

November 2016

PwC Regulatory Update



1

Legislative/Government developments

ASIC Industry Funding model

The Government has released a [proposal paper](#) and a [supplementary technical paper](#), *Proposed Industry Funding Model for the Australian Securities and Investments Commission*, seeking feedback on ASIC's proposed industry funding model: recovering regulatory costs through annual levies and fees-for-service.

The proposals paper details the suggested implementation and legislative framework, together with the engagement, transparency and accountability mechanisms built into the model to strengthen ASIC's accountability to consumers and its regulated entities.

The supplementary paper provides details of ASIC's costs of regulating each sector and the metrics for how the levies could be calculated for each sector.

Submissions are due by 16 December 2016.

Source: [Treasury](#)

In a [media release](#), ASIC welcomed industry funding consultation.

Government introduces Section 46 legislation to strengthen competition law

The Harper Review recommended strengthening section 46 of the *Competition and Consumer Act 2010* after finding that current misuse of market power law does not effectively target and deter anti-competitive conduct, to the detriment of Australian consumers.

The reformed section 46 will prohibit a corporation from engaging in conduct with the purpose, effect or likely effect of substantially lessening competition in a market in which it directly or indirectly participates.

Additional amendments to the competition law contained in the exposure draft for the *Competition and Consumer Amendment (Competition Policy Review) Bill 2016* are being finalised and will be introduced to the Parliament in early 2017.

Source: [Treasury](#)

Introduction of Life insurance commission reductions

The *Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2016* will reduce high up-front life insurance commissions. Under the framework contained within the Bill:

- The rate of upfront commissions paid to advisers will be phased down to a maximum of 60%, with ongoing commissions capped at 20%;
- A two year upfront commission 'clawback' period will be introduced, under which 100% of the upfront commission will be clawed back in the first year and 60% of the upfront commission will be clawed back in the second year, should a policy lapse; and
- Level commissions and fee for service remuneration remain and are uncapped.

The changes will commence on 1 January 2018 and will apply equally to all life insurance advisers.

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

1

Legislative/Government developments

Government acting to open new capital markets

The Government is introducing *Corporations Amendment (Crowd-sourced Funding) Bill 2016*, enabling unlisted public companies with less than \$25 million in assets and annual turnover to facilitate crowd sourced equity funding. These companies will be able to raise up to \$5 million in any 12 month period through crowdfunding platforms.

Small companies that become public companies to use crowdfunding will be given a transition period of up to five years during which they will be eligible for exemptions from certain corporate governance and reporting requirements.

The Government has consulted with stakeholders on how to best balance the fundraising needs of businesses and investor protection. Companies will need to meet minimum disclosure requirements and retail investors will have an investment cap of \$10,000 per company per 12 month period. A cooling off period will allow withdrawal from their investment up to 48 hours after making a commitment.

The crowd-sourced equity funding framework will take effect six months from the date the Bill receives Royal Assent.

Source: [Treasury](#)

Government proceeds with reforms to protect client monies

Australian financial service (AFS) licence holders can currently use money held on behalf of retail derivatives clients for various purposes. Use of client money for these purposes is either not permitted or is more heavily regulated in a number of other advanced G20 economies. Permitting the use of client money for these purpose exposes Australian retail clients to a greater risk of loss in the event of the firm's insolvency.

The new client money protection regime will remove the current exemption that permits the use of retail client money. The Bill will have a one year transition period to allow the industry to adapt.

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

ASIC [welcomed](#) these 'client money' reforms.

1

Legislative/Government developments

Professional Standards For Financial Advisers Introduced

The Minister for Revenue and Financial Services has introduced professional standards for financial advisers legislation into Parliament. The *Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016* includes:

- Compulsory education requirements for both new and existing financial advisers;
- Supervision requirements for new advisers and an industry-wide code of ethics; and
- Common benchmark examination and ongoing professional development component.

The new professional standards regime will commence on 1 January 2019, after which new advisers entering the industry will be required to hold a relevant degree. Existing financial advisers will have two years, (until 1 January 2021) to pass the exam, and five years (until 1 January 2024) to meet the education requirements.

The government will establish an independent standards body to administer the regime. From the date of establishment until the regime commences on 1 January 2019, the body will be responsible for developing and setting the industry exam, developing the code of ethics, and setting the education requirements, including working with education providers to establish appropriate courses.

