

September 2017

*PwC Regulatory Update*



## 1

# Legislative/Government developments

## Improving dispute resolution

The Government is making a number of [changes](#) to the [Treasury Laws Amendment \(Putting Consumers First – Establishment of the Australian Financial Complaints Authority \(AFCA\)\) Bill 2017](#):

- The Bill allows the Minister to appoint a minority of the AFCA board on its establishment to ensure that the board has the necessary skills and expertise to deliver an improved external dispute resolution (EDR) service.
- Changes to the Superannuation Complaints Tribunal's (SCT) complaints handling model to provide greater certainty to stakeholders.
- All new superannuation disputes related complaints will be lodged with AFCA from 1 July 2018. The SCT will continue to operate until 30 June 2020 in order to resolve its backlog of legacy complaints.
- The Bill provides for ASIC to publish Internal Dispute Resolution (IDR) data to improve transparency and accountability of firms' IDR practices.

AFCA will be the new one-stop shop dispute resolution scheme, replacing the Financial Ombudsman Service (FOS), Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT).

Source: [Treasury](#)

The ABA has [supported](#) the introduction of legislation to establish the new Australian Financial Complaints Authority. ABA Chief Executive Anna Bligh has stated 'The ABA strongly supports moving to a one-stop-shop to simplify how customers resolve complaints'.

## Banking Executive Accountability Regime (BEAR)

The ABA has responded with a [submission](#) to the Treasury, urging the government to extend the consultation period on BEAR. The original submission date closed on 29 September 2017.

See [media release](#).

## Expert advisory panel on whistleblower protections

The Government has released the terms of reference for the Expert Advisory Panel on whistleblower protections and has confirmed its panel members. The terms of reference include:

- Establishment of whistleblower protections for people who disclose information about tax avoidance and other breaches of tax laws administered by the Commissioner of Taxation; and
- Strengthening existing corporate whistleblower protections under statutes administered by the ASIC and the APRA.

Source: [Treasury](#)

## 1

# Legislative/Government developments (cont'd)

## ASIC's power to ban senior officials in the financial sector

The ASIC Enforcement Review Taskforce has released a [position paper](#), on reforms empowering ASIC to ban senior managers from managing financial services businesses as flagged in the final report of the Financial System Inquiry (FSI). The FSI highlighted that enhanced banning powers would improve accountability of managers and culture of firms in the financial sector.

Source: [Treasury](#)

## Government introduces superannuation reforms

The Government has introduced a comprehensive package of reforms to the superannuation system, applicable to all APRA regulated superannuation funds. The package will:

- Increase transparency and accountability of super funds and how they spend members' money;
- Strengthen APRA's powers to regulate funds and take action where a fund is not acting in the best interests of its members;
- Give workers the right to choose their own superannuation fund; and
- Strengthen all default MySuper products offered across the industry.

Source: [Treasury](#)

The FSC has [supported](#) the latest superannuation reforms.

## CFR releases policy statement on Australian Cash Equity Settlement Services

The Council of Financial Regulators (CFR) has released a [response](#) received from stakeholders to consultation on safe and effective competition in Cash Equity Settlement in Australia. The CFR, in collaboration with the Australian Competition and Consumer Commission (ACCC), has released a [policy statement](#), setting out the minimum conditions for safe and effective competition in Cash Equity Settlement in Australia.

The policy controls include:

- Adequate regulatory arrangements;
- Access on transparent, non-discriminatory, and fair and reasonable terms;
- Appropriate links between competing securities settlement facilities; and
- Regulatory arrangements for oversight of Primary and Secondary Markets.

In addition the CFR has published minor and consequential changes to the two earlier issued policy statements:

- Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia ([Regulatory Expectations](#)); and
- Minimum Conditions for Safe and Effective Competition in Cash Equity Clearing in Australia ([Minimum Conditions \(Clearing\)](#)).

