

July 2017

***PwC Regulatory Update***



## 1

# Legislative/Government developments

## Banking Executive Accountability Regime

The Government has released a [consultation paper](#), *Banking Executive Accountability Regime* (BEAR), seeking feedback on the detailed policy considerations involved in the design of the BEAR. The regime aims to enhance the responsibility and accountability of Authorised Deposit-taking Institutions, focusing on strong incentives to improve culture and behaviour and consequences in case of consistently poor behaviour.

Source: [Treasury](#)

## Reducing barriers to new entrants to the banking sector - removing restrictions on the use of the term 'bank'

The Government has released [draft legislation](#), seeking feedback on amendment to section 66 of *Banking Act 1959* in relation to:

- Allowing any ADI to use the word 'bank' in relation to the ADI's financial business (except in exceptional circumstances). This replaces the \$50 million threshold that APRA currently applies; and
- Removing review by the Administrative Appeals Tribunal of APRA decisions regarding the use of 'bank' and other restricted terms in section 66.

Submissions are due by 14 August 2017.

Source: [Treasury](#)

## Open banking implementation review

The Government has commissioned an independent review, led by Mr. Scott Farrell, to recommend the best approach to an open banking regime implementation in Australia, with the report due by the end of 2017.

The review will consult broadly with the banking, consumer advocacy and FinTech sectors as well as any other interested parties. The [terms of reference](#) are available in relation to the review.

Source: [Treasury](#)

The ABA has [welcomed](#) the Government's announcement of a review into the implementation of an open banking regime.

## 1

# Legislative/Government developments

## Housing related superannuation measures

The Government has released [draft legislation](#), seeking feedback on the *First Home Super Saver Scheme* (FHSSS) and the downsizing measure. The FHSSS will provide direct help for individuals by allowing them to save for their first home from inside superannuation.

Draft legislation is also proposed to allow Australians aged over 65 to make an exempt contribution to their superannuation after they downsize their family home.

Source: [Treasury](#)

## Revamping the dispute resolution framework

The Government is revamping the dispute resolution framework for financial services through the creation of a transition team to establish the Australian Financial Complaints Authority (AFCA).

The transition team will ensure that AFCA is operational by 1 July 2018. It will also advise the Government on AFCA's terms of reference, governance and funding arrangements, and make recommendations on the authorisation process for AFCA.

Source: [Minister for revenue and financial services](#)

## Treasury Legislation Amendment (Improving Accountability and Member Outcomes in Superannuation) Bill 2017

The Government has released a [draft legislation](#), seeking feedback on amendments made to the *Superannuation Industry (Supervision) Act 1993*, the *Corporations Act 2001*, and the *Financial Sector (Collection of Data) Act 2001* to improve accountability and member outcomes by providing APRA with enhanced capacity and powers.

Submissions are due by 11 August 2017.

Source: [Treasury](#)

APRA has released a [letter](#) to all Registrable Superannuation Entities (RSE) licensees, outlining APRA's plans for consulting on potential amendments to its prudential framework consistent with the draft legislation.

The FSC has [welcomed](#) the Government's announcement to reform the superannuation system to make it more transparent, competitive and accountable to consumers.

## 1

# Legislative/Government developments

## Taxation Administration Regulations 2017

The Government is seeking feedback on the [draft regulation](#), *Taxation Administration Regulations 2017*, remaking the current regulations to provide for ease of navigation, simpler language and removing duplicate or irrelevant provisions.

The *Taxation Administration Regulations 1976*, due to sunset on 1 October 2017, will need to be remade to ensure they support the administration of Australia's tax laws.

Submissions are due by 18 August 2017.

Source: [Treasury](#)

## ASIC's access to telecommunications intercept material

The ASIC Enforcement Review Taskforce has released a [position paper](#), *ASIC's Access to Telecommunications Intercept Material*, seeking feedback on the reform to enhance ASIC's access to telephone intercepts for investigating and prosecuting serious corporate law offences.

Submissions are due by 17 August 2017.

