

March 2018

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***PwC Regulatory Update***



## 1

# Legislative/Government developments

## The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

- The first round of Public Hearings were held by the Royal Commission during 13 – 23 March. The hearings focused on consumer lending practices within the context of credit products such as home loans, credit cards and car loans.
- The second round of hearings are scheduled to commence on 16 April. These hearings will focus on the financial planning and wealth management industry, with input from several regulatory bodies including ASIC.

The Commission has published a number of background papers:

- [Some Features of the Australian Banking Industry](#) provides information about the range of Australian banking industry participants, the relative market share of those participants, the size of the Australian banking industry, the range of products offered and the profitability of the sector.
- [Some Features of the Australian Mortgage Broking Industry](#) provides information about the industry, mortgage brokers and mortgage aggregators and the main services provided by mortgage brokers and mortgage aggregators.
- [Some Features of Car Financing in Australia](#) provides information about car financing in Australia, including the range of participants and their relationship to car dealers, the relative market share of various participants, the size of the sector and the profitability of the sector.
- [Everyday Consumer Credit: Overview of Australian Law Regulating Consumer Home Loans, Credit Cards and Car Loans](#)

provides an overview of consumer credit protection law and regulation in Australia. This paper also provides an analysis of the interaction between the regimes, focusing on home loans, credit cards and car loans as well as credit specific provisions in the *National Consumer Credit Protection Act 2009* and the National Credit Code.

- [Request for Information Reforms to Consumer Lending](#), prepared by the Treasury, provides an overview of the key reforms in consumer lending since 2007.

Source: [Royal Commission](#)

## Government releases regulatory impact statement related to the consumer guarantee regime

The Government has released a [regulation impact statement](#), *Australian Consumer Law Review: Clarification, simplification and modernisation of the consumer guarantee framework*, seeking feedback on the following five proposals:

- Increasing the threshold in the definition of ‘consumer’ from \$40,000 to \$100,000;
- Clarifying the consumer guarantees remedies (comprised of two proposals – failure within a short period of time and multiple failures);
- Enhanced disclosure for extended warranties; and
- Access to consumer guarantees for goods sold at auctions.

Submissions are due by 23 April 2018.

Source: [Treasury](#)

## 1

# Legislative/Government developments

## PJC's report on life insurance industry

The Parliamentary Joint Committee (PJC) has released its life insurance inquiry report. This report provides recommendations on areas where substantial changes are required to ensure the life insurance industry is held on regulatory matters. These matters include:

- Effective consumer protections and industry codes of practice;
- The transparency of remuneration, commissions, payments and fees;
- The provision of advice in the best interests of consumers;
- Group life insurance arrangements that do not disadvantage certain groups of consumers;
- Appropriate access to personal, medical and genetic information; and
- Fair claims handling practices.

Source: [Parliament of Australia](#)

ASFA [stated](#) that Industry Code will improve consumer outcomes for insurance in superannuation.

FSC [supported](#) some key recommendations of the PJC's life insurance inquiry, but rejects extending BEAR.

## Government extends MAAL to corporate structures

The Government has introduced legislation to extend the Multinational Anti-Avoidance Law (MAAL) to corporate structures that involve:

- Foreign resident partners;
- Trusts that have any foreign resident trustees or beneficiaries; or
- Foreign trusts that temporarily have their central management and control in Australia.

Source: [Treasurer](#)

## Government passes law related to manipulation of financial benchmarks

The Government has passed law amendments related to the manipulation of financial benchmarks. Some of the key provisions include:

- The manipulation of any financial benchmark, or product used to determine such a benchmark, will be considered an offence and subject to penalties, including maximum penalties of up to \$945,000 and/or 10 years imprisonment for individuals and up to \$9.45 million for bodies corporate.
- Administrators of significant benchmarks will now be required to hold a 'benchmark administrator' licence and comply with enforceable rules made by ASIC.
- ASIC has been provided with powers to compel submission to a significant financial benchmark in case other calculation mechanisms have failed and the continued generation of the financial benchmark is threatened.

Source: [Treasurer](#)

## 1

# Legislative/Government developments

## **Treasury Laws Amendment (Enhancing ASIC's Capabilities) Bill 2018**

The Government has introduced [\*Treasury Laws Amendment \(Enhancing ASIC's Capabilities\) Bill 2018\*](#) into the Parliament to enhance ASIC's capabilities by making express provision for ASIC to consider competition in its decision-making processes. The Bill removes the requirement for ASIC to employ people under the *Public Service Act 1999*, thereby giving the ability to attract and retain the most appropriate people to achieve its short and long-term priorities.