Source: [CFR](#)

## 1

# Legislative/Government developments (cont'd)

## Consultation on reforms to address illegal phoenixing

The Government has released a [consultation paper](#), *Combatting Illegal Phoenixing*, seeking feedback on proposed reforms to the tax and corporations law to deter and disrupt the core behaviours of phoenix operators. Some reforms proposed are:

- Establishing a dedicated phoenix hotline to provide the public with a single point of contact for reporting illegal phoenix activity;
- Extending penalties for those who promote tax avoidance schemes to capture advisers who assist phoenix operators;
- Stronger powers for the ATO to recover a security deposit from suspected phoenix operators, which can be used to cover outstanding tax liabilities should they arise;
- Making directors personally liable for GST liabilities as part of extended director penalty provisions; and
- Preventing directors from backdating their resignations to avoid personal liability.

Submissions are due by 27 October 2017.

Source: [Treasury](#)

## Consolidation integrity measures

The Government has released an [exposure draft](#), seeking feedback on changes to improve the operation of the tax cost setting rules when an entity leaves or joins a tax consolidated group through the following six measures:

- Prevention of double benefits in relation to deductible liabilities when an entity joins a consolidated group;
- Ensuring that deferred tax liabilities are disregarded;
- Removal of anomalies that arise when an entity holding securitised assets joins or leaves a consolidated group;
- Prevention of unintended benefits when a foreign resident ceases to hold membership interests in certain circumstances;
- Clarification of outcomes that arise when an entity holding financial arrangements leaves a consolidated group; and
- Clarification of the treatment of intra-group liabilities when an entity leaves a consolidated group.

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

### APRA consults further on the role of the Appointed Actuary and actuarial advice to insurers

APRA has released [consultation package](#) on the role of the Appointed Actuary in response to the submissions on the earlier [consultation paper](#). The package also proposed replacing three industry-specific prudential standards with a cross-industry prudential standard (CPS 320) and an accompanying prudential practice guide:

- [Draft prudential standard](#), *CPS 320 - Actuarial and Related Matters*;
- [Draft prudential practice guide](#), *CPG 320 - Actuarial and Related Matters*; and
- [Draft prudential standard](#), *GPS 340 - Insurance Liability Valuation*.

Submissions are due by 15 December 2017.

See [media release](#)

### APRA has released a letter in relation to their approach to AASB 16 Leases and AASB 17 Insurance Contracts

APRA has released a letter to inform all general insurers, life insurers and private health insurers of its planned response to the issuance of AASB 16 - Leases and AASB 17 - Insurance Contracts.

AASB 17 is a complex standard and affects insurers in different sectors in different ways. APRA expects the early adopters of AASB 17 to analyse the impacts of the new standards and contact APRA to discuss their approach to early adoption prior to proceeding. APRA does not intend to alter its prudential or reporting framework for AASB 17 or AASB 16 until their impacts are better understood.

In the meantime, insurers are expected and required to maintain their APRA reporting obligations.

See [letter](#)

## 2

# What have the regulators been up to? (cont'd)

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### ASIC facilitates crowd-sourced funding

ASIC has released guidance in relation to the new crowd-sourced funding (CSF) regime:

- [Regulatory guide, RG 261 - Crowd-sourced funding: Guide for public companies](#), to assist companies willing to raise funds through CSF to understand and comply with their obligations in the new regime.
- [Regulatory guide, RG 262 - Crowd-sourced funding: Guide for intermediaries](#), to assist crowd funding platform operators ('intermediaries') seeking to provide a crowd-funding service.

ASIC has also issued:

- [ASIC Corporations \(Amendment\) Instrument 2017/817](#), amending [ASIC Corporations \(Consents to Statements\) Instrument 2016/72](#), reducing the compliance burden associated with obtaining consent for statements in CSF offer documents.
- [ASIC Corporations \(Amendment\) Instrument 2017/821](#), amending [\[CO 13/762\]](#), [\[CO 13/763\]](#) and [ASIC Corporations \(Nominee and Custody Services\) Instrument 2016/1156](#).
- [ASIC Corporations \(Financial Requirements for CSF Intermediaries\) Instrument 2017/339](#), outlining specific minimum requirements for CSF intermediaries.
- [Report, REP 544 - Response to submissions on CP 288 and CP 289 on crowd-sourced funding](#)

### Government opening up new capital markets for the start-up and FinTech sector

The Government is [introducing](#) legislation to extend crowd-sourced equity funding to proprietary companies; showing support for the start-up and FinTech sector. These companies will be required to comply with additional obligations to protect investors, including:

- A minimum of two directors;
- Financial reporting in accordance with accounting standards;
- Audited financial statements once the company raises more than \$3 million from crowdfunding offers; and
- Restrictions on related party transactions.

