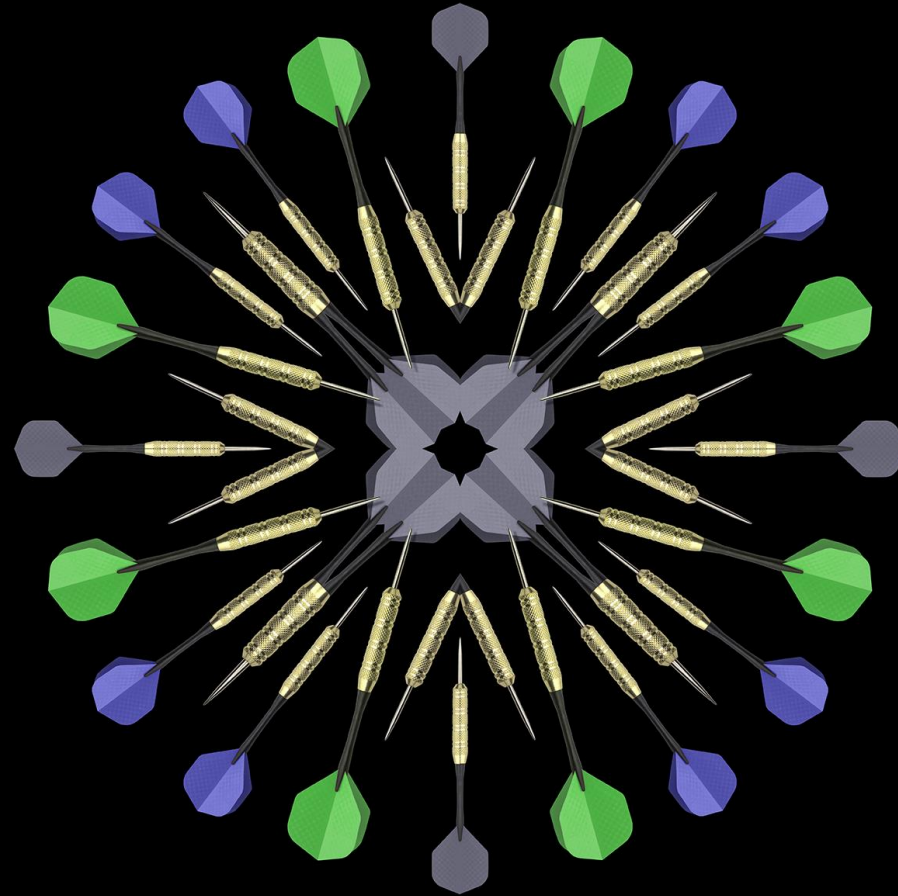


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**Asia Pacific Financial Services
Regulatory Update**

Q3 2021

October 2021

CENTRE for
**REGULATORY
STRATEGY**
ASIA PACIFIC

Introduction

Dear clients and colleagues,

The Deloitte Asia Pacific Centre for Regulatory Strategy is pleased to share with you the key regulatory updates from around our region for Q3 2021.

From COVID FIFO to COVID FILO: Eighteen months on from COVID being declared a global pandemic, and the rest of the world is gradually learning to live with COVID-19 as an endemic disease, APAC is getting used to the idea that our initially believed first in / first out status is turning into first in / last out. When we were hoping the strength of our regional response and associated reduction in the need for support measures would lead to greater market prosperity, we are instead finding that regulators continue to need to adjust settings to support industry and individuals.

While the main trends from the immediately prior periods remain prevalent, there are also some subtle shifts appearing, as follows:

Technology and data: As the use of artificial intelligence and machine learning grow in relevance through many components of financial services businesses, and access to and governance of data continues to garner focus, whether it be to enhance performance or to manage and protect that data's integrity, regulatory focus continues to develop across the region. Aligned with this focus is the ongoing development of technology with various stances across the region, from regulators promoting innovation through to the establishment of digital currency and consideration of the environment surrounding crypto assets.

Regulatory supervision: Like many financial services organisations over the challenging COVID period, a number of supervisors have taken the opportunity to challenge their approach to oversight and supervision. The developments include changed approaches to supervision, the establishment of an enforcement division at one regulator, and updated oversight plans that include more intrusive activity.

Climate and sustainability: Consistent with prior periods, climate and sustainability remain highly visible topics, with a number of jurisdictions updating regulations and some providing intent guidance on developing climate related risk assessment rules. There is no doubt sustainability remains at the top of the agenda in the region, with announcements including support for Green Bonds, and the establishment of co-operative groups focused on sustainability initiatives.

Accountability and remuneration: The focus on conduct and culture has not diminished, and this period sees a number of initiatives drawing closer to the purse strings of executives and Boards, as rules and requirements on remuneration are specified. Aligned with these remuneration implications is an ongoing stronger focus on the requirement for specificity of accountability, cascading from the Board down to varying levels within the organisation.

As you read this update, you will see that the volume of regulatory activity is very high. Whilst some is COVID related, there is also much that appears to be leaning towards business as usual. We hope this update is of interest and finds you and your community also moving towards a more positive personal and business outcome.

For queries or more information on these updates or other regulatory topics, please get in touch.

Best regards,

The ACRS Co-leads



Regulatory Hot Topics – Top six most talked about themes this quarter

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Instruments & Services

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2. Governance & Strategic / Reputational Risk
3. Financial Risk
4. Operational & Conduct Risk
5. Financial Crime
6. Consumer Protection
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9. Financial Market Infrastructure
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Australia (1/2)

1 APRA and ASIC publish 2021-25 corporate plans

On 26 August 2021, key financial regulators the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) published updated 2021-25 Corporate Plans, outlining their strategic priorities for the next four years.