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

## **Government introduces Corporations Amendment (Asia Region Funds Passport) Bill**

The Government has introduced the [\*Corporations Amendment \(Asia Region Funds Passport\) Bill 2018\*](#). The passport will be complemented by a new corporate collective investment vehicle regime, providing Australian fund managers with a corporate structure vehicle to export to investors in Asia.

The Passport Joint Committee has recently launched a pilot program, allowing industry to work with regulators to finalise the Passport framework while developing viable products.

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

The FSC [urged](#) the Government to enact *Corporations Amendment (Asia Region Funds Passport) Bill* as law soon.

## **Government introduces Bill to protect workers' superannuation**

The Government has introduced [\*Treasury Laws Amendment \(2018 Measures No.4\) Bill 2018\*](#) to protect workers' superannuation by modernising the enforcement of the superannuation guarantee.

Key provisions of the Bill include:

- Introduce serious consequences for employers who break the law by short-changing their employees;
- Extend Single Touch Payroll to cover all employers from 1 July 2019, bringing payroll reporting into the 21st century;
- Enable the transition to retirement income stream of a superannuation fund member to be paid at death to their eligible dependants without having to be commuted and a new income stream started; and
- Eliminate double taxation in respect of deferred annuities purchased by superannuation funds and retirement savings accounts (RSA). This is to ensure that the fund or RSA can meet a liability to pay a deferred superannuation income stream.

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

## 1

# Legislative/Government developments

## Government releases package of measures for stapled structures

The Government has released details of a [package of measures](#) to address risks posed by stapled structures and to limit the concessions available to foreign investors for passive income. The key measures include:

- Preventing active business income from accessing the 15% Managed Investment Trust (MIT) rate;
- Preventing double gearing structures through the thin capitalisation rules;
- Limiting the foreign pension fund withholding tax exemptions;
- Limiting the sovereign immunity tax exemption; and
- Preventing agricultural MITs.

These changes will take effect from 1 July 2019. The thin capitalisation changes will take effect from 1 July 2018.

Source: [Treasury](#)

## New Deputy Chairperson role at ASIC

The Government is [planning](#) to create a new Deputy Chairperson role at ASIC, with the aim to provide greater flexibility to manage the breadth of new powers and increased responsibilities resulting from recent law changes. It will also bring ASIC into line with the structure of the Australian Competition and Consumer Commission (ACCC).

## Government releases draft legislation, Financial Sector (Collection of Data) Regulations 2018

The Government has released the [draft legislation](#), *Financial Sector (Collection of Data) Regulations 2018*, seeking feedback on its proposal to remake the *Financial Sector (Collection of Data) Regulations 2008* due to sunset on 1 October 2018. The draft proposes minor updates to the language and numbering to reflect current drafting practices. Submissions are due by 16 April 2018.

## Amendment to the Productivity Commission Act 1998

The [Treasury Laws Amendment \(2017 Measures No. 5\) Bill](#) has amended the [Productivity Commission Act 1998](#) to create the role of Indigenous Commissioner, thereby facilitating the Productivity Commission's work in evaluating policies and programs that have an impact on Indigenous Australians.

## 2

# What have the regulators been up to?

## APRA

Australian Prudential  
Regulation Authority

## ASIC

Australian Securities and  
Investments Commission

## ASX

Australian Securities  
Exchange

## RBA

Reserve Bank of Australia

### APRA releases discussion paper on information security management

APRA has released a [discussion paper](#), *Information security management: A new cross-industry prudential standard*, seeking feedback on its proposal to implement a cross-industry framework for the management of information security.

The proposed requirements are set out in a [prudential standard](#), *CPS 234 - Information Security*. The standard, applicable to authorised deposit-taking institutions (ADIs), general insurers, life insurers, private health insurers, licensees of registrable superannuation entities (RSE licensees) and authorised or registered non-operating holding companies, covers the following areas:

- Roles and responsibilities;
- Information security capability and policy framework;
- Information assets and controls, including incident management;
- Testing and internal audit; and
- APRA notifications.

Submissions are due by 7 June 2018. APRA intends to finalise *CPS 234* towards the end of the year, with a view to implement from 1 July 2019.

