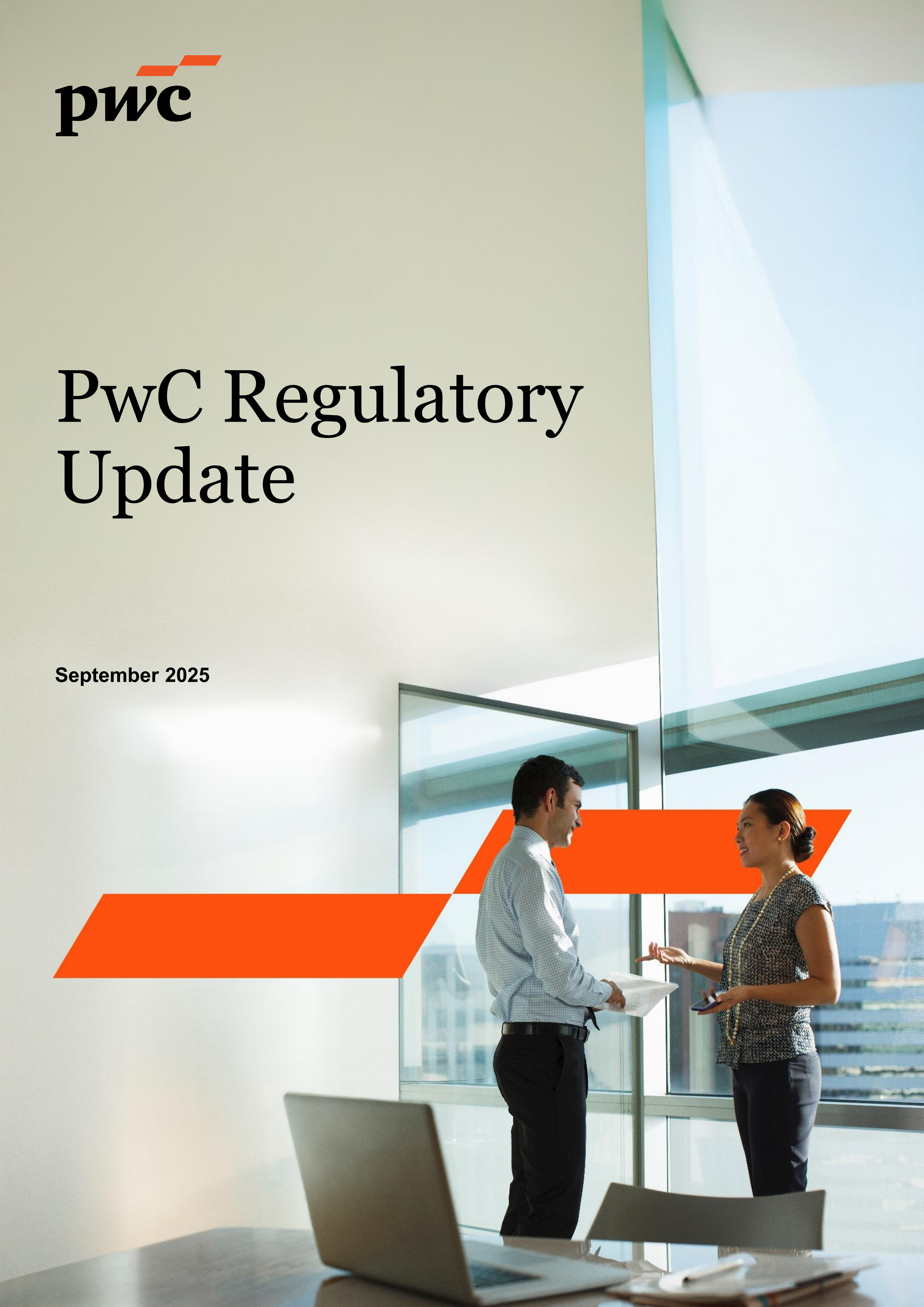
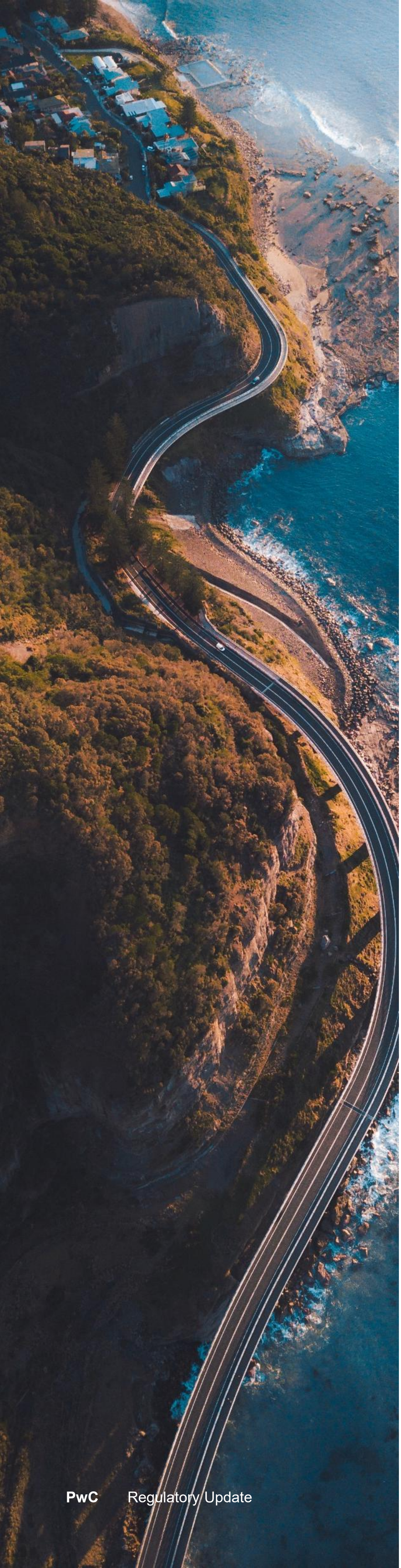
PwC Regulatory Update