[APRA's 2021-25 Corporate Plan: Protecting today, while preparing for tomorrow](#)

APRA's key priority for the next four years, much like the prior year is focused on ensuring the ongoing strength and resilience of the Australian financial system. APRA intends to achieve this by focusing its regulatory activities across the strategic theme of 'protected today, prepared for tomorrow', through:

- Preserving the resilience of regulated entities, with a continuing focus on financial strength; cyber risks; governance, risk-culture, remuneration and accountability; and implementing recent reforms (such as the Your Future, Your Super reforms);
- Modernising prudential architecture to ensure it is effective, accessible, less burdensome for entities, and more adaptable to the rapidly evolving financial sector;
- Better enabling data-driven decision-making by continuing to invest in and embed data as a core enabler for achieving APRA's purpose and strategy;
- Increasing its understanding of, and ability to respond to, the impact of new financial activities and participants, such as technological innovations and new business models that do not fit traditional regulatory approaches; and
- Adopting the latest regulatory tools, techniques and practices in areas such as specialist regulatory services, enforcement actions, transparency and resolution.

[ASIC's 2021-25 Corporate Plan: A fair, strong and efficient financial system for Australia](#)

ASIC's focus for the next four years continues to centre on promoting economic recovery and confidence in the financial system, supporting businesses through more efficient regulation, and protecting consumers and investors from harm, and will deliver on its objectives through four key priorities:

- Promoting economic recovery – including through better and more efficient regulation, facilitating innovation, and targeting regulatory and enforcement action to areas of greatest harm;
- Reducing risk of harm to consumers exposed to poor product governance and design, and increased investment scam activity in a low-yield environment;
- Supporting enhanced cyber resilience and cyber security among ASIC's regulated population, in line with the whole-of-government commitment to mitigating cyber security risks; and
- Driving industry readiness and compliance with standards set by law reform initiatives (including the Financial Accountability Regime, reforms in superannuation and insurance, breach reporting, and the design and distribution obligations).

2 ASIC releases final guidance to the financial services industry outlining approach to reforms commencing in October

From October 2021, six reforms arising out of recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services industry will commence.

In preparation for these reforms coming into effect, ASIC released a [letter to industry](#) detailing ASIC's approach to supporting 'fairer outcomes for consumers and a stronger financial system for all Australians', including where to access copies of finalised guidance.

The reforms, which come into effect from October 2021 include:

- 1) [The introduction of design and distribution obligations \(RG 274\)](#)
- 2) [Restrictions on the unsolicited selling of financial products, i.e. hawking \(RG 38\)](#);
- 3) [A deferred sales model for add-on insurance products \(RG 275\)](#);
- 4) [Reference and information checking requirements for financial advisers and brokers \(INFO 257, relating to ASIC Instrument 2021/429\)](#);
- 5) [New requirements around how breaches must be reported to ASIC \(RG 78\)](#); and
- 6) [New requirements on how disputes are managed internally in firms \(RG 271\)](#).

3 Treasury review of the Australian payments system – final report released

On 30 August 2021, the final report into the Australian Government's review into the regulatory architecture of the Australian payments system was released. The purpose of the review was to ensure the payments system remains fit for purpose and is capable of supporting continued innovation for the benefit of both businesses and consumers.

The review found Australia's regulatory architecture needs to progress in three aspects, with 15 recommendations made to support modernisation of Australia's regulatory architecture for payments, and progress towards these key areas of focus:

- *Enhanced payments leadership* – the Government's role and ability to provide strategic direction, vision and oversight should be enhanced with new obligations and powers to protect the payments system;
- *Aligned payments regulation* – coordination between payments regulators should be strengthened to improve consistency and certainty in regulatory outcomes and better align with the strategic direction; and
- *Simplified payments licensing* – the Government should establish a single, integrated licensing framework for payment services that scales up with businesses, provides clear consumer protection, and facilitates transparency in access to payment systems.

[Final Report – Review of the Australian Payments System: From system to ecosystem](#)

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Australia (2/2)

4 ASIC finalises new market integrity rules for capital

ASIC has made new market integrity rules for capital, providing important protections for investors and the integrity of the market, whilst simplifying the capital framework for market participants. The *ASIC Market Integrity Rules (Capital) 2021* (Capital Rules) will replace the existing separate rule books for securities market participants and futures market participants to create a common set of rules for capital. The Capital Rules will:

- Simplify the capital requirements by removing redundant rules and forms;
- Move futures market participants from the existing net tangible asset regime to a risk-based regime, subject to a minimum core capital requirement of \$1 million;
- Increase minimum core capital requirement for securities market participants to \$500k;
- Include a requirement to calculate an underwriting and sub-underwriting risk amount.

[ASIC Market Integrity Rules \(Capital\) 2021 \(Capital Rules\)](#)

5 Final Prudential Standard on remuneration requirements released

On 27 August 2021, APRA released its final prudential standard designed to strengthen remuneration practices across the banking, insurance and superannuation industries. Cross-industry Prudential Standard *CPS 511 Remuneration* (CPS 511) introduces heightened requirements on remuneration and accountability aimed at creating more balanced incentive structures, promoting financial resilience and supporting better outcomes for customers. CPS 511 will come into effect from 1 January 2023, with a phased implementation starting with large authorised deposit-taking institutions.

APRA expects to finalise related Prudential Practice Guide *CPG 511 Remuneration* (CPG 511) in the coming months to assist entities in meeting their new requirements under CPS 511.

[APRA Prudential Standard - CPS 511 \(Remuneration\)](#)

6 APRA released further guidance on ADI Capital Framework Reforms

APRA has released further guidance relating to upcoming Capital Framework reforms for authorised deposit-taking institutions (ADIs), which come into effect on 1 January 2023.

[APRA Letter to Industry - Key Policy Settings on ADI Capital Framework Reforms](#)

In addition, APRA has released the final revised Prudential Standard *APS 111 Capital Adequacy: Measurement of Capital* (APS 111), effective 1 January 2022, which sets out detailed criteria for measuring ADI's regulatory capital.