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

[ABA](#), [FPA](#) and [FSC](#) welcomed higher standards for financial advisers.

Government delivers on fairer, more sustainable superannuation

The Government has secured parliamentary passage of the superannuation reform package. The reforms include:

- Introduction of a \$1.6 million transfer balance cap, placing a limit on the amount an individual can transfer into the tax-free earnings retirement phase; and
- Introduction of the Low Income Superannuation Tax Offset, which is expected to boost the retirement incomes of around 3.1 million low income earners.

The two key measures that deliver improved flexibility are:

- Removal of the 10% rule, ensuring a level playing field for access to superannuation tax concessions; and
- The ability for individuals with superannuation balances below \$500,000 to make 'catch up' concessional contributions, helping those with broken work to better save for their retirement.

The passage provides certainty for the superannuation industry, allowing it to implement the reforms by 1 July 2017. The *Superannuation (Objective) Bill 2016*, which will enshrine the objective of superannuation in legislation, is being considered by the Economics Legislative Committee. The Committee is due to report on 14 February 2017.

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

The FSC [commended](#) the Government for the passage through parliament of these tax changes and for making the superannuation system more sustainable and flexible.

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

APRA releases final revised standard on securitisation

APRA has released the final revised [prudential standard](#), *Securitisation* together with the [response to submissions paper](#) *Revisions to the prudential framework for securitisation*. APRA is also releasing a draft revised prudential practice guide on Securitisation.

The standard aims to:

- Increase banking sector resilience;
- Enable more flexibility for authorised deposit-taking institutions (ADIs) in their funding programs;
- Define a simpler set of operational requirements for the use of securitization;
- Define a simpler and clearer approach to calculating regulatory capital requirements that appropriately reflect risk; and
- Reflect implementation of the Basel III securitisation framework.

The final revised standard will take effect from 1 January 2018. In the coming months, APRA will separately consult on revised reporting requirements for securitisation which would take effect at the same time as the revised prudential standard.

Submissions are due by 20 December 2016.

See [media release](#)

APRA releases letter to ADI in relation to intraday liquidity reporting

In November 2012, APRA consulted on a proposal for larger ADIs to be positioned to report intraday liquidity data on request. This was in preparation the introduction of the Liquidity Coverage Ratio and the Net Stable Funding Ratio.

APRA has determined that it is not necessary to introduce additional intraday liquidity reporting in consultation with the RBA, noting:

- Intraday liquidity management in Australia is well managed via the RBA's Reserve Bank Information and Transfer System (RITS) and Real Time Gross Settlement (RTGS) protocols;
- Prudential standard on liquidity requires an ADI to consider intraday liquidity management in its liquidity management strategy during normal and stressed conditions, and to integrate stress test results within its contingency funding plans; and
- APRA and the RBA have arrangements in place whereby the RBA provides to APRA information relating to ADI intraday liquidity.

See [letter](#)

2

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ASIC extends the transition period to comply with updated fee and cost disclosure requirements

The transition period to comply with updated fee and cost disclosure requirements for product disclosure statements (PDSs) has been extended for trustees of superannuation funds and responsible entities of managed funds and other managed investment schemes (issuers).

The transition period will now end by 30 September 2017 for issuers that notify ASIC in writing by 31 January 2017 that they intend to take advantage of this extension. They will have to provide information about the fees and costs that would be required to be included in this PDS had they complied with the updated requirements before 1 March 2017.

ASIC will be amending ASIC class order 14/1252 *Technical modifications to Schedule 10 of the Corporations Regulations* [[CO 14/1252](#)] to give effect to this extension.

See [media release](#)

ASFA [welcomed](#) these extensions.

ASIC approves the FPA Professional Ongoing Fees Code

ASIC has provided relief to FPA members who subscribe to the FPA Professional Ongoing Fees Code from compliance with the opt-in requirement.

The opt-in requirement was introduced as part of the Future of Financial Advice reforms and requires an AFS licensee or authorised representative who receives ongoing service fees for personal financial advice, to give the client a written renewal notice every two years, requiring the client to opt-in to renew that fee arrangement.

Advisers who subscribe to the FPA Code get relief if they meet certain requirements when entering ongoing fee arrangements, delivering services and renewing the arrangement. Advisers are given flexibility to agree a renewal interval with the client, provided the interval is not more than three years.