Source: [Treasury](#)

## New APRA powers to make rules for non-ADI lenders

The Government has released a [draft legislation](#), seeking feedback on the draft *Treasury Laws Amendment (Non-ADI Lender Rules) Bill 2017* which implements the following measures:

- Amendments to the Banking Act 1959 to:
  - Provide power to APRA to make rules related to the lending activities of non-ADI lenders to address financial stability risks (non-ADI lender rules);
  - Provide new power to APRA to issue a direction to a non-ADI lender if the entity fails to comply with a non-ADI lender rule; and
  - Introduce penalties for non-ADI lenders that fail to comply with APRA direction
- Amendments to the Financial Sector (Collection of Data) Act 2001 to:
  - Allow APRA to collect data from non-ADI lenders to monitor their activities and determine when to use its new powers.

Source: [Treasury](#)

## 2

# What have the regulators been up to?

## APRA

Australian Prudential  
Regulation Authority

## ASIC

Australian Securities and  
Investments Commission

## ASX

Australian Securities  
Exchange

## AUSTRAC

Australian Transaction  
Reports and Analysis  
Centre

## RBA

Reserve Bank of Australia

### Strengthening banking system resilience – establishing ‘unquestionably strong’ capital ratios

APRA has released an [information paper](#), setting out conclusions with respect to the quantum of additional capital that might be required for the banks to have capital ratios that are considered ‘unquestionably strong’.

For ADIs that use the internal ratings-based (IRB) approach and standard approach to credit risk, APRA has concluded it will be necessary to raise minimum capital requirements by the equivalent of around 150 basis points and 50 basis points respectively from current levels to achieve the classification of ‘unquestionably strong’.

See [media release](#)

The Government has [supported](#) APRA’s decision to increase the level of capital expected to be held by banks to be considered ‘unquestionably strong’.

COBA has [welcomed](#) ‘unquestionably strong’ capital announcement.

### APRA proposes revised capital framework for mutually owned ADIs

APRA has released a [discussion paper](#), *Common Equity Tier 1 capital instruments for mutually owned ADIs*, seeking feedback on proposed revisions to the capital framework for mutually owned ADIs to enable them to issue Common Equity Tier 1 capital instruments directly.

APRA has also released revised [prudential standard](#), APS 111 - Capital Adequacy: Measurement of Capital for feedback. Submissions are due by 8 September 2017.

See [media release](#)

### APRA releases letter on the provisions for regulatory purposes and AASB 9 Financial Instruments (AASB 9)

APRA has released a letter to ADIs in relation to the provisions for regulatory purposes and AASB 9, setting out APRA’s expectations around the regulatory treatment of AASB 9 expected credit loss provisions as finalised by the Basel Committee on Banking Supervision (BCBS) in its interim provisioning approach.

See [letter](#)

### APRA releases response to submission - revised liquidity reporting requirements

APRA has released a letter to all ADIs in response to submissions on [revised reporting standards](#), ARS 210 – Liquidity, to align the reporting requirements for liquidity with the revised prudential standard. The revision relates to the introduction of a new reporting form on the net stable funding ratio (NSFR).

See [letter](#)

## 2

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### Recent consultations

ASIC has released a [consultation paper](#), *CP 293 - Revising the market licence regime for domestic and overseas operators*, seeking feedback on their proposals to implement a two-tiered market licence regime. The second tier of licence will facilitate a range of market venues, including specialised and emerging market venues. Submissions are due by 31 August 2017.

ASIC has released a [consultation paper](#), *CP 292 - Implementing the financial benchmark regulatory regime*, seeking feedback on the proposed rules to apply to the administration of licensed financial benchmarks and also on the regulatory guidance on how to administer the financial benchmark regulatory regime.

Submissions are due by 21 August 2017.

ASIC has released a [consultation paper](#), *CP 291 Reporting rules: Derivative retail client money*, seeking feedback on proposals to place *ASIC Client Money Reporting Rules 2017* under s981J of the *Corporations Act 2001*. The paper also proposes to make new rules to impose record keeping, reconciliation and reporting requirements on Australian financial services (AFS) licensees to hold derivative retail client money. Submissions are due by 8 August 2017.