[APRA Response to Submissions and final revised Prudential Standard \(APS 111\)](#)

7 APRA publishes details on Climate Vulnerability Assessment

APRA has published an information paper outlining the purpose, design and scope of the Climate Vulnerability Assessment (CVA) that is underway with Australia's largest five banks. Along with its draft Prudential Practice Guide on Climate Risk, the CVA forms a core plank of APRA's efforts to help its regulated entities understand and manage the financial risks associated with climate change. The CVA will measure the impact on individual institutions and the financial system of two different plausible future scenarios for how climate change, and the global response to it, may unfold. This analysis will provide insights into the potential financial exposure of institutions, the financial system and economy to the physical and transition risks of climate change.

[APRA Information Paper - Climate Vulnerability Assessment](#)
[APRA Draft Prudential Practice Guide - Climate Change Financial Risks \(CPG 229\)](#)

8 AUSTRAC releases risk assessments on Australian banking sector

AUSTRAC released four new Australian banking sector money laundering and terrorism financing (ML/TF) risk assessments. The four assessments examine the threats criminals pose to Australia's major banks, other domestic banks, foreign subsidiary banks and foreign bank branches operating in Australia, and will help the banking sector to identify the threats criminals pose to their sectors. The overall ML/TF risk ratings for the banking sector range from *medium* (foreign subsidiary banks and foreign bank branches) to *high* (major banks and other domestic banks).

[Overview of Key Findings - AUSTRAC ML/TF Risk Assessment on Australian Banking Sector](#)
[AUSTRAC ML/TF Risk Assessment - Major Banks](#)
[AUSTRAC ML/TF Risk Assessment - Other Domestic Banks](#)
[AUSTRAC ML/TF Risk Assessment - Foreign Subsidiary Banks](#)
[AUSTRAC ML/TF Risk Assessment - Foreign Bank Branches](#)

9 ASIC consults on crypto-asset based exchange ETPs and other investment products

In the last quarter, ASIC released *Consultation Paper 343 Crypto-assets as underlying assets for ETPs and other investment products* (CP 343), seeking feedback on proposals about exchange-traded products (ETPs) and other investment products that provide retail investors with exposure to crypto-assets. Key areas of focus for market operators and issuers in the Consultation Paper include: 1) identifying crypto-assets that are appropriate underlying assets and 2) establishing good practice in respect of pricing, custody, risk management, and disclosure.

[ASIC Consultation - Crypto-asset based ETPs and other investment products \(CP 343\)](#)

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China mainland (1/2)

1 Central bank digital currency

On 16 July, the People's Bank Of China (PBOC) published a white paper titled Progress of Research & Development of E-CNY in China.

The PBOC working group on e-CNY research and development released this white paper to clarify the PBOC's position, to explain the background, objectives and visions, design framework and policy considerations for the e-CNY system. The paper is also published to seek public comments, as well as to deepen communication with all those concerned and strengthen coordination in building an open, inclusive, inter-operable and innovative currency service system for the era of digital economies.

[Progress of Research & Development of E-CNY in China](#)

2 CBIRC updated rules for the insurance sector

During July and August, the China Banking and Insurance Regulatory Commission (CBIRC) released several rules regarding insurance regulation and supervision:

- 1. Revised Rules on Management of Reinsurance Business.** The revisions focus on enhancing strategic management and supervision of the reinsurance sector, insurance contracts, direct insurers taking ceded insurance business and insurance brokers. The revisions also support the development of the direct insurance sector, elimination of contents contradicting current regulatory and supervisory materials and simplification of the regulatory reporting processes. (Read more [here](#))
- 2. Extends the Applicable Period of Reinsurance Credit Risk Factors during the Transition Period of Equivalence Assessment Framework Agreement on Solvency Regime for HK Reinsurance Counterparties.** The requirements clarify that, for qualified reinsurance institutions in Hong Kong, the term of reinsurance credit risk factor applicable when ceded from mainland China's direct insurance companies is extended to 30 June 2022. (Read more [here](#))

3 CBIRC updated rules for the insurance sector (continued)

- 3. Solicits Public Opinions on the Measures on the Reserves for Non-life Insurance Business of Insurance Companies.** There are six key revisions:
 - I. The non-life insurance reserve methodology have been revised in line with accounting standards and the second-generation supervision system of compensation;
 - II. The addition of a summary of the practical experience of non-life insurance reserve supervision;
 - III. The addition of internal control provisions to help facilitate insurance companies in enhancing non-life insurance reserve related policies;
 - IV. The addition of regulatory provisions;
 - V. Additional legal liability provisions have been added, according to the 'Insurance Law', clarifying the non-life insurance reserve related illegal acts; and
 - VI. The reserve report sector in the Interim version has been deleted. (Read more [here](#))
- 4. Issues the newly revised Measures on Insurance Clauses and Premium Rates of Property & Casualty Insurance Companies.** Measures are formulated in accordance with the Insurance Law of the People's Republic of China for the purpose of strengthening and improving the supervision and administration of insurance clauses and premium rates of property insurance companies, protecting the legitimate rights and interests of the applicant, the insured and the beneficiary, maintaining the order of the insurance market and encouraging the innovation of property insurance companies. (Read more [here](#))
- 5. Solicits Public Opinions on the Rules on Insurance Group Companies.** The measures are mainly revised as follows: first, to strengthen supervision of insurance group corporate governance. Second, to strengthen risk management of insurance groups. Third, to improve supervision of non-insurance subsidiaries. Fourth, to systematically improve the group's regulatory requirements. (Read more [here](#))
- 6. Notice of the China Banking and Insurance Regulatory Commission on Printing and distributing Administrative Measures on Market Access of Insurance Company Branches.** Measures are formulated for the purpose of strengthening the construction of the insurance market system and standardising the market access of insurance company branches. (Read more [here](#))
- 7. Notice on Matters in Relation to Domestic Insurance Companies issuing Catastrophe Bonds in the Hong Kong Market** was issued with the intention of stabilising the cost of catastrophe risk, the formation of multi-level catastrophe risk sharing mechanism and supporting the construction of Hong Kong financial centre. (Read more [here](#))