The CSF regime will come into effect and ASIC has begun [accepting](#) licence applications from CSF intermediaries from 29 September 2017.

See [media release](#)



## 2

# What have the regulators been up to? (cont'd)

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### ASIC releases response to feedback on ASIC's Innovation Hub and its approach to regulatory technology

ASIC has released its [response](#) in relation to submissions received for [consultation paper](#) on [Innovation Hub](#) and its approach to regulatory technology.

Overarching messages from consultation are:

- Respondents were in favour of ASIC's Innovation Hub and its approach to RegTech;
- There were differences of opinion in relation to the proposed new initiatives, particularly the RegTech liaison group and RegTech problem-solving event;
- There are complex questions of policy surrounding ASIC's role in RegTech, and how ASIC must consider to balance its role as both a regulator and as a technology user; and
- ASIC should consider where and how it can improve transparency across the board in its engagement with the RegTech industry.

See [media release](#)

### ASIC releases market integrity report

ASIC has released a market integrity [report](#) from 1 January to 31 June 2017, focusing on three areas: standards and education, disruption and behavioural change. ASIC undertook various activities during the period, including:

- Information Sheet on Evaluating distributed ledger technology;
- Assessment report on SSX's listing standards;
- Consultation on sell-side research;
- Driving better behaviour in the wholesale spot FX market; and
- Various market reforms like the consultation on safe and effective competition in cash equity settlement in Australia.

Key findings from this six month period include:

- Three people disqualified from providing financial services and one person jailed; and
- Nine infringement notices, totaling a dollar value of \$1,390,000.

ASIC's focus on the regulation of Australia's financial markets over 2017 to 2018 will include: cyber resilience; mitigating conduct risk; ensuring financial stability and capital review; and ensuring supervisory frameworks and controls are in place.

See [media release](#)

## 2

# What have the regulators been up to? (cont'd)

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### ASIC remakes class orders

Following [public consultation](#), ASIC has remade class orders related to the financial counselling agencies providing advice or credit assistance into the following instruments:

- [ASIC Corporations \(Financial Counselling Agencies\) Instrument 2017/792](#); and
- [ASIC Credit \(Financial Co](#)
- [unselling agencies\) Instrument 2017/793](#).

Following [public consultation](#), ASIC has remade class orders related to mortgage offset accounts and factoring arrangements into the following instruments:

- [ASIC Corporations \(Mortgage Offset Accounts\) Instrument 2017/795](#); and
- [ASIC Corporations \(Factoring Arrangements\) Instrument 2017/794](#).

Following [public consultation](#), ASIC has repealed three class orders related to prime broking and the holding of client assets:

- [CO 03/1110 - Prime brokerage: Relief from holding client property on trust](#);
- [CO 03/1111 - Prime brokerage: Relief from holding scheme property separately](#); and
- [CO 03/1112 - Relief from obligation to hold client money on trust](#).

ASIC have extended the operation of CO 03/1110 and CO 03/1112 by 12 months to 30 September 2018. ASIC has also amended two class orders related to holding assets as they contained references to the repealed class orders, through [ASIC \(Amendment, Repeal and Transitional\) Instrument 2017/839](#).

Following [public consultation](#), ASIC has issued the following instruments in relation to providing licensing relief for trustees of wholesale equity schemes:

- [ASIC Corporations \(Wholesale Equity Scheme Trustees\) Instrument 2017/849](#), remaking class order to consider the financial and custody requirements not reflected in the class order; and
- [ASIC Corporations \(Amendment and Repeal\) Instrument 2017/848](#), remaking class orders as they apply to managers of wholesale equity schemes to ensure consistent with the requirements in the new instrument.

