drove the largest complaint increases, with superannuation complaints up 42% and investments/advice complaints up 56%. Scam complaints rose 12%, highlighting the ongoing threat to consumers.

Despite high complaint volumes, 43% were resolved early. Since 2018, AFCA has handled around 690,000 complaints and secured $2.6 billion in compensation. AFCA urges firms to use complaint data to improve customer outcomes and prevent recurring issues. The full data will be published in AFCA's Annual Review later this year.

Source: AFCA

03

Industry bodies

Industry bodies

ABA – Australian Banking Association

Banks welcome passage of legislation to regulate Australia's cash-in-transit sector.

The Australian Banking Association (ABA) welcomed the passage of the Cash Distribution Framework Bill 2026, which secures ongoing cash availability in Australia despite declining usage (now only 15%). The framework ensures reliable cash distribution by establishing service standards, sustainable pricing, and responses to disruptions, supported by substantial bank and retailer funding to Armaguard. The ABA reaffirms its commitment to both cash and digital payments, highlighting choice for consumers.

Source: ABA

COBA – Customer Owned Banking Association

Australians urged to be alert for impersonation scams following record data breaches.

The Customer Owned Banking Association (COBA) is warning Australians to stay vigilant due to a surge in scams following recent data breaches. When a breach happens, scammers use stolen fragments of personal information to impersonate bank staff, tricking victims into revealing sensitive details like one-time passwords and online banking credentials. If you are notified or suspect your data has been compromised, COBA advises accounts should be secured immediately by changing passwords, (passwords should be unique for all accounts), and enabling two-factor authentication. Following a data breach, its important to monitor for suspicious account activity and be wary of unsolicited calls or messages, always verifying contact through official channels. COBA's key message to Australians is to "stop, check, and protect" , reminding Australians to never share details without confirming identities and report scams to Scamwatch to help combat cybercrime.

Source: COBA

CALI – Council of Australian Life Insurers

Government moves to deliver on financial advice promise.

The Council of Australian Life Insurers has welcomed the Government's decision to proceed with a New Class of Adviser for life insurers and APRA-regulated superannuation funds, alongside wider reforms aimed at making advice simpler and more accessible for Australians. CEO Christine Cupitt said the move, announced by Assistant Treasurer and Minister for Financial Services Daniel Mulino, is a key step toward closing Australia's growing advice gap by helping working Australians get straightforward answers about their financial protection and safety net. Christine Cupitt explains the new adviser class would complement professional financial advisers by giving consumers more choice in where and how they seek help, and urged the Government to provide a clear timetable for legislation after three years of promised action.

Source: CALI

04

Overseas developments

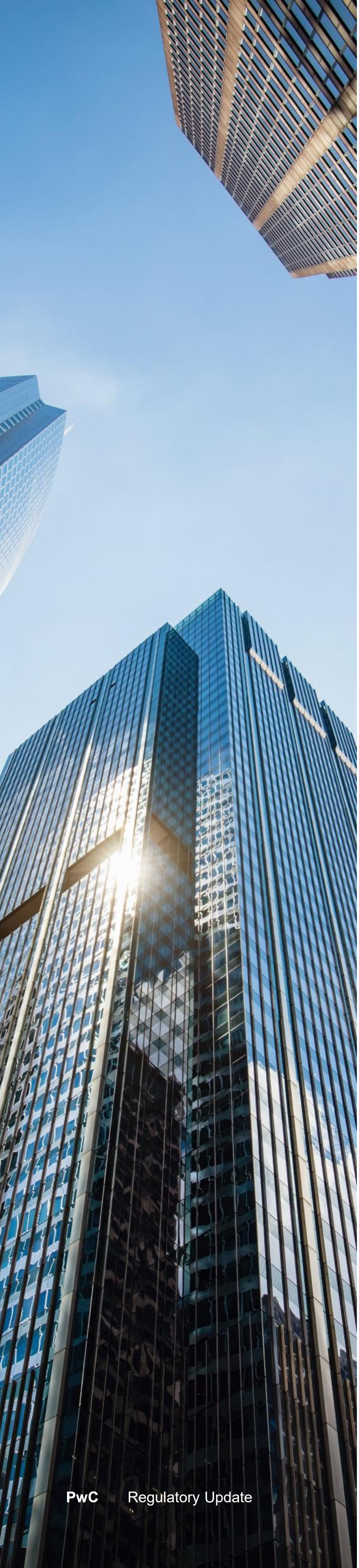
Overseas developments

Global

FSB Chair warns of risks arising from frontier Artificial Intelligence (AI) models