See [media release](#)

In a recent [media release](#), FPA stated that the ASIC approval indicates the rigour and robustness of the FPA's application.

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The ASX consults on cancellation policy notification timing

The ASX has released a consultation paper, [ASX and ASX 24 Cancellation Policy Notification Timing Consultation Paper and Response to ETO Consultation](#), seeking feedback from participants on ASX's proposal to increase the time allowed to advise ASX by telephone of a cancellation request from 10 minutes to 30 minutes for all products.

The paper also provides a summary of submissions received and ASX's proposed response to the ETO Trade Cancellation Consultation issued earlier in 2016.

Submissions are due by 23 December 2016.

See [media release](#)

AUSTRAC publishes a draft approach relating to AML/CTF rules amendments

AUSTRAC has published a draft [consultation](#), undertaking a staged approach to implementing recommendations from the review of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and associated rules and regulations*.

The proposed approach includes a restructure and progression of deregulatory recommendations relevant to the AML/CTF Rules.

Submissions are due by 28 December 2016.

See [media release](#)

AUSTRAC publishes draft privacy guidance relating to Chapter 4 of the AML/CTF Rules

AUSTRAC has published [draft guidance](#), *Privacy implications of collecting know your customer (KYC) information from sources other than from the customer*, in response to the recommendations of the Privacy Impact Assessment of the Chapter 4 amendments. The guidance:

- Discusses the amendments that allow reporting entities to collect information 'about' a customer rather than 'from' the customer;
- Explains the interaction with Australian Privacy Principle (APP) 3; and
- Highlights the importance of compliance when collecting information from sources other than the individual concerned.

See [media release](#)

2

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Speech: Towards a more Transparent Securitisation Market

Chris Aylmer, Head of Domestic Markets Department at the RBA addressed the Australian Securitisation Conference in Sydney. He discussed the topic, *Towards a more Transparent Securitisation Market*.

The key points are summarised as follows:

- The Australian securitisation market experienced a gradual recovery following the global financial crisis.
- Residential mortgage-backed securities (RMBS) continue to form the largest part of the market, although there has been a notable reduction in issuance this year, driven by a significant reduction in issuance by banks.
- Pricing on RMBS issuance has become less favourable relative to other sources of funding.
- The investor base for Australian ABS has continued to evolve.

He also provided information on the securitisation dataset and discussed areas for further development:

- There is still scope to improve the accuracy, consistency and completeness of the data.
- There is little consistency in reporting around credit scores and debt serviceability metrics.
- There is interest in the new data from buyers of lower-rated tranches.

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

Speech: The Development of Hedging Markets in Asia

Chris Ryan, head of the International Department at the RBA, addressed the 7th Pan Asian Regulatory Summit in London. He discussed the topic, *The Development of Hedging Markets in Asia*.

He started his discussion by talking about the Asian and global financial crises and the policy/regulatory responses intended to reduce the risk and impact of future crises. He then discussed development in bond and hedging markets in Asia.

He concluded the speech by commenting on the Australian experience with financial liberalisation, and the extent to which subsequent regulatory developments may affect the financial liberalisation experience for some emerging economies in the region.

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

3

Industry bodies

ABA

Australian Bankers'
Association

APCA

Australian Payments Clearing
Association

AFMA

Australian Financial
Markets Association

COBA

Customer Owned Banking
Association

FSC

Financial Services Council

The ABA comments on banking inquiry report

The ABA has commented on the report by the House Economics Committee on the four major banks.

ABA Chief Executive Steven Münchenberg's response is summarised below:

- Australia's banks are committed to protecting consumer interests, increasing transparency and accountability, and building trust and confidence in banks.
- The industry is making major changes that address concerns about how bank staff are rewarded, the protection of whistleblowers, the handling of customer complaints and dealing with poor conduct.
- Further reforms are being introduced by the Federal Government, including higher standards for financial advisers and greater powers and resourcing for ASIC. The ABA supports these changes.
- Banks are improving the way they handle customer complaints by appointing dedicated customer advocates to ensure complaints are appropriately escalated and responded to within specified timeframes.
- The ABA supports having a one-stop-shop to handle disputes or to direct people where to go.
- The banking industry had consistently supported reasonable measures to enhance competition.

The industry will examine the committee's recommendations in detail and await the Government's formal response to the report.