Following [public consultation](#), ASIC has remade class orders on mortgage schemes into [ASIC Corporations \(Mortgage Investment Schemes\) Instrument 2017/857](#).

See [media release](#)

### ASIC provides guidance for initial coin offerings

ASIC has released an [Information sheet 225](#), providing guidance about the potential application of the *Corporations Act 2001* to businesses planning to raise funds through an initial coin offering.

See [media release](#)



## 2

# What have the regulators been up to? (cont'd)

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### ASX consults on processes for advising of changes to security status

ASX has published a [consultation paper](#), *ASX-Listed Company Announcements: Processes for advising of changes to security status*, proposing:

- Establishing an independent FIX gateway to remove existing interdependencies between ASX's listing operations and ASX Trade;
- Extending the period during which security status changes are processed in response to price sensitive announcements; and
- Simplifying the different periods during which trading is not permitted after a price sensitive announcement is released or a trading halt or suspension is lifted.

See [media release](#)

### ASX consults on OTC interest rate derivatives clearing

ASX has released a [consultation paper](#), *ASX OTC Interest Rate Derivatives Clearing*, seeking feedback from over-the-counter (OTC) participants on proposed amendments to the ASX Clear (Futures) Operating Rules, to support the clearing of NZD OTC interest rate derivatives through ASX's OTC Clearing Service in the fourth quarter of 2017.

ASX intends to expand the product coverage of the OTC Clearing Service to include:

- NZD interest rate swaps to 15 years maximum maturity; and
- NZD overnight index swaps to 2 years maximum maturity.

Submissions are due by 13 October 2017.

See [media release](#)

# 3

## Industry bodies

### ABA

Australian Bankers'  
Association

### ASFA

Association of  
Superannuation Funds of  
Australia

### COBA

Customer Owned Banking  
Association

### FPA

Financial Planning  
Association of Australia

### FSC

Financial Services Council

#### The ABA makes a submission on open banking

The ABA has made a [submission](#) on open banking in Australia, making several recommendations to the Treasurer on:

- The most appropriate model for the operation of open banking in the Australian context, considering advantages and disadvantages of different data-sharing models.
- A regulatory framework under which an open banking regime would operate and the necessary instruments required to support and enforce such a regime.
- An implementation framework and the ongoing role for the Government in implementing an open banking regime.

See [media release](#)

#### ASFA releases report on benefits of insurance in superannuation

ASFA has released a [report](#), *The experience of individuals with insurance through superannuation*, identifying the benefits of insurance in superannuation, such as greater affordability. The report suggests that without insurance inside superannuation, many Australians would have no insurance.

See [media release](#)

#### ASFA releases discussion paper on superannuation and the changing nature of work

ASFA has released a [discussion paper](#), *Superannuation and the Changing Nature of Work*, raising questions about how the superannuation system and related policy settings will need to adjust to deal with the rise of the gig economy. The gig economy encompasses markets where buyers and sellers of goods and services are matched via web-based platforms, doing away with many cases of traditional employment practices and protections.

The paper outlines the main drivers of the development of the gig economy, the effects on the labour market and employment conditions, and how the current lack of coverage of the superannuation guarantee affects individuals' superannuation balances.

See [media release](#)

# 3

## Industry bodies (cont'd)

### ABA

Australian Bankers'  
Association

### ASFA

Association of  
Superannuation Funds of  
Australia

### COBA

Customer Owned Banking  
Association

### FPA

Financial Planning  
Association of Australia

### FSC

Financial Services Council

#### The COBA makes recommendation on competition inquiry to Productivity Commission

The COBA has made a [submission](#) to the Productivity Commission's inquiry into competition in the Australian financial system. The recommendations included:

- Greater consideration should be given by policymakers and regulators to the impact the regulatory compliance burden puts on competition.
- The Government should introduce an explicit 'secondary competition objective' (SCO) into APRA's legislative mandate.
- Cost effective interventions are needed to empower consumers to switch between banking products.