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China mainland (2/2)

4 Development of the corporate credit bond market

In Q3 2021, in order to promote the healthy development of money markets, the PBOC released relevant regulatory guidelines and formulated administrative measures:

- Administrative measures for **short-term financing bonds of securities companies**. The measures are formulated in order to regulate the issuance and trading of short-term financing bonds by securities companies, protect the legitimate rights and interests of investors, and promote the stable and healthy development of the money market. (Read more [here](#))
- PBC, NDRC, MOF, CBIRC, CSRC and SAFE Jointly Issue Guiding Opinions in ten aspects on Advancing the Reform, Opening-Up and **High-Quality Development of the Corporate Credit Bond Market**. (Read more [here](#))
- Circular of the People's Bank of China, National Development and Reform Commission, Ministry of Finance, Banking and Insurance Regulatory Commission, CSRC on promoting the healthy development of the credit rating industry in the bond market. (Read more [here](#))

5 Consultation on Special Provisions regarding IPOs in Growth Enterprise Market

China Securities Regulatory Commission (CSRC) is soliciting public opinions on revising some provisions of the Special Provisions on the Issuance and Underwriting of Initial Public Offerings on the Growth Enterprise Market:

- CSRC will strengthen issuance and underwriting supervision.
- According to the principle of marketisation and the *rule of law*, the CSRC proposed to optimise the 'Special Provisions', cancel the requirement of IPO pricing linkage to *subscription* arrangements and the number of special announcement of investor risk.
- To balance the interest of issuers, underwriting agencies, quotation agencies and investors. Promoting game balance and improving issuance efficiency.
- The CSRC will provide guidance for SSE, SZSE and the Securities Association of China to improve IPO pricing related business rules and regulatory systems for the Sci-Tech Innovation (Star) Market and Growth Enterprise Board to continue to optimise market-based IPO underwriting mechanism.

[Special Provisions regarding IPOs in Growth Enterprise Market](#)

6 Supervisory rating of commercial banks

On 22 September, CBIRC issued the Rule on Supervisory Rating of Commercial Banks. The key areas of the measure are as follows:

1. Establishment of a unified rating regulation working mechanism to strengthen standardisation and objectivity.
2. To perfect rating content and method, increasing flexibility and adaptability.
3. Strengthen the use of rating results to increase the effectiveness of supervision.

[Rule on Supervisory Rating of Commercial Banks](#)

7 Virtual currency trading risk management

PBOC issued the notice on further preventing and resolving the risks of virtual currency trading and speculation regarding the following matters:

1. Clarifying the nature of virtual currencies and related activities.
2. Establishing sound mechanisms for addressing the risks of virtual currency trading and speculation.
3. Strengthening the monitoring and early warning of the risks of virtual currency trading and speculation.
4. Establishing a multi-dimensional and multi-level risk prevention and resolution system
5. Strengthening organisation and implementation.

[Notice on Further Preventing and Resolving the Risks of Virtual Currency Trading and Speculation](#)

Key Market Events

The newly established Beijing Stock Exchange published a consultation on 5 September 2021 to solicit public opinions on listing rules, trading rules and membership management rules including:

- 1) Build an inclusive and accurate system of issuing and listing;
 - 2) Implement a flexible and diversified sustainable financing system;
 - 3) Establish a lenient and moderate continuous supervision system; and
 - 4) Clarify regulatory arrangements for corporate exchanges.
- The Beijing Stock Exchange is established to serve small and medium sized business.

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Hong Kong SAR (1/2)

1 Conduct and culture

At the ASIFMA (Asia Securities Industry & Financial Markets Association) Compliance Week 2021, Deputy Chief Executive Arthur Yuen delivered a keynote speech titled 'Keep up the momentum: Importance of Sound Bank Culture in Times of Pandemic'. He noted in the speech that the COVID-19 crisis had accelerated digitalisation of the financial services sector by changing customer behaviours as well as company operational models. Internet-based communications bring benefits and convenience to both financial service providers and their customers, but also pose challenges to customer protection given that safeguards were largely designed before the above observed changes. The Hong Kong Monetary Authority (HKMA) is working on guidance to help firms identify vulnerable customers and how to better protect their interests. Mr. Yuen encouraged banks to focus on the following fundamental efforts when it comes to culture:

- "A strong 'tone from the top' supported by a sound governance framework;
- An appropriate incentive system that induces desirable behaviors at all levels; and then
- An effective 'echo from the bottom' on actual outcomes on the ground."

Mr. Yuen also shared that **the HKMA is aiming to publish insights and sound practices for front office incentive schemes in early 2022** following its ongoing review of the front-office incentive systems of 20 retail banks (launched in March 2021).

In addition to incentive systems, Mr. Yuen indicated that the HKMA continues to emphasise **accountability framework** as the other crucial element of good bank culture. The 'Mandatory Reference Check' (MRC) Scheme, which was finalised in May, will be implemented proportionately in two phases. Phase one, covering directors and senior management positions, is expected to be implemented one year after the finalisation of operational details. Phase two implementation, which covers roles carrying out regulated activities, will be launched upon drawing experiences from phase one implementation. (Link to the speech can be found [here](#))

2 Joint research on multiple central bank digital currency

On 28 September, the Hong Kong Centre of the Bank for International Settlements Innovation Hub (BISIH), the Bank of Thailand, the Digital Currency Institute of the People's Bank of China, the Central Bank of the United Arab Emirates and the HKMA published their interim findings research report of the joint project- Multiple Central Bank Digital Currency Bridge (mBridge) project. The report states the enhanced prototype has the potential to speed up cross-border payments and reducing costs.