See [media release](#)

### ASIC remakes class order relating to credit union member shares

Following another [consultation paper](#), *Remaking ASIC class order on credit union member shares*, ASIC has remade the class order into a new legislative instrument, [ASIC Corporations \(Credit Union Member Shares\) Instrument 2017/616](#). The new instrument continues relief from:

- Financial services licensing and disclosure requirements in the provision of financial product advice in regards to the issue of member shares; and
- The requirement to give information to members that confirms either the issue or redemption of these kinds of shares.

See [media release](#)

### Updates from ASIC

The Abu Dhabi Global Market Financial Services Regulatory Authority has signed [cooperation agreements](#) with ASIC to promote innovation in financial services in Abu Dhabi and Australia.

ASIC has released a [report](#), *Report 535 - ASIC cost recovery arrangements: 2017-18*, updating industry on the changes to the cost recovery arrangements since the Government released its proposals paper on proposed industry funding model for the ASIC. It also identifies industry sectors and provides a methodology for levy calculation. The regulated entities will share the costs of ASIC's regulatory services for their sector.

See [media release](#)



## 2

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### ASX consults on changes to clearing participant minimum core capital requirements approach

ASX has released a [consultation paper](#), *Changes to Clearing Participant Minimum Core Capital Requirements Approach*, in relation to the new minimum core capital requirements (MCCR) approach. Participants will still be subject to a base core capital requirement of \$5,000,000 (for ASX clear direct participants) or between \$5,000,000 to \$20,000,000 (for ASX clear general participants). However an additional core capital requirement may be applied on top of the base requirement, if the participant undertakes any of the following categories of activity:

- Client written options clearing;
- Own account business; and
- Non-ASX client activity.

ASX is seeking feedback on the drafted amendments to the [ASX clear rules](#), [ASX clear procedures](#), [capital liquidity handbook](#) and revised [business activities return](#), which will implement the new MCCR approach for participants that are subject to the risk based capital requirements.

Submissions are due by 8 September 2017.

See [media release](#)

### ASX consults on the proposed ASX BBSW trade and trade reporting guidelines

ASX has released a [consultation paper](#), *ASX Benchmark: BBSW Trade and Trade Reporting Guidelines*, seeking feedback from participants in the bank bill and NCD market and from other stakeholders on the proposed ASX BBSW Trade and Trade reporting guidelines. It is also seeking feedback on coverage of the guidelines and if there are any other market practices and behaviours that should be addressed as part of these guidelines.

Submissions are due by 7 August 2017.

See [media release](#)

## 2

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### AUSTRAC risk assessment of the securities and derivatives sector

The Minister for Justice has released a [report](#), *AUSTRAC's securities & derivatives sector: money laundering and terrorism financing risk assessment*, revealing how serious and organised criminals have exploited the financial system to engage in criminal activity.

The report revealed that:

- The risk of criminal threat for the securities and derivatives sector is assessed at the high end of 'medium'.
- Fraud was the highest area of threat to the sector (51% of Suspicious Matter Reports), with a significant number of customer email accounts and trading accounts being hacked and money stolen.
- Money laundering, insider trading and market manipulation were equally the second highest areas of criminal activity in the sector (both 21%).
- Tax evasion (2%) and terrorism financing (1%) were the least reported threats to the sector.

See [media release](#)

### Draft indicative restructure of the AML/CTF rules compilation

AUSTRAC has released [draft rules](#), seeking feedback on the draft indicative restructure of the existing AML/CTF rules compilation, focusing on providing a more user-friendly format to improve accessibility and understanding of obligations. The outcomes of the consultation will be considered for the AML/CTF rules simplification process.

Submissions are due by 21 August 2017.

See [media release](#)

### Approval of netting arrangement under the *Payment Systems and Netting Act 1998*

The Payments System Board in 2016 had approved the multilateral netting arrangements coordinated by EFTPOS Payments Australia Limited, subject to compliance with certain conditions. These conditions have now been met and the relevant version of the EFTPOS rules has come into effect as of 25 July. Each multilateral netting arrangement contained in the EFTPOS rules will be an 'approved netting arrangement' for the purposes of the *Payment Systems and Netting Act 1998*.