See [media release](#)

#### The FSC publishes report on barriers to innovation in superannuation

The FSC has published a [report](#), *Innovation in Superannuation: Smart MySuper Defaults*, examining barriers to innovation in the superannuation industry, including regulatory reform and the absence of competitive pressure. It recommends a more competitive system which fosters innovation and the adoption of technologies, such as TTS's 'Smart Default', which can improve super returns by 3.5 to 4.5% per annum, resulting in an increase of retirement balances by 35%.

See [media release](#)

#### The FPA makes a submission making competition recommendations to Productivity Commission

The FPA has made a [submission](#) to the Productivity Commission's inquiry into competition in the Australian financial system on various issues, such as:

- The cumulative effect of regulatory costs on the viability and sustainability of advice licensees, including the need to ensure effective regulation does not override the need to stimulate market competition.
- The extra complexity and cost associated with having multiple regulators, compared with the pros and cons of a monopolistic regulator for financial advice.
- Financial planners to be given the same standing as members of other professions and professional bodies.
- Tax deductibility of financial advice to help offset the continually increasing cost of regulation.

See [media release](#)

## 4

# Overseas developments – Global

## BIS: Recent announcements

The Basel Committee on Banking Supervision (BCBS) and the IFRS Foundation have signed a Memorandum of Understanding ([MoU](#)) to focus on the development of IFRS Standards, the interaction between IFRS Standards and the BCBS Framework, and the manner in which they are put to practice across the world.

The Committee on Payments and Market Infrastructures (CPMI) has published a [discussion note](#), seeking feedback on the proposed seven step strategy to tackle the increasing threat of wholesale payments fraud related to endpoint security.

Source: [BIS](#)

## IOSCO: Recent announcements

The CPMI and the International Organisation of Securities Commissions (IOSCO) have jointly released a [report](#), *Harmonisation of the Unique Product Identifier (UPI)*, providing technical guidance to authorities on a uniform global UPI applying to OTC derivatives transactions.

The guidance covers the following areas:

- The technical principles applicable to the UPI;
- The UPI reference data elements required for each OTC derivative asset class;
- The identification of underlying assets and benchmarks of OTC derivative products; and
- The UPI code structure.

Source: [IOSCO](#)

## 4

# Overseas developments – Europe

## EBA: Recent announcements

The European Banking Authority (EBA) has signed a [Framework Cooperation Arrangement](#) with several US financial regulatory agencies, laying out the basis for subsequent cooperation arrangements on bank crisis management and resolution between any of the EU supervisory or resolution authorities and any of the participating US agencies.

The EBA has published its final draft implementing technical standards (ITS) specifying templates and procedures to be followed by resolution authorities while informing the EBA of the minimum requirement for own funds and eligible liabilities.

Source: [EBA](#)

## EBA: Recent consultations

The EBA has published a [discussion paper](#) on significant risk transfer in securitisation, seeking feedback on how to further harmonise the regulation and supervision of the risk transfer through securitisation.

Submissions are due by 19 December 2017.

The EBA has launched a [consultation paper](#), seeking feedback to amend the ITS on supervisory disclosure, specifying the format, structure, contents list and annual publication date of the supervisory information to be disclosed by competent authorities.

Submissions are due by 22 December 2017.

Source: [EBA](#)

## EBA: Recent guidelines

The European Supervisory Authorities have published [guidelines](#) to prevent the abuse of electronic funds transfers for terrorist financing and money laundering purposes.

The EBA has published its revised [guidelines](#) on internal governance to further harmonise EU institutions' internal governance arrangements, processes and mechanisms, as required under the Capital Requirements Directive (CRD IV).

Source: [EBA](#)

## 4

# Overseas developments – UK

## Bank of England: NPSO formed

The Payment Systems Regulator (PSR) and Bank of England (BoE) had earlier established the Payment System Operator Delivery Group (PSODG) to consolidate the operation of three payment systems:

- Bacs Payment Schemes Ltd (BPSL);
- Cheque and Credit Clearing Company (C&CCC); and
- Faster Payments Scheme Ltd (FPSL).