[Joint research on multiple central bank digital currency](#)

3 AML/CFT

In Q3 2021, Hong Kong regulators continue to emphasise the importance of work on AML/CFT through various channels. Two developments/ events to note are:

1. **On 15 September, the Securities & Futures Commission (SFC) concluded the consultation on AML guidelines**, which was published for public feedback until December 2020. This consultation paper aims at soliciting feedback on 1) the Guideline on Anti-Money Laundering and Counter Financing of Terrorism (For Licensed Corporations) and (2) the Prevention of Money Laundering and Terrorist Financing Guideline. Topics such as institutional risk assessment, risk indicators for institutional and customer risk assessments and due diligence for cross-border correspondent relationships received relatively more attention from respondents and the SFC provided solutions to these comments. The SFC will adopt these guidelines with small modifications as requested. (Link to the consultation conclusions is [here](#))
2. **On 16 September, Carmen Chu, Executive Director at the HKMA, delivered welcoming remarks at Anti-Money Laundry Webinar 2021.** Ms. Chu highlighted the importance of information sharing through collaborative platforms and reinforced the HKMA's commitment to achieving the Fintech 2025 Strategy with a risk-based, iterative AML approach. (Link to the speech can be found [here](#))

4 Technology and data

Hong Kong regulators continue to enhance **cross-jurisdiction collaboration on Fintech topics**:

1. Hong Kong Insurance Authority (HKIA) signed a Memorandums of Understanding on Fintech Co-operation with the China Banking and Insurance Regulatory Commission and the Monetary Authority of Macao. Under this MoU, the three regulators will enhance collaboration on innovation in financial services and consider joint innovation projects. (Read more [here](#))
2. SFC and Canadian securities regulators established a Fintech cooperation agreement. Under the agreement, the SFC and Canadian regulators will cooperate on information sharing and referrals between their innovation functions. (Read more [here](#))

Hong Kong SAR (2/2)

5 Sustainability and climate change developments

1. The Green and Sustainable Finance Cross-Agency Steering Group Announced Next Steps

The cross-agency Steering Group on Sustainability announced on 15 July that the next step of the group will focus on:

- 1) Climate-related disclosures & sustainability reporting:** The steering group supports the effort of the ISSB under the IFRS Foundation to develop new standards. The SFC and the HKEX will work on a roadmap to evaluate potential adoption of the new standards.
- 2) Carbon market opportunities:** Against the backdrop of the global transition to green, low-emission and climate-resilient economy, the Steering group has set up a Carbon Market Work Stream (CMWS), co-chaired by SFC and HKEX in the effort to build Hong Kong as the regional carbon trading centre.
- 3) Centre for Green and Sustainable Finance:** The Centre for Green and Sustainable Finance was established on the day of this announcement to serve as a cross-sector platform for regulators, government agencies, the industry as well as academia to coordinate efforts in capacity building, thought leadership and policy development. Talent and data are identified as priority areas of focus.

The announcement can be found [here](#).

2. SFC concludes consultation on climate-related risks in funds

On 20 August, SFC published [conclusions](#) to the October 2020 **Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers**. The [consultation paper](#) set out proposed requirements in four areas: governance, investment management, risk management and disclosure. Public comments on the consultation centered around the following issues:

- 1) Scope and applicability** - Some respondents suggested limiting the scope to specific types of funds. The SFC decided after careful consideration, that it will stick to the original proposed scope of all funds;
- 2) Threshold for large fund managers** -The SFC took the suggestion from respondents and raised the threshold from AUM \$4 billion to \$8 billion;
- 3) Governance** - The SFC agrees that flexibility should be allowed regarding roles and oversight responsibility of the board of directors and senior management.;
- 4) Data availability** - Data availability is raised as a key concern from respondents, and is noted by the SFC;

- 5) Disclosure of GHG emissions** - Respondents requested that large fund manager should be able to choose which metric to report instead of being mandated to report weighted average carbon intensity (WACI). The SFC agreed with this comment and made adjustments accordingly.

The Fund Manager Code of Conduct will be updated to reflect the proposals set out in the consultation paper and amendments included in the published conclusions - the new requirements will be implemented in phases with the first phase beginning 20 August 2022.

Key Market Events

The PBOC and HKMA jointly announced on 15 September their approval to establish the Southbound Bond Connect, which was launched on 24 September 2021. It was also announced that:

1. Southbound Bond Connect will enable China mainland institutional investors to invest in the Hong Kong bond market.
2. Southbound Bond Connect is an important measure for Hong Kong SARs development as well as for cooperation between China mainland and Hong Kong SAR.
3. Southbound Bond Connect will abide by the relevant laws and regulations of the bond markets of China mainland and Hong Kong SAR.
4. Regulators of China mainland and Hong Kong SAR bond markets will take measures to address misconduct issues in a timely manner.
5. Financial infrastructure services should be provided to Southbound Bond Connect participants with assistance in legal and regulatory matters as well as in risk investment risk assessment.