The Financial Stability Board (FSB), chaired by Andrew Bailey, coordinates international financial stability efforts among 24 key countries and other entities. In a letter to G20 leaders, Bailey warns that ongoing Middle East conflict is worsening energy inflation and highlights market vulnerabilities, especially in sovereign debt and AI-related investments. He cautions that increased leverage and high valuations risk amplifying market corrections. The emergence of sophisticated frontier AI poses new cyber risks, prompting Bailey to urge for safe deployment of AI and robust resilience among financial firms and technology providers. FSB members commit to leading by example in adhering to international standards, and the Board is assessing further action to address these risks. The FSB Secretariat operates from Basel, Switzerland, hosted by the Bank for International Settlements.

Source: FSB



Europe

ECB publishes consolidated banking data for end-March 2026

The ECB published consolidated banking data covering 335 banking groups and 2,284 stand-alone credit institutions/non-EU controlled subsidiaries and branches, representing nearly 100% of the EU banking sector's balance sheet.

Key figures as of March 2026:

- Total assets of EU-headquartered credit institutions reached €34.33 trillion, up 3.63% year-on-year from €33.13 trillion in March 2025.
- Non-performing loan (NPL) ratio stood at 1.98%, up 0.02 percentage points year-on-year.
- Return on equity (ROE) was 2.44% for Q1 2026 (non-annualized).
- Common Equity Tier 1 (CET1) ratio was 16.27%.

Source: **ECB**

The EBA consults on reporting framework for validation and monitoring of ISDA Standard Initial Margin Model

The European Banking Authority (EBA) is consulting on a new reporting framework to support validation and ongoing monitoring of initial margin models based on ISDA's Standard Initial Margin Model (SIMM), with the consultation running until 2 November 2026. Since 1 March 2026, the EBA has served as the central validator of pro forma initial margin models under EMIR, and the proposed framework aims to collect consistent, high-quality data on model use and performance, as well as information needed to calculate annual validation fees.

The proposal emphasizes proportionality, with firms having less significant OTC trading activities subject to lighter reporting requirements, limited to once annually. Following the consultation, the EBA intends to adopt a Decision by end-2026, with the first reporting reference date expected in December 2027 and data collection in Q1 2028. The requirements will be incorporated into EBA technical package version 4.4, Phase 2, expected in March 2027. This initiative stems from EMIR 3 (Regulation (EU) 2024/2987), which mandates EBA to centrally validate pro forma models under Article 11(12a) of EMIR.