See [media release](#)

APCA releases report on digital payments taking over from cheques

APCA has released the sixth [Milestones report](#), showing that the growing digital economy is accelerating the decline in use of cheques. According to the report, Australians used 17.2% fewer cheques in 2016 than 2015, compared to a 15.7% and 13.5% drop in 2015 and 2014 respectively.

Over the last 10 years, cheque use has dropped by 73%. Cash use also continues to decline, with the number of ATM withdrawals down by 6.6% in 2016 and 4.9% in 2015, having dropped 4.2% in 2014.

The use of digital payments is growing:

- Direct entry transactions (direct debit and direct credit) grew by 7.2% to 3.3 billion.
- Card payments (credit and debit cards) grew by 12.1% to 7.0 billion.

The report provides updates on industry and government initiatives to support this evolution including:

- New Payments Platform, new national infrastructure for fast, flexible, data rich payments, which will further support the transition to digital payments.
- Progress on the Australian Payments Council's initiatives set out in the Australian Payments Plan.
- Electronic conveyancing for property settlement through the PEXA service.
- The Government's SuperStream for the superannuation system.

See [media release](#)

3

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New Benchmark Administrator for BBSW

AFMA will transfer administration of the Bank Bill Swap (BBSW) benchmark rate to ASX. It is the intention of both parties that ASX will administer BBSW from 1 January 2017.

The ASX was selected following a highly competitive process, which began in July 2016 with a public invitation for interested parties to register their interest as potential administrators for BBSW.

AFMA will support the future evolution of BBSW by working with ASX, market participants and the Council of Financial Regulators to promote the market infrastructure and practices required to support widespread trading at outright prices. AFMA will operate as the calculation agent for the ASX until the systems required to support the new methodology go live in 2017.

See [media release](#)

Notice: Operational development update of the BBSW methodology

AFMA has released a market notice to update on the operational developments of the BBSW Methodology. The summary is below:

- The three main groups taking part in the market change process are Approved Trading Venues (ATVs) as providers of essential market infrastructure, prime banks and investors.
- ATVs are advanced in building the necessary infrastructure to facilitate active trading by Prime Banks and investors at outright prices, and the reporting of trades negotiated off-screen.
- Platforms have been developed to serve as a conduit through which institutional investors can record their interest and execute transactions at outright prices.
- The infrastructure to facilitate trading at outright pricing and trade reporting to the Administrator that is required to support the new methodology is coming into place.
- The Prime Banks have been encouraged to make markets for the full period of the VWAP Rate Set Window at spreads of their discretion outside of the National Best Bid and Offer period.
- Prime Banks are working on trade reporting systems, which are required to transition the market.
- AFMA's engagement with investors has been constructive and an Institutional Investors User Group has been formed to provide an opportunity for the buy side to discuss any issues or concerns they may have ahead of the implementation of the VWAP methodology.

See [market notice](#)

3

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Association

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Financial Services Council

COBA comments on banking inquiry report

COBA has commented on the report by the House Economics Committee on the review of the four major banks.

COBA CEO Mark Degotardi's response is summarised below:

- The report finds that the banking market is an oligopoly where the major banks use pricing power to the detriment of consumers.
- The top priority should be to reduce the major banks' unfair funding cost advantages in order to improve competition.
- A fair regulatory framework is necessary to accommodate the customer-owned model in areas such as regulatory capital rules and taxation laws.
- The House Committee report makes a number of specific recommendations, and highlights the differences between measures that are pro-competitive and measures that need further consideration as they could harm competition.
- COBA's view is that open banking has tremendous potential to empower consumers, but forcing all banking institutions into an unrealistic implementation timetable would harm competition.
- COBA does not agree with replacing the two existing external dispute resolution (EDR) schemes in retail banking with a new legislated tribunal as this could lead to worse outcomes for consumers.

See [media release](#)

COBA comments on APRA analysis quantifying the funding cost advantage to the major banks

COBA commented on analysis by APRA quantifying the funding cost advantage given to the major banks by regulatory capital rules.

COBA CEO Mark Degotardi said that APRA allows the major banks to hold less common equity tier 1 regulatory capital against mortgages compared to their competitors, thereby major banks gain from implied government support being reflected in their credit ratings.