See [media release](#)

### ASIC releases updated regulatory guidelines on reinstatement of companies

ASIC has released an updated [regulatory guide](#), *RG83 - Reinstatement of companies*, applicable to company officeholders, third parties and liquidators who want a company to be reinstated. This updated regulatory guide explains:

- How to apply for reinstatement of a company;
- When ASIC will reinstate a company; and
- The consequences of reinstating a company deregistered under the *Corporations Act 2001*.

The updates relate to reinstatements and changes to ASIC's policies, management and administration of reinstatement applications together with the introduction of the *ASIC Supervisory Cost Recovery Levy*.

See [media release](#)

### ASIC releases updated guidance on client money

ASIC has released an updated [guidance](#) for Australian financial services (AFS) licensees that hold client money for trading in over-the-counter (OTC) derivatives.

The changes mean that the circumstances in which an AFS licensee may use 'derivative retail client money', within the meaning of the Corporations Act, have been significantly restricted. In particular, AFS licensees can no longer withdraw derivative retail client money from the client money account and use it for a wide range of purposes, including as the licensee's own working capital.

See [media release](#)

## 2

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### ASIC releases market integrity report

ASIC has released a market integrity [report](#) from 1 July to 31 December 2017, focusing on three areas: standards and education, disruption and behavioural change.

ASIC undertook various activities during the period, including:

- Assessment of National Stock Exchange of Australia Limited's (NSX's) listing standards;
- Finalisation of client money reporting rules;
- Guidance on sell-side research;
- Consultation on new financial benchmark regulatory regime and reforms to the market licensing regime;
- Consolidation of existing market integrity rule books;
- New guidance for licensed exchanges seeking to admit exchange traded products on their market;
- Report on the cyber resilience of firms operating in Australia's financial markets; and
- Review into binary option trading applications.

Key findings from this six month period include:

- Four people disqualified from providing financial services and one person jailed; and
- Ten infringement notices, totalling a dollar value of \$1,403,000.

ASIC's focus on the regulation of Australia's financial markets over 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](#)

### ASIC remakes class order related to share and interest sale facilities

Following [public consultation](#), ASIC has remade a class order related to share and interest sale facilities into a legislative instrument, [ASIC Corporations \(Share and Interest Sale Facilities\) Instrument 2018/99](#). This class order continues to provide issuers of shares and interests who operate certain share and interest sale facilities relief from the managed investment, licensing, disclosure and unsolicited offers provisions of the *Corporations Act*. The relief has been extended to include a related body corporate of the product issuer that operates a share or purchase facility.

See [media release](#)

## 2

# What have the regulators been up to?

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### Other ASIC updates

ASIC has [extended](#) the transition period for superannuation and retirement calculators to comply with the requirement that generic financial calculators must account for inflation to 1 July 2019.

ASIC has also [extended](#) the current credit hardship arrangements (earlier to expire on 1 March 2018) until 1 March 2020 through [ASIC Class Order \[CO 14/41\]](#), allowing them time to continue to consult with stakeholders in relation to the hardship process and the interaction with credit reporting requirements.

The Financial Conduct Authority (FCA) and ASIC have [signed](#) an [Enhanced Cooperation Agreement](#), thereby continuing to refer innovative FinTech businesses to each other for advice and support via their respective Innovation Hubs.

ASIC has released a [report](#), *Indicative levies for ASIC industry funding: 2017–18*, setting out the indicative levies for industry funding for the 2017–18 financial year for each subsector. This report provides key information to assist industry to budget for the first invoices. The indicative levies are based on ASIC's budgeted regulatory costs outlined in ASIC's draft Cost Recovery Implementation Statement.

### ASX Market Management

ASX has released a [consultation paper](#), *ASX Market Management*, seeking feedback on the market management of ASX Trade (ASX's equity and equity derivative trading platform) during market issues. The paper follows a review of actions taken by the ASX during technical issues or outages.

These included:

- The application of session states (e.g. Enquire and Adjust);
- The management of orders during incidents;
- Communication with the market during incidents;
- The current ASX market practice of staggered group openings; and
- Action when only a subset of securities are available for trading.

ASX is also consulting on the management of orders following a code change for an ASX listed entity. Submissions are due by 30 April 2018.

See [media release](#)

### RBA amends its ESA policy

RBA has amended its Exchange Settlement Account (ESA) policy, removing the requirement that all banks must have an ESA, whether or not they use an agent to settle their real-time gross settlement (RTGS) transactions. This follows amendments to the *Banking Act 1959* that allows all ADIs to use the term 'bank'.