Source: **EBA**

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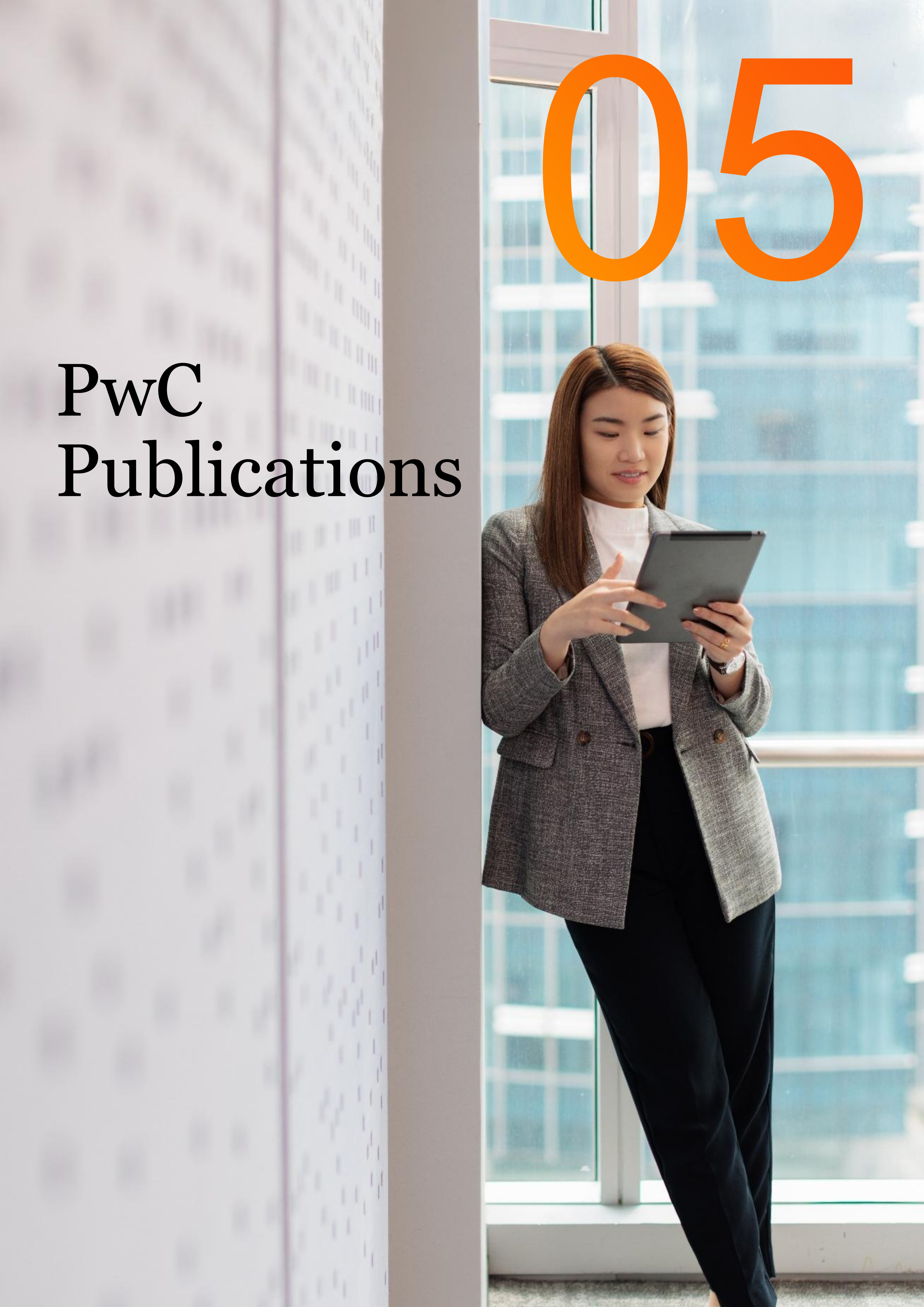
PwC Publications



PwC Publications

The AI workforce planning gap in financial services

A PwC survey of 1,004 financial services executives reveals a significant gap between the urgency of AI adoption and organizational readiness. While 90% of executives agree firms must move quickly to remain competitive, 77% admit their organizations are not keeping pace with AI innovation. Key barriers include fragmented or low-quality data (cited by 41%), employee hesitancy, and regulatory and compliance requirements. On the employee side, 44% express concern over job security, 43% use AI only when required, and 40% feel overwhelmed by the pace of change.

Regarding workforce impact, nearly 80% of executives expect headcount to shrink by at least 20% over the next five years, with entry-level (30%) and mid-level management (26%) roles seen as most vulnerable. Despite this, few firms have defined future role structures or redesigned talent pipelines. On compensation, 91% of firms are increasing pay for AI-skilled employees, and 86% of executives value AI skills training over an MBA for new hires.

Despite heavy investment, 77% of executives report that AI initiatives are not yet delivering measurable ROI, with only 36% tracking payback periods. Governance remains a concern: 90% acknowledge that non-centrally governed "shadow AI" tools create regulatory risk, and while 87% claim clear ownership exists for AI agent decisions, opinions are split on who holds accountability for AI-driven harm—27% cite the CEO/Board, 16% technology leaders, 16% compliance leaders, and 8% the individual employee acting on AI output.

See: <u>Publication</u>

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Thank you

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