See [media release](#)

The FSC makes a submission on the Alternative Default Models in the superannuation industry

The FSC has made a [submission](#) on the Productivity Commission's issues paper on Alternative Default Models in the superannuation industry.

Key points in the submission include:

- The FSC supports the Productivity Commission's starting point of a 'no default' baseline.
- The FSC advocates for market-based competition with consumer protections.
- The FSC rejects implementation of any form of auction model.
- Analysis shows the industrial system results in sub-optimal outcomes for consumers.

See [media release](#)

4

Overseas developments – Global

BIS: Recent announcements

The Committee on Payments and Market Infrastructures (CPMI) has issued a report on [Fast payments](#), setting out key characteristics of fast payments, different initiatives in CPMI jurisdictions, setting out the benefits and risks and examining the potential implications, particularly central banks. Fast payment services make funds immediately available to the payee and can be used around-the-clock, on a 24/7 basis.

The Basel Committee on Banking Supervision (BCBS) has released [information](#) related to the 2016 G-SIB assessment. The information includes:

- A list of all the banks in the assessment sample;
- Denominators of each indicator used to calculate the banks' scores;
- The cutoff score that was used to identify the G-SIBs in the updated list; and
- Thresholds used to allocate G-SIBs to buckets for the purpose of specific higher loss absorbency requirements calculation.

Source: [BIS](#)

4

Overseas developments – Europe

EBA: Recent consultations

The European Banking Authority (EBA) has published a [discussion paper](#) seeking feedback on the design of a new prudential regime for investment firms, which is tailored to the investment firms' different business models and inherent risks. Submissions are due by 2 February 2017.

The EBA has launched a [consultation](#) on Regulatory Technical Standards for the authorisation of credit institutions and Implementing Technical Standards (ITS) for the related templates and procedures. Submissions are due by 8 February 2017.

The EBA has published a [consultation](#) on revised ITS for supervisory reporting, and is seeking feedback on new reporting requirements for information on sovereign exposures and amended requirements for the reporting of operational risk data. Submissions are due by 7 January 2017.

The EBA has launched a [consultation](#) on its draft guidelines on the estimation of risk parameters for non-defaulted exposures. Submissions are due by 10 February 2017.

Source: [EBA](#)

ECB: Recent announcements

The European Central Bank (ECB) has published three guidelines ([ECB/2016/31](#), [ECB/2016/32](#) and [ECB/2016/33](#)), introducing changes to the monetary policy implementation framework and providing amendments to general documentation guidelines for the implementation of the monetary policy, valuation haircuts guideline and additional temporary measures guideline on refinancing operations and eligibility of collateral.

The ECB has [reviewed](#) its risk control framework for collateral assets and decided on a number of measures to:

- Update the haircuts for marketable and non-marketable assets;
- Introduce graduated haircuts for eligible asset-backed securities based on their Weighted Average Life;
- Introduce graduated haircuts depending on remaining maturity for floating-rate assets; and
- Adjust risk control measures for retained covered bonds with extendible maturities.

Source: [ECB](#)

ESMA: Recent announcements

The European Securities and Markets Authority (ESMA) has published their final [report](#) on guidelines on the validation and review of Credit Rating Agencies' (CRAs) methodologies. These guidelines provide information on how CRAs should meet Articles 8(3) and 8(5) of the CRA Regulation, helping to ensure a consistent application of validation and review measures for demonstrating the discriminatory power, predictive power and historical robustness of CRAs' methodologies. The guidelines also identify the measures that CRAs should implement where there is limited quantitative evidence to support the validation and review of certain methodologies.

Source: [ESMA](#)

4

Overseas developments – UK

FCA: Recent announcements

The Financial Conduct Authority (FCA) has published a [policy statement](#), capping early exit charges for consumers eligible to access the government's pension reforms from age 55. From 31 March 2017, early exit charges will be capped at 1% of the value of existing contract-based personal pensions, including workplace personal pensions.

The FCA will take [action](#) to improve competition in the current account market, following a series of recommendations which were proposed by the Competition and Markets Authority (CMA) as part of its investigation into retail banking:

- The FCA will research, test and implement measures to increase consumers' engagement with their overdraft use and charges.
- The FCA welcomes the introduction of the Open Banking standard and will act as an observer on the Open Banking steering group.
- The FCA will consider requiring banks to publish better, comparable information.