September 2025





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01

Legislative/ Government developments

Legislative/ Government developments

Climate-related transition planning guidance

The article outlines the Australian Treasury's consultation on developing best practice guidance for climate-related transition planning, open from 15 August to 24 September 2025. Transition planning helps organisations identify strategies to address climate risks and opportunities, aiding investors and lenders in their decision-making.

The consultation paper is divided into two parts:

- Part A explains the role and proposed design of transition planning.
- Part B offers draft illustrative guidance aligned with this approach.

The guidance aims to:

- Align with international standards for easier comparison of transition plans.
- Address domestic policy and regulatory factors.
- Encourage ambitious climate action while maintaining flexibility.
- Prioritize climate considerations without being exclusive.

Feedback from the consultation will shape the final guidance, which the Australian Government plans to publish by the end of 2025 as part of the Sustainable Finance Roadmap.

Source: Treasury

02

What have the regulators been up to?

What have the regulators been up to?

APRA – Australian Prudential Regulation Authority

APRA publishes 2025-26 Corporate Plan

APRA has released its 2025-26 Corporate Plan, outlining its strategic priorities to maintain the safety and stability of banks, insurers, superannuation trustees, and the broader financial system over the next four years. The plan focuses on four key objectives: financial and operational resilience, responding to emerging risks, achieving the right regulatory balance, and enhancing APRA's organisational effectiveness.

Key priorities include:

- Strengthening cyber resilience across regulated industries, with attention to AI-related risks and geopolitical tensions.
- Monitoring compliance with the new operational risk management standard, CPS 230.
- Updating prudential governance standards.
- Publishing results from APRA's first System Stress Test, examining risks between banking and superannuation sectors.
- Increasing scrutiny of superannuation fund expenditures and investment governance.
- Releasing findings from the Climate Vulnerability Assessment for general insurance.

The plan also emphasises balancing financial safety with competition, efficiency, and productivity. Initiatives include considering a third tier of regulatory proportionality for banking, promoting affordable reinsurance for insurers, and removing unnecessary regulations.

APRA Chair John Lonsdale highlighted the importance of a stable financial system for economic growth amid global volatility and emphasised APRA's commitment to proportional regulation supporting competition and innovation. APRA also plans to invest in strengthening its technology, data infrastructure, leadership, and workplace culture.