The ADIs will no longer be required to maintain an ESA for use in a contingency and the maintenance of an ESA will be an optional service offered by the Bank, after amendments. The ESA Policy has also been amended to reflect that the Head of Payments Settlements Department will be responsible for approving ESA applications and all new ESA applications should be addressed to the Head of Payments Settlements Department.

See [media release](#)



# 3

## Industry bodies

### ABA

Australian Bankers'  
Association

### ASFA

Association of  
Superannuation Funds of  
Australia

### FPA

Financial Planning  
Association of Australia

### FSC

Financial Services Council

#### ABA comments on the new Banking Code of Practice

ABA commented on the new Banking Code of Practice, stating that all retail banks in Australia will be required to sign up to the new Banking Code of Practice as a condition of membership to ABA.

The new Code, currently awaiting ASIC approval, has been completely rewritten and will be binding and enforceable.

The Code outlined important changes for individuals and small businesses, including:

- Plain English contracts;
- Ending unsolicited offers of credit card increases;
- The mandated ability for customers to cancel a credit card online; and
- Improved transparency around fees by telling customers about service fees immediately before they occur.

There will be a 12 month implementation period for the Code once ASIC has given its approval. The Banking Code Compliance Committee (BCCC) will monitor and oversee compliance with the code.

See [media release](#)

#### ASFA releases research paper on superannuation balances of the self employed

ASFA has released a [research paper](#), *Superannuation balances of the self-employed*, assessing the scale, distribution and adequacy of the retirement savings of self-employed people. This research paper highlights the low superannuation balances of the self-employed compared with wage and salary earners, and the absence of any significant retirement savings for many of the self-employed. The analysis supports the case for extending the Superannuation Guarantee (SG) regime to the self-employed.

See [media release](#)

# 3

## Industry bodies

### ABA

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### ASFA

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Superannuation Funds of  
Australia

### FASEA

Financial Adviser Standards  
and Ethics Authority

### FSC

Financial Services Council

#### FASEA consults on proposed education standards

The Financial Adviser Standards and Ethics Authority (FASEA) is seeking feedback on [proposed education and qualifications pathways](#), as well as degree equivalence for existing advisers and a [draft Code of Ethics](#).

FASEA has determined five pathways of education to ensure that advisers can comply with the new statutory requirements by 1 January 2024, based on the various current qualifications of advisers. Under the proposed pathways, existing advisers will be required to undertake either a relevant degree, or between one and three bridging courses, including a course that focuses on the new Code of Ethics developed by FASEA.

FASEA is also seeking feedback on the practical implications of key parts of the Code.

Submissions on the Code and the proposed guidance papers are due by 1 June 2018 and 29 June 2018, respectively.

See [media release](#)

ABA [supported](#) the education standards stating it would lift the quality of advice and rebuild trust with the Australian public.

#### FSC proposes establishing Genetics and Insurance Advisory Council

FSC has proposed the establishment of a Genetics and Insurance Advisory Council to inform the future direction of public policy. The proposed Council would gather policymakers, geneticists, health professionals, life insurance industry representatives and other stakeholders to set a long-term framework which determines how genetics and life insurance should interact in the best interest of consumers.

See [media release](#)

## 4

# Overseas developments – Global

## BIS: Recent consultations

The Basel Committee on Banking Supervision (BCBS) has released a [consultation paper](#), *Revisions to the minimum capital requirements for market risk*, seeking feedback on the following proposed changes to the market risk standard:

- Changes to the measurement of the standardised approach to enhance its risk sensitivity;
- Recalibration of standardised approach risk weights applicable to general interest rate, foreign exchange and equity risk;
- Revisions to the assessment process to determine whether a bank's internal risk management models appropriately reflect the risks of individual trading desks;
- Clarifications on the requirements for identification of risk factors that are eligible for internal modelling; and
- Clarifications on the scope of exposures that are subject to market risk capital requirements.

Submissions are due by 30 June 2018.

Source: [Bank for International Settlements \(BIS\)](#)

## FSB: Recent announcements

The Financial Stability Board (FSB) has published the [final version](#) of its *Supplementary guidance to the FSB principles and standards on sound compensation practices* after public consultation. The guidance provides firms and supervisors with a framework to consider how compensation practices and tools, such as in-year bonus adjustments, malus or clawback, can be used to reduce misconduct risk and address misconduct incidents.