Source: [FCA](#)

PRA: Recent consultations

The Prudential Regulatory Authority (PRA) has published a [consultation paper](#), *Cyber insurance underwriting risk*, with proposals related to the ability of firms to exercise prudent management of cyber insurance underwriting risk. Firms are expected to be able to identify, quantify and manage the risks that originate from cyber underwriting risk.

Submissions are due by 14 February 2017.

The PRA has also published a [consultation paper](#), *Deposit protection limit*, which sets out proposals to reset the deposit protection limit to £85,000.

Submissions are due by 16 December 2016.

Source: [PRA](#)

PRA: Recent consultations

The PRA has also published a [consultation paper](#), *Solvency II: group supervision*, which sets out the PRA's expectations for firms to:

- Provide evidence for the absence of legal and regulatory restrictions on the transferability of own funds.
- Demonstrate that group own funds can be made available to the group within nine months.

Submissions are due by 7 February 2017.

Source: [PRA](#)

4

Overseas developments – US

CFTC: Recent announcements

The US Commodity Futures Trading Commission (CFTC) has issued an [order](#) for CME Clearing Europe Limited's registration as a derivatives clearing organization under the *Commodity Exchange Act*.

The CFTC has approved a [final rule](#) to amend the timing for filing chief compliance officer annual reports for certain registrants. The rule provides futures commission merchants, swap dealers, and major swap participants 60 to 90 days following their fiscal year-end to file chief compliance officer annual reports.

The CFTC has approved [proposed rules](#) establishing swap dealer (SDs) and major swap participant (MSPs) minimum capital requirements. As required by the *Dodd Frank Wall Street Reform and Consumer Protection Act*, the rules propose minimum levels of qualifying capital for SDs and MSPs that are not subject to the capital rules of a prudential regulator.

Source: [CFTC](#)

SEC: Plan approved to create consolidated audit trail

The Securities and Exchange Commission (SEC) has [voted](#) to approve a national market system (NMS) plan for the creation of a single, comprehensive database. The consolidated audit trail (CAT) will allow regulators to track all trading activity in the US equity and options markets with greater efficiency.

The NMS plan outlines in detail the ways in which SROs and broker-dealers will record and report information. The NMS plan also explains how CAT data will be maintained to ensure accuracy, integrity and security.

Within two months of the plan's approval, the SROs must select a plan processor for the CAT. Within one year of approval, the SROs will be required to begin reporting to the CAT. Large broker dealers and small broker dealers will begin reporting within two and three years of approval respectively.

Source: [SEC](#)

4

Overseas developments – Asia

Hong Kong: Consultation launched on regulations relating to protected arrangements

The Hong Kong Government, together with financial regulators including the Hong Kong Monetary Authority, the Securities and Futures Commission, and the Insurance Authority, have launched a [consultation](#) on a set of proposed regulations relating to protected arrangements under the *Financial Institutions (Resolution) Ordinance (Cap. 628)*. These protected arrangements are:

- Clearing and settlement systems arrangements;
- Netting arrangements;
- Secured arrangements;
- Set-off arrangements;
- Structured finance arrangements; and
- Title transfer arrangements.

Submissions are due by 21 January 2017.

Source: [HKMA](#)

Singapore: MAS issues regulatory sandbox guidelines for FinTech experiments

The Monetary Authority of Singapore (MAS) has issued regulatory sandbox [guidelines](#) for FinTech experiments, following public consultation and experience from existing sandbox applications. These guidelines will improve clarity, provide greater flexibility and increase transparency by:

- Including examples to illustrate MAS' expectations on the sandbox, such as the evaluation criteria for entry;
- Relaxing certain evaluation sandbox entry criteria for firms and allowing room for adjustments in response to market changes during the experimentation phases; and
- Having MAS work closely with sandbox applicants in the process of evaluation and experimentation.

Source: [MAS](#)

5

PwC publications

PwC: Aspirations and realities - gauging the impact of the ICS on capital management.

PwC has published a report, *Aspirations and realities: Gauging the impact of the ICS on capital management*. This is the second in the series looking at the implications of the planned risk-based International Capital Standard (ICS) being developed by the International Association of Insurance Supervisors (IAIS) for global systemically important insurers (G-SIIs) and a broader group of internationally active insurance groups (IAIGs).