Source: **APRA**

APRA’s plans to support small and medium-sized banks

APRA is set to revise its banking regulatory framework to increase proportionality and reduce regulatory burdens on small and medium-sized banks, following recommendations from the Council of Financial Regulators’ (CFR) Review into Small and Medium-sized Banks. The review, conducted jointly by the CFR and the Australian Competition and Consumer Commission (ACCC), found that although small and medium banks have grown their market share since the global financial crisis, they face significant challenges including high fixed costs, digitisation pressures, and evolving risk complexities.

The government has welcomed all nine regulatory actions proposed and accepted eight of the review’s recommendations in principle, with further feedback sought on the ninth, which involves a lighter regulatory framework for very small banks alongside adjustments to the Financial Claims Scheme.

Key APRA commitments include:

- Implementing a three-tiered proportional regulatory framework distinguishing large, medium, and small banks.
- Streamlining the accreditation process for banks using internal-ratings based risk calculations.
- Improving communication about minimum capital requirements under Pillar 2 of Basel framework and risks related to capital adjustments.
- Enhancing transparency and efficiency of the bank licensing process.

APRA also plans to collaborate with other regulators on broader reforms and will review whether covered bonds should qualify as high-quality liquid assets.

APRA Chair John Lonsdale emphasized the importance of balancing consumer protection with competition and efficiency, acknowledging the critical role of smaller banks, especially in rural areas. He highlighted APRA’s commitment to ensuring robust yet proportionate regulation that supports safety, stability, and innovation across all bank sizes. Further initiatives to boost productivity in the sector are also planned. The full report is available publicly.

Source: APRA

ASIC – Australian Securities and Investments Commission

ASIC urges life insurers to spearhead improvements to direct sales practices

ASIC has urged life insurers to overhaul product design, sales and retention practices, and complaints handling as they expand direct-to-consumer channels, following a review of documents from July 2021 to June 2024.

Commissioner Alan Kirkland set out four key recommendations:

- use customer feedback and complaints data to strengthen product design and monitoring;
- improve sales quality assurance and link pay to compliance and customer satisfaction;
- apply consistent oversight of retention and cancellation interactions to prevent pressure tactics; and
- treat complaints as business intelligence shared across units to drive improvements.

ASIC warned that despite some progress, deficiencies remain—dispute rates have more than doubled since its 2018 review—and said it will investigate or act where conduct of concern persists.

Source: ASIC

RBA – Reserve Bank of Australia

Statement by the Monetary Policy Board: Monetary Policy Decision

On 12 August 2025, the Monetary Policy Board lowered the cash rate target by 25 basis points to 3.60% after noting that inflation has continued to moderate (trimmed mean 2.7% year-on-year in the June quarter; headline 2.1%), and that underlying inflation is expected to move toward the midpoint of the 2–3% target range.

However, the Board stressed substantial uncertainty from global trade developments and domestic demand dynamics. Domestically, household incomes and private demand are recovering, the unemployment rate rose to 4.3% in June while labour market underutilisation remains low and wages growth has eased, but weak productivity and high unit labour costs persist.

Given these mixed signals and the lags in monetary policy effects, the Board judged further easing appropriate (bringing the reduction since the start of the year to 75 basis points) while remaining cautious and ready to respond to international or domestic developments to fulfil its mandate of price stability and full employment.

Source: RBA

03

Industry bodies

Industry bodies

ABA – Australian Banking Association

AI-powered scams in the sights of banks

ABA is warning consumers during Scams Awareness Week about rising AI-enabled scams—including voice cloning of acquaintances, deepfake celebrity investment pitches, and highly personalised AI-generated phishing messages—and urging vigilance as these attacks become more convincing and emotionally manipulative. ABA CEO Simon Birmingham noted that while banks and law enforcement also use AI to detect and shut down fraud, customers remain the first line of defence and should always "stop, check, and protect" themselves. Practical tips include verifying identities by calling known numbers, pausing before responding to urgent or emotional requests, being sceptical of celebrity endorsements and investment videos, and never sharing PINs or passwords via email or text.

Source: ABA

CALI – Council of Australian Life Insurers

Life insurers back immediate action for Government to tackle mental health crisis

The CALI has joined a national coalition urging the Federal Government to act urgently on Australia's mental health crisis in an open letter to Treasurer Jim Chalmers ahead of the Economic Reform Roundtable, warning untreated mental ill-health costs the economy up to $220 billion annually.