See [media release](#)



# 3

## Industry bodies

### ABA

Australian Bankers'  
Association

### ASFA

Association of  
Superannuation Funds of  
Australia

### COBA

Customer Owned Banking  
Association

### FSC

Financial Services Council

#### Fifth report on bank reforms

The fifth [report](#), *Australian banking industry: Package of initiatives*, by Mr Ian McPhee was released on 20 July 2017 per the ABA's appointment of an independent governance expert to report quarterly on industry initiatives. The report highlights significant progress in delivering the reform program.

Significant milestones achieved in the quarter to July 2017 include:

- The start of the redraft of the *Code of Banking Practice* with the new Code to be finalised by December 2017.
- The appointment of customer advocates at twenty member banks who are already assisting customers to resolve issues and proactively improving customer outcomes.
- The implemented at major banks of the industry's conduct background check protocol to stop individuals with a poor conduct record moving between banks undetected. Non-major banks have committed to implement the protocol by 1 October 2017.
- Meetings with lenders, mortgage brokers and aggregators to progress potential self-regulatory responses to change remuneration and governance practices in the mortgage industry.

The initiatives where banks have control over design and implementation remain on track to be delivered within anticipated timeframes, while measures requiring government or regulatory involvement may take longer.

See [engagement letter](#)

#### ISWG discusses data management to improve insurance outcome for members

The Insurance in Superannuation Working Group (ISWG) has published the fourth in a series of discussion papers in relation to developing an Insurance Code of Practice for superannuation trustees, [Data Management](#), proposing to enhance member insurance outcomes by improving access to information. Some of the proposals include:

- Developing an insurance data strategy and supporting framework by superannuation funds;
- Developing a data standard and supporting network for the transmission of data between administrators, trustees and insurers; and
- Developing mechanisms to allow relevant data to be shared.

See [media release](#)

## 3

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Financial Services Council

### Mortgage industry moves forward on ASIC proposals

Representatives from the mortgage industry have agreed on the framework to develop an industry response to a report on mortgage broker remuneration by ASIC. In the second meeting of the industry forum, there was discussions on:

- Drafting the terms of reference for the process;
- Designing a cross-industry working group structure; and
- Developing an engagement and reporting plan to ensure the forum works closely with all stakeholders.

The forum will meet monthly to develop responses to the ASIC proposals and Sedgwick recommendations for third parties. Progress will formally be presented to ASIC, the Treasury and the industry by the end of the year.

See [media release](#)

### Last resort compensation scheme creates risk of new levy

The FSC has engaged Cadence Economics to model potential costs of a statutory compensation scheme of last resort to compensate retail clients who suffer losses due to insolvency of AFS' licensees in the event of inappropriate advice, negligence, fraud or other actions. The analysis strengthened FSC's view that the most important step to protecting consumers is to improve standards of licensee behaviour.

The merits of a compensation scheme of last resort are currently being considered by the review of the External Dispute Resolution Framework.

See [media release](#)

### FSC launches *Internal Governance and Asset Stewardship Standard*

The FSC has launched a new *Internal Governance and Asset Stewardship Standard* for investment managers and asset owners. The standard is mandatory for all FSC asset manager members.

The standard has been developed to:

- Encourage greater standards of internal governance and stewardship practices;
- Provide better information for clients and other stakeholders; and
- Elevate the quality and standing of Australia's financial services internationally.

The standard requires a 'comply or explain' disclosure, where asset managers will be required to either describe the policy underlying their practices or explain why they are not relevant to them.

See [media release](#)

### FSC welcomes launch of Pacific Alliance free trade agreement negotiations

The FSC supports the launch of negotiations for a Pacific Alliance free trade agreement (FTA) between Australia, Mexico, Colombia, Chile and Peru by the government. The FTA will allow Australian firms access to these important markets and thus have a positive impact on the financial services industry in Australia.

See [media release](#)

## 4

# Overseas developments – Global

## BIS: Recent consultations

The Basel Committee on Banking Supervision and International Organisation of Securities Commissions (IOSCO) have jointly published a [consultation paper](#), *Criteria for identifying simple, transparent and comparable (STC) short-term securitisations*, setting criteria to assist in the development of STC short-term securitisations. The criteria considers the characteristics of asset-backed commercial paper (ABCP) conduits, such as

- The short maturity of the commercial paper issued;
- The different forms of program structures; and
- The existence of multiple forms of liquidity and credit support facilities.