The New Payment Systems Operator (NPSO) is planned to be operational by the end of 2017 and hence PSODG will be closed. Responsibility for completing the consolidation in line with the agreed plan lies with the NPSO and three existing PSOs.

Source: [Bank of England](#)

## FCA: Recent announcements

The Financial Conduct Authority (FCA) has published a [policy statement](#) confirming the revised approach document and handbook changes following consultation feedback, to reflect Payment Services Directive and the *Payment Services Regulations 2017*. FCA has also published the [approach document](#) to help firms navigate the payment services and e-money regulatory requirements, replacing the existing Payment Services and E-Money Approach Documents.

The FCA and the Hong Kong Insurance Authority (IA) have signed a [FinTech co-operation agreement](#), aiming to help FinTech companies in UK and Hong Kong to expand into each other's markets by cooperating for information sharing and potential innovation projects to establish a framework of mutual assistance.

Source: [FCA](#)

## PRA: Recent announcements

The Bank of England's Prudential Regulatory Authority (PRA) has published a [policy statement](#), providing feedback on responses to consultation paper, *Refining the PRA's Pillar 2A capital framework* and sets out the final rules.

The PRA has published a [policy statement](#), *Internal Ratings Based (IRB) approach: clarifying PRA expectations*, providing feedback on responses to consultation paper related to the PRA's expectations on IRB approach.

The statement includes an update to the [supervisory statement](#), covering the principal topics such as corporate governance and defaulting, and sets out additional expectations of firms.

Source: [Bank of England](#)



## 4

# Overseas developments – US

## FDIC: Recent announcements

The Federal Deposit Insurance Corporation (FDIC) has adopted a [final rule](#), whereby the covered FDIC-supervised institutions are required to ensure that their qualified financial contracts (QFCs) do not allow for immediate cancellation or termination under certain circumstances. QFCs include derivatives, securities lending, and short-term funding transactions.

The Federal banking agencies have proposed a [rule](#) to reduce regulatory burden by simplifying the capital treatment for certain assets, loans and taxes, such as acquisition, development, construction loans, mortgage servicing assets, and unconsolidated financial institutions.

The Federal Reserve Board (FRB) and the FDIC have [extended](#) the next resolution plan filing deadline for eight large domestic banks by one year to 1 July 2019, to allow them to remediate any weaknesses identified in their July 2017 submissions and prepare and improve their submissions for the next resolution plan.

Source: [FDIC](#)

## SEC: Recent announcements

The Securities and Exchange Commission (SEC) has provided [interpretive guidance](#) to assist companies to comply with the pay ratio disclosure requirement under the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. Companies are required to begin making pay ratio disclosures in early 2018. The Commission's staff is also providing [guidance](#) separately about the pay ratio rule.

The SEC has [announced](#) the creation of a cyber unit to target cyber-related misconduct and the establishment of a retail strategy task force to implement initiatives that directly affect retail investors, thereby addressing cyber-based threats and protecting retail investors.

Source: [SEC](#)

## 4

# Overseas developments – Asia

## Hong Kong: Recent announcements

The Securities and Futures Commission (SFC) and the Securities Commission Malaysia (SC) have signed a [FinTech co-operation agreement](#), aiming to help FinTech companies in Hong Kong and Malaysia to expand into each other's markets.

The SFC and the SC will cooperate for information sharing and potential innovation projects to establish a framework of mutual assistance.

The SFC has issued a [circular](#) to launch the regulatory sandbox, providing a regulatory environment for qualified firms to operate regulated activities under the Securities and Futures Ordinance (SFO) before Fintech is used on large scale.

Source: [SFC](#)

## Japan: Recent announcements

The Financial Services Agency of Japan (FSA) and the Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market ('ADGM') have signed a [FinTech co-operation agreement](#), aiming to help FinTech companies in Japan and Abu Dhabi to expand into each other's markets.