The BCBS, the Committee on Payments and Market Infrastructures (CPMI), the Financial Action Task Force (FATF) and the FSB welcomed the Correspondent Banking Due Diligence Questionnaire recently published by the Wolfsberg Group, as an important industry initiative to address the decline in the number of correspondent banking relationships by facilitating due diligence processes.

Source: [FSB](#)

## IOSCO: Recent announcements

The Board of the International Organization of Securities Commissions (IOSCO) has released a [report](#), *Senior Investor Vulnerability*, examining the growing vulnerability of ageing investors to financial fraud and other risks and identifying sound practices for enhancing their protection. This report provides a list and description of sound practices for both regulators and financial services providers in this area.

The IOSCO is seeking [feedback](#) on its proposed eight recommendations to help trading venues and regulatory authorities when considering the implementation, operation, and monitoring of volatility control mechanisms.

Source: [IOSCO](#)

## 4

# Overseas developments – Europe

## EBA: Recent consultations

The European Banking Authority (EBA) has released a [consultation paper](#), seeking feedback on its proposal to extend the scope of application of the existing Joint Committee (JC) Guidelines on complaints handling to the new institutions established under the revised Payment Service Directive (PSD2) and the Mortgage Credit Directive (MCD).

Submissions are due by 27 May 2018.

EBA is also consulting on its [draft guidelines](#) for credit institutions on how to effectively manage non-performing exposures (NPEs) and forborne exposures (FBEs), aiming to achieve a sustainable reduction of NPEs in credit institutions' balance sheets. This would prove beneficial from both micro and macro perspective.

Submissions are due by 8 June 2018.

Source: [EBA](#)

## ESMA: Recent announcements

The European Securities and Markets Authority (ESMA) has agreed on product intervention [measures](#) related to contracts for differences (CFDs) and binary options in the European Union. The measures include:

- Binary Options - a prohibition on the marketing, distribution or sale of binary options to retail investors; and
- Contracts for Differences - a restriction on the marketing, distribution or sale of CFDs to retail investors. This restriction consists of: leverage limits on opening positions; a margin close out rule on a per account basis; a negative balance protection on a per account basis; preventing the use of incentives by a CFD provider; and a firm specific risk warning delivered in a standardised way.

Source: [ESMA](#)

## 4

# Overseas developments – UK

## FCA: Recent consultations

The Financial Conduct Authority (FCA) is seeking feedback on:

- The [Approach to Supervision](#) – how the FCA aims to be more forward-looking and pre-emptive in its supervision of firms using an intelligence-driven and data-led approach that enables it to take prompt and incisive action where required.
- The [Approach to Enforcement](#) – how the FCA conducts investigations and its powers. It also shows how enforcement sets out to achieve fair and just outcomes in response to misconduct and to ensure FCA rules and requirements are obeyed.

Submissions are due by 21 June 2018.

Source: [FCA](#)

## FCA: Recent consultations

FCA has published a [discussion paper](#), *Transforming culture in financial services*. The paper is a collection of 28 essays from thought leading academics, industry leaders, international regulators and change practitioners, providing basis for stimulating further debate on transforming culture in the sector.

The paper discusses what a good culture might look like, the role of regulation and regulators, how firms might go beyond incentives and how to change behaviour for the better.

Source: [FCA](#)

## FCA: Recent rules and consultations

FCA has published a [policy statement](#) on how advice should be provided to consumers on pension transfers where consumers are considering giving up safeguarded benefits, primarily for transfers from defined benefit to defined contribution pension schemes.

FCA has also released a [consultation paper](#), *Improving the quality of pension transfer advice*, seeking feedback on its proposed rules and guidance requiring advisers, undertaking pension transfer advice to have the same qualifications as investment advisers and intervention in relation to charging structures given the difficulty in managing the conflicts of interest that exist when providing transfer advice.

Submissions are due by 25 May 2018.

Source: [FCA](#)

## 4

# Overseas developments – US

## FRB: Recent consultations

The Federal Reserve Board (FRB) is seeking feedback on its [proposal](#) to clarify and simplify provisions, remove obsolete provisions, align the rights and obligations of sending banks, paying banks and Federal Reserve Banks with the recent amendments to Regulation CC (Availability of Funds and Collection of Checks), reflect the virtually all-electronic check collection and return environment.