The BCBS has issued another [consultation paper](#), *Capital treatment for simple, transparent and comparable short-term securitisations*, outlining how the short-term STC criteria could be incorporated into the securitisation framework. Submissions are due by 5 October 2017 for both consultation papers.

Source: [BIS](#)

## FSB: Recent announcements

The Financial Stability Board (FSB) has published two guidance documents to assist in the implementation of Total Loss-Absorbing Capacity (TLAC):

- [Guiding principles on the internal TLAC of G-SIBs](#); and
- [Guidance on continuity of access to financial market infrastructures \(FMIs\) for a firm in resolution](#).

The FSB has published a [report](#) discussing the four-point action plan to assess and address the decline in correspondent banking. The four points are:

- Further examining the dimensions and implications of the issue;
- Clarifying regulatory expectations, including guidance from the Financial Action Task Force (FATF) and BCBS;
- Domestic capacity-building in jurisdictions that are home to respondent banks; and
- Strengthening tools for due diligence in correspondent banks.

Source: [FSB](#)

## IOSCO: Recent consultations

The IOSCO has published a consultation paper, [Recommendations of Liquidity Risk Management for Collective Investment Schemes](#), addressing structural vulnerabilities arising from asset management activities. Topics covered are:

- Disclosure to investors;
- Achieving alignment between asset portfolio and redemptions terms;
- Availability and effectiveness of liquidity risk management tools; and
- Fund level stress testing.

IOSCO has concurrently published a consultation paper, [Open-ended Fund Liquidity and Risk Management – Good Practices and Issues for Consideration](#), providing practical information, examples and good practices regarding open-ended fund liquidity and risk management.

Source: [IOSCO](#)

## 4

# Overseas developments – Europe

## EBA: Recent announcements

The European Banking Authority (EBA) has published several guidelines under the revised Payment Services Directive (PSD2):

- Final [guidelines](#) on the criteria on how to determine the minimum monetary amount of the professional indemnity insurance (PII) or other comparable guarantee for payment initiation services (PIS) and account information services (AIS);
- Final [guidelines](#) on the information to be provided for authorisation as payment and e-money institutions and registration as AIS providers; and
- Final [guidelines](#) on major incident reporting.

The EBA has issued a [consultation paper](#), seeking feedback on the draft regulatory technical standards (RTS) and implementing technical standards (ITS) related to the EBA electronic central register under PSD2.

Submissions are due by 18 September 2017.

Source: [EBA](#)

## EIOPA: Recent announcements

The European Insurance and Occupational Pensions Authority (EIOPA) has issued an [opinion](#) to institutions of the European Union (EU) on the harmonisation of recovery and resolution frameworks for (re)insurers across the member states.

EIOPA proposes four building blocks for the framework; preparation and planning, early intervention, resolution, and cooperation and coordination.

The EIOPA has issued an [opinion](#) to build common supervisory culture and consistent supervisory practices and approaches throughout the EU member states in light of relocation of (re)insurance undertakings from the United Kingdom.

Source: [EIOPA](#)

## ESMA: Recent announcements

The European Securities and Markets Authority (ESMA) has published three consultation papers on the prospectus regulation, thereby making it simpler and cheaper for companies to access capital and improving the accessibility of the prospectus for investors:

- [Consultation paper on the format and content of the prospectus](#);
- [Consultation paper on EU growth prospectus](#); and
- [Consultation paper on scrutiny and approval](#).

The ESMA has published the peer review [results](#) conducted into how national competent authorities (NCA's) supervise financial information as per the [guidelines](#) on enforcement of financial information. The report identifies areas where NCAs can improve their financial information enforcement and makes recommendations for improvement.