The FSA and the FSRA will cooperate for potential FinTech innovation projects to establish frameworks of mutual assistance.

Source: [FSA](#)

## Singapore: Recent announcements

The Monetary Authority of Singapore (MAS) has set up a [Cyber Security Advisory Panel \(CSAP\)](#). The CSAP will provide global perspectives on evolving technologies and cyber threats and their implications for financial services together with insights on best practices in cyber security strategies. The members, consisting of cyber security thought leaders from around the world, are appointed for a two-year term.

The MAS and the Securities Commission Malaysia have signed a [FinTech co-operation agreement](#), aiming to help FinTech companies in Singapore and Malaysia to expand into each other's markets by cooperating for information sharing and potential innovation projects.

Source: [MAS](#)

## 5

## PwC publications

### PwC Global: Live digital or die

PwC has published a report, *Live digital or die - The digital challenges that ETF sponsors and service providers must confront*, summarising results of the exchange traded funds (ETF) global survey of ETF managers or sponsors and asset managers not currently offering ETFs and service providers. The report also discusses how the ETF industry will be impacted by FinTech over the next few years.

PwC foresees technological change driving significant impacts upon ETF operations, distribution and products. These changes will also impact a firm's profit margins, regulatory risks, cyber security, and customer interactions. As a result, successful firms will need to evolve rapidly to keep ahead of their competition.

The link to the report can be found [here](#).

See [publication](#)

### PwC US: Robo-advisers - SEC steps up scrutiny

The SEC had earlier issued guidance regarding robo-advisers, automated investment advice tools accessed via web-based or mobile platforms with minimal human interaction. In order to comply, firms using robo-advisers should review their investment models, customer questionnaires, and disclosures. Firms should further ensure that their compliance programs adequately address the unique circumstances associated with robo-advice, such as cybersecurity and model governance.

PwC has published a regulatory brief, examining the SEC's focus areas for robo-advisers and providing recommendations for developing compliance programs for robo-advisers.

See [publication](#)

### PwC US: Swap data reporting - what comes next?

The Commodity Futures Trading Commission (CFTC) had earlier announced that it would rewrite its reporting rules for swap dealers (SDs). The previous rules' had vague requirements and implementation has been challenging for the industry, resulting in poor data quality, duplicative reporting, and enforcement actions.

PwC US has published a regulatory brief discussing:

- The difficulties the industry has faced regarding enforcement of the CFTC's reporting rules;
- How the CFTC has tried to address the issues associated with the reporting rules; and
- What SDs should do now.

See [publication](#)

## 5

## *PwC publications (cont'd)*

### **PwC US: Cyber and fraud - how to mitigate and prevent the next data breach**

The details of the Equifax data breach, including the identity and nature of the attackers, are still developing. This serves as a reminder that organisations should enhance and better coordinate their cybersecurity and anti-fraud controls, including those related to identity management, authentication, data encryption, fraud detection and analytics, and patching vulnerable applications.

PwC US has published a financial crimes observer, analysing the risks associated with the data breach and providing its perspective on what organisations should be doing now.

See [publication](#)

### **PwC US: CFPB fair lending - small business loans under review**

The Consumer Financial Protection Bureau (CFPB) has prioritised small business lending as an area of focus for fair lending supervision in 2017 due to concerns that the credit needs of minority and women-owned small businesses are not being met.

PwC US has published a regulatory brief, describing the CFPB's expectations for small business fair lending and recommendations for lenders to manage compliance risks ahead of potential examinations.

See [publication](#)

### **PwC AU: Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF)**

In response to increasing regulatory pressure towards a global trend of zero tolerance to AML non-compliance, PwC Australia has released a thought leadership piece about Anti-Money Laundering (AML) Transaction Monitoring.

The report discusses the five steps towards a new gold standard of Transaction Monitoring Systems (TMS) and reporting, which are:

- Data Governance/IT Management review;
- Technology Review;
- Benchmark analysis;
- AML/CTF TMS Optimisation; and
- AML/CTF TML Testing and Compliance review.

See [publication](#)

# 6

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