Source: [FRB](#)

## SEC: Recent consultations

The Securities and Exchange Commission (SEC) is proposing [amendments](#) to public liquidity-related disclosure requirements for certain open-end investment management companies, requiring the funds to disclose the operation and effectiveness of their liquidity risk management program in their annual report. SEC would rescind current requirement that funds publicly provide the aggregate liquidity classification profile of their portfolios on Form N-PORT on a quarterly basis.

The SEC is also seeking feedback on its [proposal](#) to conduct a transaction fee pilot for National Market System (NMS) stocks to study the effects that transaction-based fees and rebates and their changes may have on order routing behavior, execution quality, and market quality more generally. The data from the study should help inform the SEC, as well as market participants and the public, about the effects of transaction-based fees and rebates and thereby facilitate a data-driven evaluation of the need for regulatory action in this area.

Source: [SEC](#)

## 4

# Overseas developments – Asia

## Hong Kong: Recent announcements

The Securities and Futures Commission (SFC) has released [consultation conclusions](#) on proposed guidance on the design and operation of online platforms, together with seeking feedback on offline requirements for complex products. Submissions are due by 28 May 2018.

The SFC and HKMA have released a [consultation paper](#), seeking feedback on enhancements to over-the-counter (OTC) derivatives regime for Hong Kong to mandate the use of Legal Entity Identifiers for the reporting obligation; expand the clearing obligation; and adopt a trading determination process for introducing a platform trading obligation. Submissions are due by 27 April 2018.

The Hong Kong Monetary Authority (HKMA) and Polish Financial Supervision Authority have signed a Memorandum of Understanding to help FinTech companies to expand into each other's markets by collaborating on joint research projects, information exchange, mutual consultations and expertise sharing.

Source: [SFC](#)

## Singapore: Recent announcements

The Monetary Authority of Singapore (MAS) is moving to transform its data collection approach. Effective from 31 March 2018, these include measures to progressively reduce duplication and automate data submission by financial institutions.

MAS and the Bank of Lithuania have signed a FinTech cooperation agreement, aiming to help FinTech companies in Singapore and Lithuania to expand into each other's markets. They will cooperate for potential FinTech innovation projects to establish frameworks of mutual assistance.

Source: [MAS](#)

## South Korea: Recent announcements

The Financial Services Commission (FSC) is seeking feedback on the proposed amendments to the Enforcement Decree of the *Financial Investment Services and Capital Markets Act* (FSCMA) to encourage financing for startups and small-to-medium enterprises (SMEs) through crowdfunding and strengthen registration rules for investment advisors for enhanced investor protection. Submissions are due by 18 April 2018.

FSC is also seeking feedback on the proposed amendments to FSCMA, aiming to relax certain investment restrictions on private equity funds, reduce compliance burden on collective investment scheme operators, and help investors make informed decisions. Submissions are due by 18 April 2018.

FSC and the Korea Exchange (KRX) has announced its plan to introduce mandatory corporate governance disclosure into KOSPI-listed companies with total asset value of more than KRW 2 trillion, starting from 2019.

Source: [FSC](#)

## 5

## PwC publications

### PwC Australia: Updates to the Economic and Financial Statistics Collection

PwC Australia has published a regulatory brief, *Updates to the Economic and Financial Statistics Collection*, outlining the key insights from APRA's March 2018 update to the Economic and Financial Statistics (EFS) Collection in response to industry feedback. Some key changes are:

- The finalised RPG 702.0 Data Quality for the EFS Collection has introduced a three-tiered priority categorisation structure for categorising data items allowing for judgement on standard priority items;
- Reporting errors (formerly known as 'errors') are now identified through the application of benchmarks as well as judgement for 'standard' priority data points; and
- Auditors are strongly encouraged to include an observation index within APS310 reporting to enable measurement of progress addressing previously identified data quality issues.

See [publication](#)

### PwC Australia: Recent changes to APRA's Regulation of Non-ADI Lenders

Following the Treasury Laws Amendment (Banking Measures No.1) Bill 2017 receiving royal assent in March 2018, PwC Australia has released a regulatory brief outlining the key changes to RFC registration and regulatory reporting requirements, including:

- The definition of registrable corporations under the Financial Sector (Collection of Data) Act 2001 (FSCODA) has been broadened to include corporations whose business activities in Australia includes the provision of finance both directly and indirectly;
- Corporations with financing under \$50 million can be excluded from these registration requirements; and
- APRA will collect data from RFCs under the new Economic and Financial Statistics (EFS) Collection from March 2019 onwards, and RFC regulatory reporting will be subject to audit requirements from July 2019.