CALI CEO Christine Cupitt said life insurers increasingly see people who have exhausted supports and are often too unwell to return to work, noting two in five young Australians face mental health challenges and a 732% rise in claim rates among people in their 30s leaving the workforce due to mental ill-health. CALI backs the letter's three calls for national targets, earlier treatment via better integration of public and private systems, and boosting the workforce, arguing that addressing mental health could be the biggest productivity reform of the decade and urging government leadership backed by industry and clinicians.

Source: CALI

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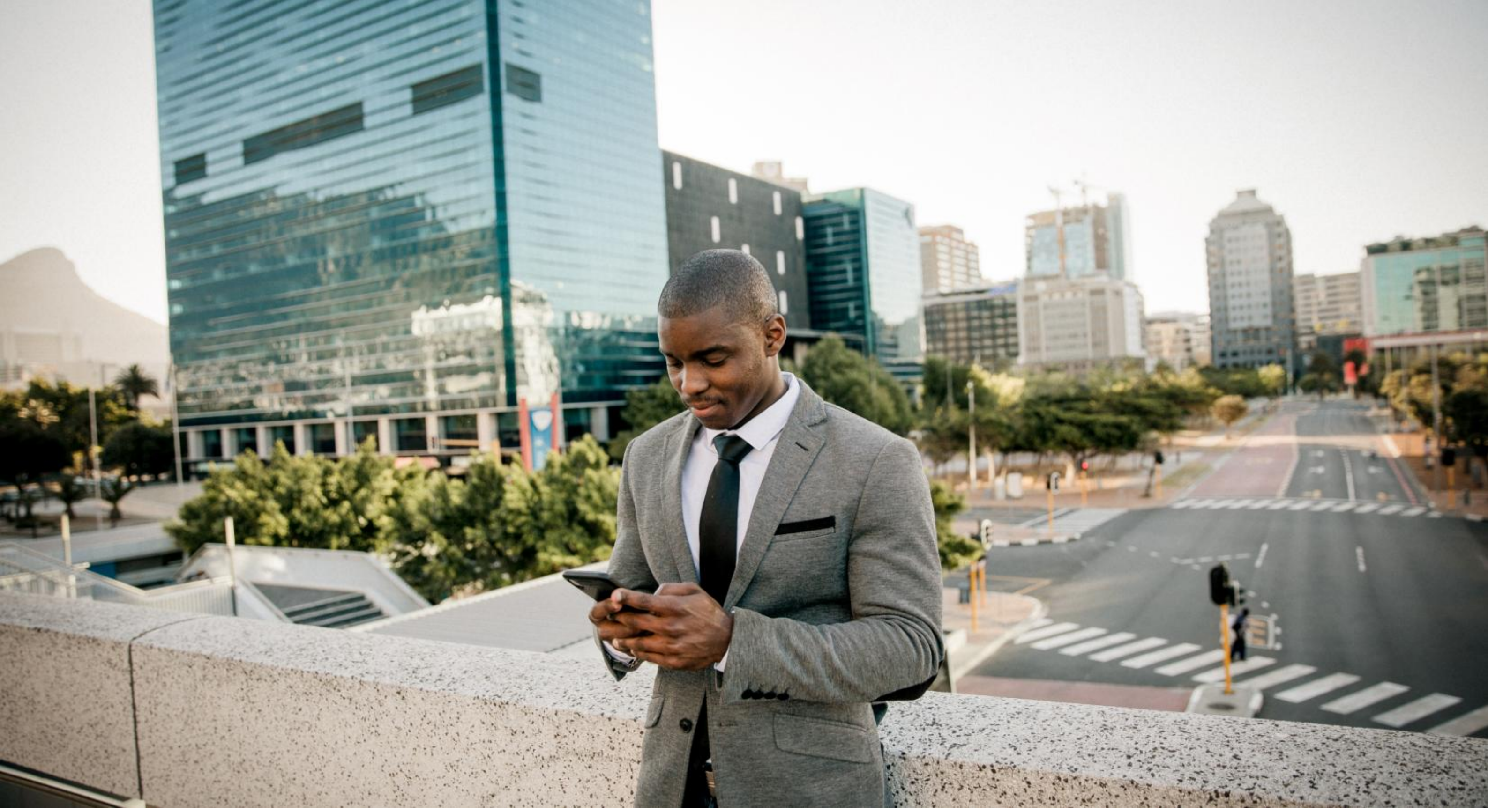
Overseas developments