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India

1 Amendments to Alternative Investment Fund regulations

Following significant efforts this year to update alternative investment requirements, in August, the Securities and Exchange Board of India (SEBI) issued two amendments to the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2021 (third and fourth amendments). Some of the key changes across both these amendments are highlighted as follows:

- 1. Introduction of 'Accredited Investor' definition (third amendment)** in order to recognise investors with sufficient knowledge and financial capability to take on high risk investments. An Accreditation Agency will certify eligible investors based on certain criteria including annual income/ net worth. Entities, individuals, 'Hindu Undivided Families', family trusts and sole proprietorships are eligible to apply. The requirements also relax the minimum investment value required.
- 2. Introduction of Large Value Fund for Accredited Investors definition (third amendment).** In order to qualify as an AIF/ scheme of an AIF, each investor (other than service providers/ employees of the AIF and the investment manager) must be an Accredited Investor with a minimum investment of INR 70,00,00,000. The amendments also include a number of requirement relaxations such as an increase in the amount that can be invested in investible funds (50% for category I and II AIFs and 25% for category III AIFs). Further, the requirements to file a placement memorandum with SEBI prior to the launch of a scheme will no longer apply to the 'Large Value Fund' of Accredited Investors.
- 3. Merchant banker's role** -The private placement memorandums (PPMs) that are required to launch an AIF scheme must now be filed through a merchant banker. Further, SEBI will also communicate any required changes/ comments to PPMs through the merchant banker - the merchant bank will also be responsible for ensuring all required changes are made before the launch of the scheme.
- 4. Revision to definitions** - the definition of '**debt funds**' has been revised to include securitised debt instruments, while the definition of '**investable funds**' has been updated to clarify that the net of expenditure for administration and management of a fund must be estimated for its entire tenure.
5. Exemption have been added from meeting minimum **grant requirements to Social Venture Funds.**
6. Investment requirements for **Category I AIFs have** been expanded, e.g. a Category I Venture Capital Funds must now invest 75% of its investable funds in unlisted equity shares or equity linked instruments of a venture capital undertaking, or companies listed or proposed to be listed on a SME Exchange or SME segment of an exchange.

[Securities and Exchange Board of India \(Alternative Investment Funds\) \(Forth Amendment\) Regulations, 2021](#)

2 Permitted devices for tokenised transactions

The Reserve Bank of India (RBI), has extended the scope of permitted devices for undertaking tokenised card transactions to include consumer devices such as laptops, desktops, wearables (wrist watches, bands, etc.), and Internet of Things (IoT) devices. Previously the facility was only available on mobile phones and tablets. However, as there has been an uptake in the volume of tokenised card transactions during recent months, RBI has decided to extend the scope of tokenisation.

[Extending the Scope of Permitted Devices](#)

Key Market Events

With a view to further liberalise the regulatory framework and also to promote ease of doing business, provisions governing overseas investment are being revised under the Draft Foreign Exchange Management (Non-debt Instruments - Overseas Investment) Rules, 2021.

The Draft Regulations provide that an Indian entity can lend or invest in any debt instruments issued by a foreign entity subject to such loans being duly backed by a loan agreement and the rate of interest being charged on an arm's length basis. However, any person resident in India is prohibited from making Overseas Direct Investment (ODI) in a foreign entity engaged in real estate activity; gambling in any form; and offering financial products linked to the Indian Rupee except for products with an Indian Financial System Code (IFSC).

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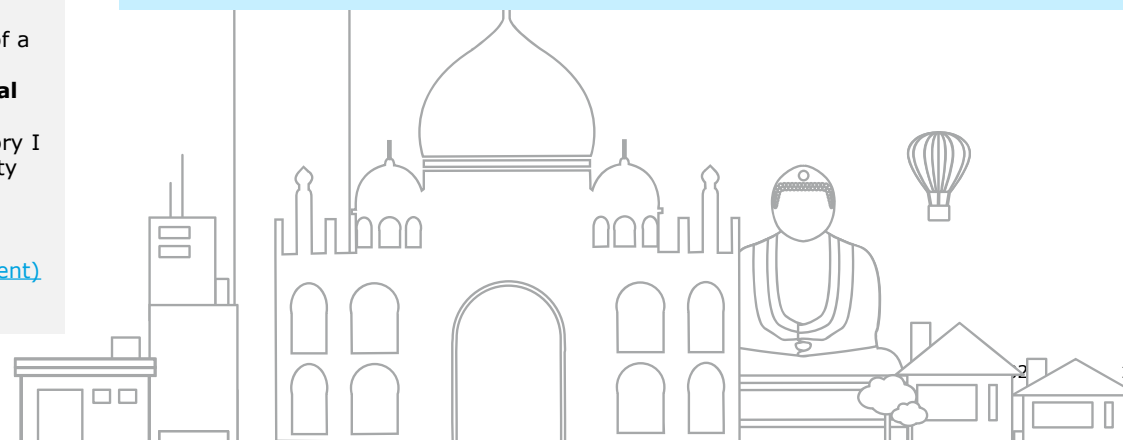
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Indonesia (1/2)

1 Payment system requirements

Against the backdrop of reforming the payment system in Indonesia as outlined in its Payment System Blueprint 2025, the Bank Indonesia (OJK) has issued four new regulatory guidance papers over Q3 2021 which are applicable to **Payment System Infrastructure Operators (PIP)** and **Providers of Payment System Services (PJP)**. The objective of the guidelines is to establish a safe, reliable, and economical electronic payments ecosystem. The requirements include definitions for PIP and PJP activities, specific regulatory requirements based on PIP and PJP classification, as well as standards that PIP, PJP and their supporting providers must comply with, including on application programming interface (API) payments. Each of the regulations is explored in more detail below:

1. Requirements for **payment systems operations** covering **PIP activities** including clearing, final settlement and supporting operator activities including technology provision for payment transaction processing and supporting services for other SP (Payment System) operations. Key provisions include:
 - PIP ownership arrangements for institutions other than banks - at least 80% of all shares and 80% of shares with voting rights must be owned by Indonesian legal entities or citizens;
 - Minimum initial capital of at least one hundred billion rupiah;
 - PIP with a global network in Indonesia are exempt from initial capital requirements as long as they have written guarantees from the majority shareholder/ controlling party, and/ or the party responsible for PIP operations subject to OJK approval.

[Operations of Payment Systems](#)

2. Requirements for **payment services providers** cover the following **PJP activities**: Account Information Services (activity 1); Payment Initiation and/or Acquiring Services (activity 2); Account Issuance Service (activity 3); and Remittance Services (activity 4). There are three **license categories** that mandate which of the above activities are permitted, each category is also subject to different capital requirements:
 - Category one can perform all activities - capital requirements \geq Rp 15 billion;
 - Category two can perform activities 1 & 2 - capital requirements \geq Rp 5 billion; and
 - Category three can perform activity 4 - capital requirements are \geq Rp 1 billion or \geq Rp 500 million depending on whether or not the PJP's system is used by other providers.