See [publication](#)

### PwC Australia: Building resilience in private health insurers

APRA are continuing their rollout of standards to the Private Health Insurance (PHI) industry, following the move from Private Health Insurance Administration Council (PHIAC) to the Australian Prudential Regulation Authority (APRA) in 2015. PwC Australia has published a report, providing key insights related to APRA's February 2018 consultation paper on proposed new Prudential Standards and Prudential Practice Guides.

The new standards are:

1. *CPS 510 Governance*
2. *CPS 520 Fit and Proper*
3. *HPS 310 Audit and Related Matters*

These standards are part of the second phase of regulatory alignment with other APRA regulated institutions, outlining the responsibilities of PHI's in relation to prudential audits and reviews, scheduled to come into effect 1 July 2019.

See [publication](#) for full details.



## 5

# PwC publications

## PwC China: Opening up of financial services sector

PwC China has released a report, *Embracing the new era: A new chapter of opening-up in China's financial sector*, highlighting that China has further opened up its financial services sector in 2018 by both expanding market access and lifting foreign investment restrictions.

The total assets of China's financial services industry have reached USD 44 trillion as of 2017 end. As China committed to further opening up, it is expected that foreign financial institutions' (FIs) market share will continue to expand in the future.

See [publication](#)

## PwC Global: Banking and capital markets insights from CEO survey

PwC has published a report, *PwC's 21st CEO Survey: Banking and capital markets*, bringing out the results from PwC's 21st CEO Survey. Some of the key insights are:

- 57% of Bank CEOs believe that the global economy will improve over the next 12 months, compared to 30% last year;
- The percentage of Bank CEOs who report being “very confident” about their companies' ability to boost revenue growth during the next twelve months and over the next three years both edged lower when compared to a year ago; and
- Key differentiators are digital transformation and the breakthrough innovation and growth boost that stem from it. Organisations that get this right will find opportunities to positively transform the customer experience and put space between themselves and competitors.

See [publication](#)

## PwC Global: Asset and Wealth Management insights from CEO survey

PwC has issued a report, *PwC's 21st CEO Survey: Asset and wealth management*, bringing out key findings related to asset and wealth management industry from PwC's 21st CEO Survey. Some of the key insights are:

- Wealth CEOs are anxious about the many threats they face. Regulation is their greatest worry, with 49% stating that they're “extremely concerned” and another 34% saying they are “somewhat concerned”;
- Data scientists will likely soon be just as sought-after as research analysts. Senior leadership must understand the next generation of technology together with running the business; and
- As businesses that invest in international markets, and sell their products and services across borders, managers are naturally concerned about the possible retreat of globalisation.

See [publication](#)

## 5

# PwC publications

## PwC Global: Insurance insights from CEO survey

PwC has released a report, *PwC's 21st CEO Survey: Insurance*, bringing out key findings related to insurance industry from PwC's 21st CEO survey. Some of the key insights are:

- Insurance CEOs report feeling positive about the global economy and their own organisations' prospects;
- Insurance CEOs cite barriers such as the speed of technological change and over-regulation, but there are solutions;
- Almost half of insurance CEOs say they are planning alliances; and
- Insurance CEOs must identify opportunities to advance technology.

See [publication](#)

## PwC US: Seizing the opportunity to rationalise policies

PwC US has published a report, *Seizing the opportunity to rationalize policies*, outlining how firms can start to evaluate whether their current body of policies are:

- Aligned and collectively coherent;
- Understandable, intuitive and accessible to a broad audience;
- Consistent with “better practice” governance standards;
- Lean; and
- Managed using technology that is fit for purpose.

See [publication](#)

## PwC US: Carving up crypto

The emergence of cryptocurrencies into the mainstream last year came at a meteoric rate, attracting the attention of the investing public and financial institutions. As with any emerging market, regulators in the US and abroad are now playing catch up, tasked with protecting the investing public and maintaining market stability while not going so far as to stifle innovation:

PwC US has released a regulatory brief, *Carving up crypto: Regulators begin to find their footing*, outlining

- The United States' regulatory approach toward cryptocurrency;
- The approach taken by global regulators; and
- The outlook for the rest of 2018.

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



### ***Amrita Jebamoney***

Partner  
amrita.jebamoney@pwc.com  
(02) 8266 1826

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