Source: [ESMA](#)

## 4

# Overseas developments – UK

## FCA: Recent consultations

The Financial Conduct Authority (FCA) has [proposed](#) to extend the Senior Managers and Certification Regime (SM&CR) to all financial services firms. The FCA proposes three parts to the SM&CR:

- Five conduct rules will apply to all financial services staff at FCA authorised firms.
- The Senior Managers will be approved by the FCA and appear on the FCA Register and will be personally held responsible if anything goes wrong in their area of responsibility.
- Under the Certification Regime, firms will certify individuals for their fitness, skill and propriety at least once a year, if they are not covered by the Senior Managers Regime but their jobs significantly impact customers or firms.

Submissions are due by 3 November 2017.

Source: [FCA](#)

## PRA: Recent consultations

The PRA has issued a [consultation paper](#), *Pillar 2 liquidity*, seeking feedback on the proposed cashflow mismatch risk framework under the Pillar 2 liquidity framework. Submissions are due by 13 October 2017.

The PRA has also released another [consultation paper](#), *Pillar 2A Capital requirements and disclosure*, seeking feedback on the proposed adjustments to the Pillar 2A capital framework and disclosure policy in which firms are expected to declare their Total Capital Requirements (TCR), or, where Pillar 2A requirements have not yet been set, total Pillar 1 and Pillar 2A guidance.

Submissions are due by 12 October 2017.

The PRA has issued a [consultation paper](#), *The minimum requirement for own funds and eligible liabilities (MREL) – buffers*, seeking feedback on what the proposed expectations are with regard to the relationship between MREL and buffer requirements, as well as the consequences of not meeting them. Submissions are due by 29 September 2017.

Source: [PRA](#)

## PRA: Recent announcements

The PRA has [proposed](#) to extend the SM&CR to insurers to strengthen individual accountability and promote corporate governance for all PRA-regulated firms. Submissions are due by 3 November 2017.

The Bank of England has [announced](#) that the new generation of non-bank payment service providers can now apply for a settlement account in the Real Time Gross Settlement (RTGS) system.

Source: [PRA](#)

## 4

# Overseas developments – US

## CFTC: Recent announcements

The US Commodity Futures Trading Commission's (CFTC) Division of Market Oversight (division) has [launched](#) a review of the swap data reporting regulations. All entities involved in swap reporting are invited to comment by 21 August 2017.

The division has provided a [roadmap](#) to achieve high quality swaps data for the review process, with two tranches of rule changes:

- The first tranche will address swap data repository (SDR) operations and the confirmation of data accuracy by swap counterparties.
- The second tranche will address workflow reporting.

Source: [CFTC](#)

## FDIC: Recent announcements

The Federal Deposit Insurance Corporation (FDIC) is seeking feedback on the procedures [manual](#) which was developed to assist FDIC staff while processing deposit insurance applications. The manual directs each stage of the application, from pre-filing activities to application acceptance, review, and processing, preopening activities, and post-opening considerations. Submissions are due by 8 September 2017.

The FDIC has revised its [guidelines](#) for supervisory appeals to provide institutions with broader paths of redress with respect to material supervisory determinations, and to enhance consistency with the appeals process of the other Federal banking agencies.

The Federal banking agencies have issued a [notice](#) of proposed rulemaking to implement an increase in the minimum required appraisal threshold from \$250,000 to \$400,000, for commercial real estate transactions

Source: [FDIC](#)



## 4

# Overseas developments – Asia

## Hong Kong: Recent announcements

The Securities and Futures Commission (SFC) and the Autorité des Marchés Financiers (AMF) have signed a Memorandum of Understanding ([MoU](#)) on mutual recognition of funds (MRF). This allows eligible public funds in both Hong Kong and France to be distributed to retail investors in each other's market through a streamlined authorisation process.

The SFC has entered into an [MoU](#) with the FCA in relation to the supervision and oversight of cross-border regulated entities in Hong Kong and UK.

The SFC has issued [consultation conclusions](#) on changes to the *Securities and Futures (Financial Resources) Rules (FRR)*. The SFC is further consulting on a number of modified and additional FRR proposals, such as adding four Mainland commodity exchanges to the list of specified exchanges under the FRR. It is also consulting on a set of draft FRR amendments which are not specific to over-the-counter derivatives activities. Submissions are due by 23 August 2017.

Source: [SFC](#)

## Singapore: Recent announcements

The Bank of Thailand and Monetary Authority of Singapore (MAS) have signed a FinTech Cooperation Agreement and updated Banking Supervision MoU to collaborate in safeguarding the resilience of the two countries' banking systems.