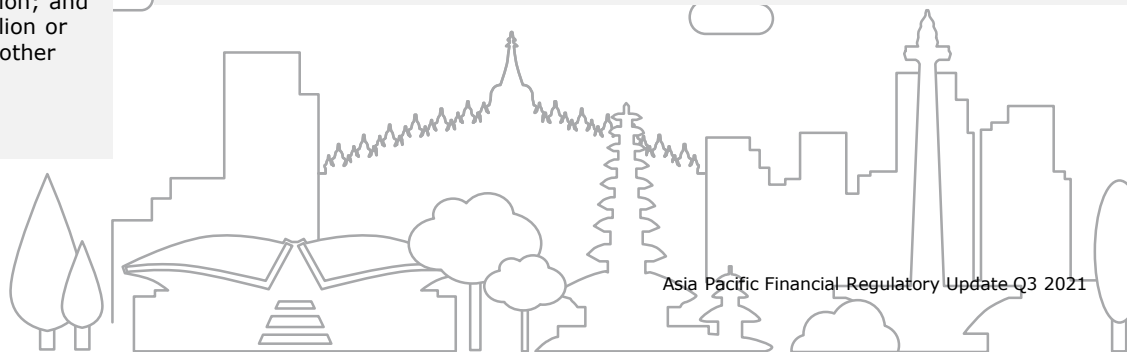
[Provider of Payment System Services](#)

3. **National Standard** requirements cover governance, risk management, information system security, interconnection, and interoperability; and/or other aspects determined by OJK. The development of national standard will be an iterative process and standards may contain technical specifications, operational specifications; and/or implementation guidelines (code of practice). In setting National Standard, the OJK has said it will also consider proposals submitted by Self-Regulatory Organisations (SROs) or other parties. In addition to PIP and PJP, Supporting Providers and other parties who collaborate with PIP/ PJP are also required to comply with the policies and arrangements for the implementation of the National Standard. The National Standard may also be applied to cross-border payment transactions based on OJK policy.

[National Standard of Payment System](#)

4. With aim of operationalising the principles embodied in the National Standard, OJK also issued the **National Standard of Open Application Programming Interface Payment (SNAP)**. SNAP requirements cover interconnection and interoperability, information system security standards, governance, and risk management and will require significant reporting of data from both service providers and service users. With the launch of SNAP, two documents will be issued:
 - **Technical Standards** which include security, data, and technical specifications such as standards on communication protocols, types of API architectures, data structures, formats and governance, authentication and encryption methods.
 - **Governance Guidelines** which will include consumer protection, data protection, prudential requirements for service providers and service users, and contracts requirements between users and providers of API services.SNAP also sets out verification requirements for Service Providers, Service Users and developers of Open API Payment systems including a functionality test which incorporates security system testing verifications.

[National Standard of Open Application Programming Interface Payment](#)



Indonesia (2/2)

2 Revaluation for principals of financial service institutions

The OJK has launched a revaluation for Principals of Financial Services Institutions (FSIs). The provisions largely relate to scope, criteria and procedures regarding ownership and management of FSIs as well as the consequences of the final reassessment result. The requirements update the Financial Authority Service Number 34/POJK.03/2018 concerning Reassessment for the Main Parties of Financial Services Institutions (POJK PKPU).

Key adjustments are as follows:

- **Increase in scope** to include LJK (FSIs) covered by POJK PKPU, namely Infrastructure Financing Company and PT Permodalan Nasional Madani (Persero).
- **Enhanced responsibility for Executive Officers** for issues such as integrity, financial feasibility, financial reputation, and/ or competence in the reassessment of the 'Main Party'.
- **Additional discretion for the OJK** – The OJK will be able to determine the final result of the reassessment without following all the steps of the reassessment (four steps) under certain conditions, e.g. the timeframe for submitting a response from the Main Party is less than 10 working days with certain considerations.
- **Additional regulations regarding disqualification** of the Main Party as a result of reassessment - The main party is treated as a related party to the LJK as stipulated in the Maximum Limit for Credit Provision (BMPK), Maximum Limit for Provision of Funds or Maximum Limit for Fund Distribution (BMPD), and Maximum Limit for Financing (BMPP). The requirements also set out a prohibition period against the main party and additional arrangements for the imposition of the prohibition period.

[Revaluation for Principals of Financial Service Institutions](#)

Key Market Events

Indonesia has revised its 2021 GDP forecast downwards from 3.7% to 4.5% following sharp increases in coronavirus cases since June and subsequent lockdowns.

The Ministry of Communication and Informatics has also highlighted three priority issues for the 2022 G20 Presidency: post-COVID-19 pandemic recovery and connectivity; digital literacy and competency; and cross-border data flow.

3 COVID-19 stimulus policy and relaxation of provisions

In August, OJK launched two regulatory guidelines relaxing certain requirements for public companies and investment management firms, respectively. The updates relate to Article 3 paragraph (1) of regulation number 7/POJK.04/2021 concerning Policies in Maintaining Capital Market Performance and Stability Due to the Spread of Corona Virus Disease 2019.

Key provisions are set out below.

1. The relaxation of provisions for **public companies** is as follows:
 - Extension of the maximum validity period of financial statements used to fulfil Registration Statements requirements from six months to eight months (subject to some exclusions). Registration Statement are required for e.g. business mergers/ consolidations, material transactions and changes in business activities etc.
 - Extension of the maximum validity period of the report issued by an appraiser regarding Registration Statements from six months to eight months.
 - A 60 day extension on the time limit for holding a general shareholders meeting, to approve the resignation and/or temporary dismissal of members of the board.
 - Under certain conditions a capital increase will be permissible without the need to grant Pre-emptive Rights (PMTMETD).