The IAIS has set ambitious goals for the ICS (Principles 1-104) as it looks to strengthen policyholder protection, financial stability and introduce a globally comparable risk-based measure of capital adequacy. So if a new ICS is coming, what is the likely impact? PwC looks at how much will change and how this will affect capital management within the business.

See [publication](#)

PwC: Breaking through - how insurers can harness the diversity dividend

PwC has published a report, *Breaking through: How insurers can harness the diversity dividend*, highlighting its research on diversity and inclusion in the insurance industry and outlining why diversity in all its forms – from gender, generation, ethnicity, sexuality and disability to people with a broader range of skills, experiences and cultural backgrounds - can give business an edge. The publication looks at how far the industry has come and how to break through the remaining barriers.

See [publication](#)

PwC: Insurance 2020 and beyond - creating a winning culture

PwC has published an updated paper, *Insurance 2020 and beyond: Creating a winning culture*, reflecting their latest thinking on how culture could be the key to realizing an organization's potential. Culture is set to be the primary competitive differentiator in the current environment, with trust in financial services at an all time low and high expectations from new generations of consumers and regulators across the globe.

The report identifies a common problem with culture change - that most insurers are still failing to translate their high-level intentions into real changes in the way their people behave and make decisions during the 'moments that matter'. PwC sets out their five rules for changing culture.

See [publication](#)

5

PwC publications (cont'd)

PwC China/HK: More for less - five steps to strategic cost reduction

In an industry facing massive disruption and change, marginal efficiency savings can no longer guarantee survival and success.

PwC China has published a report, *More for less: Five steps to strategic cost reduction*, stating how resources can be pinpointed and operational capabilities sharpened to set the pace in a fast-evolving marketplace.

See [publication](#)

PwC US: Sanctions - circumvention methods under scrutiny

The financial industry has seen a significant increase in the number and size of penalties for sanctions violations recently. Many larger financial institutions have been subjected to these penalties for sanctions circumvention.

Financial institutions use a variety of methods to commit sanctions circumvention. PwC has identified eight “typologies” commonly used by financial institutions to circumvent sanctions, as well as red flags that are associated with each typology in the publication, *Sanctions: Circumvention methods under scrutiny*.

See [publication](#)

PwC US: Donald Trump's victory - ten key points

President-elect Trump and his supporters have publicly called for the overhaul of Dodd-Frank and related regulations enacted since the financial crisis. Meanwhile, Democrats have been steadfast in maintaining these as one of the major accomplishments of the Obama presidency.

Dodd-Frank and its related rulemakings have been difficult and painful to adopt and implement. Despite the pain, the global competitiveness of the US financial services sector has never been stronger because the rest of the world, particularly Europe's banks, have been slow to address the necessary balance sheet, structural, and business model transformations to compete in the post-crisis regulatory world.

Given the backdrop, and with the caveat that "unpredictable" is the norm, PwC has published the report, *Donald Trump's victory: Ten key points*.

See [publication](#)

5

PwC publications (cont'd)

PwC US: Cyber - banking regulators weigh in

The Federal Reserve Board, OCC, and Federal Deposit Insurance Corporation (FDIC) has jointly issued an advance notice of proposed rulemaking (ANPR) intended to strengthen the abilities of large, interconnected financial services organisations to prevent and recover from cyber attacks in October 2016.

The ANPR goes beyond existing regulatory guidance and industry practice in several ways, and the proposal applies directly to third party service providers, whose cyber practices are not as sophisticated as large financial services entities.

PwC has released a report, *Cyber: Banking regulators weigh in*, analysing the ANPR's requirement, identifying key challenges.

See [publication](#)

PwC US: FDIC's final deposit recordkeeping rule

PwC US has published a report, *FDIC's final deposit recordkeeping rule*, highlighting five key points from the FDIC's final deposit recordkeeping rule for large banks:

- Extended compliance runway and reduced certification and testing requirements;
- Implementation is still a major investment;
- The final rule introduces a bifurcated approach for data collection;
- 24 hour requirement for third parties' transactional accounts; and
- Identifying and correcting missing or inaccurate data will be a substantial effort.

See [publication](#)

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Contacts



Nicole Salimbeni

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



Sarah Hofman

Partner
sarah.hofman@pwc.com
(02) 8266 2231



Edwina Star

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



Craig Stafford

Partner
craig.stafford@pwc.com
(02) 8266 3725

www.pwc.com.au

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