Source: [MAS](#)

## 5

## PwC publications

### PwC: IFRS 17 marks a new epoch for insurance contract accounting

In May 2017, the International Accounting Standards Board issued *IFRS 17 Insurance Contracts*, and as a result started a new epoch of accounting for insurers.

IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under the general model for IFRS 17, entities are required to measure an insurance contract at initial recognition at the total of the fulfilment cash flows, and the contractual service margin.

PwC has released a report, discussing various aspects of IFRS 17. The new standard is applicable for annual periods beginning on or after 1 January 2021. The standard can be applied retrospectively in accordance with IAS 8, but it also contains a modified retrospective approach and a 'fair value approach' for transition depending on the availability of data.

See [publication](#)

### PwC Hong Kong: Asia insurance review – regulatory updates

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

- China: Guidance on insurance companies' constitution; Errant senior insurance executives to be blacklisted; Sale of universal life products as riders banned; More stringent entry barriers for credit insurers; and Risk assessment guidelines issued covering chemicals sector.
- India: Panel formed to revise fire and allied policy covers; New rules expand business scope of insurance web aggregators; Regulator plans tighter rules for insurance brokers; IRDAI-appointed panel to review reinsurance regulatory framework.

See [publication](#)

### PwC Hong Kong: RegTech - the financial industry's new best friend?

RegTech (Regulatory Technology) has become one of the key areas to watch in 2017, and as insurers continue to discover its benefits this trend is likely to continue in the coming months.

PwC has published an article, highlighting 5 things to be known about RegTech:

- What is RegTech?
- Why is the RegTech industry moving so quickly?
- What challenges are RegTech startups facing?
- What do regulators think of RegTech?
- What will happen to regulatory and compliance jobs?

See [publication](#)

## 5

## *PwC publications*

### PwC US: Expanding oversight - CFPB's new focus on service providers

The Consumer Financial Protection Bureau (CFPB) has recently started to directly supervise 'large and key' service providers.

The CFPB has already started conducting baseline reviews of certain service providers, along with targeted assessments of those in the mortgage lending market.

PwC US has released a regulatory brief, describing the CFPB's expectations for service providers' compliance management systems and financial institutions' service provider risk management programs, with recommendations for both to manage compliance risks ahead of examinations.

See [publication](#)

### PwC US: Volcker Rule - under review until further notice

The Trump Administration has been critical of the *Dodd-Frank Act* since day one, and one of the primary targets has been the Volcker Rule. The rule was born during the financial crisis, and while intended to promote financial stability, the complexity of implementing the rule has been problematic for banks and regulators alike.

The Treasury Department devoted a great deal of attention to the rule in its first report on financial regulation. The report proposes significant changes to reduce the cost and burden of compliance on banks.

PwC US has published a regulatory brief, analysing the Treasury report's recommendations and regulator sentiment to revise the Volcker Rule, offering perspective on what will change, and explaining what the industry should do next.

See [publication](#)

## 5

## *PwC publications*

### PwC US: Fraud governance - it's more than just compliance

Fraud incidents have increased by over 130% in the past year, resulting in significant monetary and reputational losses for financial institutions.

While regulators such as the OCC, FFIEC, and Basel are increasing their scrutiny on governance for risk management, the need to develop strong governance practices goes beyond compliance. Financial institutions should take steps to enhance their fraud governance programs, including implementing a robust three lines of defense operating model.

PwC US has released a financial crimes observer, discussing key fraud governance challenges and explaining what financial institutions should be doing now.

See [publication](#)

### PwC US: 2017 public sections - resolution evolution

The release of the public sections of the 2017 resolution plans submitted by the eight US G-SIBs provided a unique window into their resolution planning efforts. The plans describe how they have enhanced their resolution plans, demonstrating that the process has developed from a one-time compliance “project” to an important strategic consideration for business as usual (BAU) financial and operational choices.

PwC US has released a regulatory brief, analysing common themes in the largest US banks' 2017 resolution plan public sections and provides view on what's next.

See [publication](#)

# 6

## Contacts



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