Overseas developments

Europe

The EBA publishes key regulatory products on operational risk losses under the EU Banking Package implementation

The European Banking Authority (EBA) has issued three final draft Regulatory Technical Standards (RTS) concerning operational risk losses. These include:

- a taxonomy RTS to standardise the categorisation of operational risk events, ensuring alignment with international standards and industry best practices,
- an exemption RTS detailing conditions under which calculating annual operational risk losses may be waived if deemed burdensome, and
- an adjustment RTS providing guidelines for integrating loss data from mergers or acquisitions, with advice on handling cases where historical data is unavailable.

These RTS align with the EU's Capital Requirements Regulation and the Digital Operational Resilience Act, incorporating ESG attributes for comprehensive data management.

Source: **EBA**

Europe

The EBA publishes draft technical standards on the prudential treatment of crypto asset exposures under the Capital Requirements Regulation

The EBA has released its final draft RTS to standardise how institutions calculate and manage crypto-asset exposures in line with prudential regulations across the EU. These RTS detail capital treatment for various risks associated with asset reference tokens (ARTs) linked to traditional or other crypto-assets, including unbacked assets like Bitcoin. They cover technical aspects such as netting, position aggregation, hedge recognition, and formulas for calculating exposure values.

Aligning with Basel standards and the Markets in Crypto Assets Regulation (MiCA), these RTS offer a transitional framework under CRR 3 for capitalising crypto-asset exposures until a permanent solution is established. Following consultations, the RTS exclude the prudent valuation requirement for fair value crypto-assets and clarify aggregation of long and short positions for exposure limits.

This development is in response to the evolving crypto markets, providing institutions with methods to safely capitalise on growth opportunities while managing regulatory and risk challenges.

Source: EBA

UK

FCA sets out changes to payment safeguarding rules

Starting May 2026, new rules will enhance consumer protection by ensuring payment firms improve money safeguarding practices. This includes keeping customer funds separate from the firm's own money, offering better chances of refunds if a firm fails.

The Financial Conduct Authority (FCA) mandates annual audits, monthly reporting, daily safeguarding checks, and improved customer refund planning in event of failure. After industry consultation, the rules allow a nine-month preparation phase and proportionate adjustments such as audit exemptions for firms with under £100,000 in customer funds. Motivated by insolvencies revealing 65% average shortfalls in customer funds between Q1 2018 and Q2 2023, the FCA aims to raise trust and standards, urged by Matthew Long, FCA’s director of payments and digital assets, noting the crucial role payment firms play in consumers' financial management.

Source: BOE

US

SEC Creates Task Force to Tap Artificial Intelligence for Enhanced Innovation and Efficiency Across the Agency

The Securities and Exchange Commission (SEC) announced the creation of an AI Task Force, led by Chief AI Officer Valerie Szczepanik, to streamline AI integration within the agency, enhance efficiency, and foster innovation responsibly. The task force aims to centralise AI efforts, promote cross-agency collaboration, and support AI-driven progress within the SEC's divisions, focusing on maximizing AI benefits while ensuring governance.

SEC Chairman Paul S. Atkins emphasised that the initiative will empower staff with AI tools to augment capacity, drive innovation, and improve accuracy, aligning with the SEC's mission to protect investors and maintain orderly markets. Valerie Szczepanik, formerly the Director of the SEC’s Strategic Hub for Innovation, brings extensive experience to her new role, having served in various leadership positions within the SEC and other government offices.

Source: SEC

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Contacts

Contacts

Amrita Jebamoney
Partner
amrita.jebamoney@pwc.com
+61 412 782 897

Craig Stafford
Partner
craig.stafford@pwc.com
+61 438 842 700

Marna Slabbert
Partner
marna.slabbert@au.pwc.com
+61 437 287 583

Simon Taylor
Partner
simon.c.taylor@au.pwc.com
+61 409 252 465

Penny Dunn
Partner
penny.dunn@au.pwc.com
+61 407 367 561

Thank you

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