[Stimulus Policy Related to Issuers or Public Companies in Maintaining Capital Market Performance and Stability](#)

2. The relaxation of provisions for **investment management** is as follows:
 - Deadline extension for adjusting the composition of a Mutual Fund portfolio in the form of Collective Investment Contracts to no later than 40 trading days (or 20 trading days if the transaction actions are caused by the investment manager).
 - The obligation of Mutual Funds in the form of Collective Investment Contracts with managed funds of at least Rp 10 billion is adjusted to 130 trading days after the statement of registration becomes effective (160 days for certain Mutual Funds e.g. Mutual Funds with guarantees, Index Mutual Funds conducting limited Public Offerings etc.)
 - The obligation to liquidate an Investment Fund in the form of a Collective Investment Contract with a total net asset value of the Mutual Fund less than Rp 10 billion is adjusted to 160 consecutive trading days.

[Stimulus Policy Related to Investment Management in Maintaining Capital Market Performance and Stability](#)

Japan (1/2)

1 Anti-money laundering and counter-terrorist financing

In August, the Financial Action Task Force (FATF) issued a report on the results of its fourth evaluation of Japan's anti-money laundering measures. FATF has categorised Japan as being in the 'enhanced follow-up' group (18 other countries have the same designation, including Australia, China and the United States). The report included recommendations to improve anti-money laundering measures, in particular ongoing customer due diligence on bank accounts was deemed to be insufficient. FATF also noted that Japan should improve prosecution and investigation of money laundering and terrorist financing cases.

In response to the findings, Japan has established a policy panel involving relevant government agencies. The Japan Financial Services Authority (JFSA) and the Bank of Japan (BOJ) have also announced that they intend to conduct a nationwide assessment of risk awareness at local banks and other financial institutions. The government is further considering legal changes that would impose harsher penalties and expand the powers of authorities to investigate and prosecute money launderers.

[Publication of the Mutual Evaluation Report on anti-money laundering and counter-terrorist financing measures of Japan by FATF](#)

2 Announcement of strategic priorities

In August, the JFSA announced its strategic priority issues and policies for financial administration over the coming year (July 2021- June 2022). The key focus areas include:

- 1. Overcoming COVID-19 and supporting a strong economic recovery:**
 - Encouraging FIs to provide appropriate support for individuals and businesses that are struggling to service debts post COVID-19;
 - Encouraging FIs to take actions to support victims of extreme weather events; and
 - Supporting the development of sustainable business models.
- 2. Constructing a financial system that facilitates a vibrant socio-economy:**
 - Supporting the development of social investments and initiatives;
 - Promoting digital innovation in the financial sector, while ensuring user data protection and cyber security; and
 - Facilitating digitisation and enhancing efficiency of the payments system.
- 3. Further evolution of financial supervision:**
 - Use of increasingly sophisticated data analysis techniques to improve monitoring capabilities;
 - Development of technical expertise in key emerging policy areas; and
 - Increasing collaboration with the Finance Bureau.

[Financial Administration Policy of 2021](#)

3 Climate change strategy

In July, the Bank of Japan (BOJ) announced its policy on climate change strategy. Aiming at promoting climate change initiatives, BOJ will formulate a comprehensive approach policy by implementing relevant measures in the following areas:

- 1. Monetary policy** including the introduction of new fund-provisioning measures – FIs that meet disclosure requirements can receive funds from the BOJ for climate change related investments or loans.
- 2. Financial system** – BOJ will actively support FIs identify and manage climate related financial risks (e.g. BOJ & JFSA are currently working on a pilot exercise for scenario analysis which will be used to develop common scenarios for large FIs).
- 3. Research** – Analysis of the impact of climate change on the macroeconomy. BOJ will increase efforts to collect climate-related data and refine analytical tools to enhance conduct surveillance and the identification of risks.
- 4. International finance** – BOJ will collaborate with other jurisdictions/ international bodies, contribute to the development of international frameworks, and promote climate related financial products (e.g. green bonds).
- 5. Business management and information dissemination** – BOJ will be mindful of climate change in its own business operations.

[The Bank of Japan's Strategy on Climate Change](#)

4 COVID-19 driven Banking Act revisions

In August, the JFSA published a compilation of Cabinet Orders and Cabinet Office Ordinances, regarding parts of the "Law to partially revise the Banking Act, etc. to strengthen financial functions and ensure stability in response to changes in socio-economic conditions due to the effects of the COVID-19, etc."

[Draft Cabinet Orders and Cabinet Office Ordinances in relation to the revision of the Banking Act, etc.](#)



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Japan (2/2)

5 Green and social bond updates

In July, BOJ members of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), announced that the BOJ has agreed to promote investment in green bonds through the Asian Bond Fund (ABF). (Read more [here](#))

In the same month, the JFSA launched draft social bond guidelines based on discussions at the Working Group on Social Bonds. The practical guidelines serve as a reference when considering specific measures regarding social bonds issued by corporate issuers in the private sector. The draft guidelines note the significant increase in social bonds globally over the last couple of years (from an estimated US \$18 billion in 2019 to US \$167 billion in 2020) and the importance of preventing 'social washing.'

The guidelines contain the following:

- **Overview of Social Bonds**, their benefits and key considerations for investors.
- **Key elements that Social Bonds are expected to possess**, which includes management and use of proceeds; identification and examples of social projects; evaluation of social benefits; specific measures for cases where proceeds are allocated to refinancing; management of risks; and reporting and disclosure etc.

Further, **Annex 1 provides detailed examples of 'categories' and 'target populations'** of social projects, **Annex 2 provides examples of social projects** (use of proceeds), while **Annex 3 provides an example of information disclosure** for social bonds. (Read more [here](#))

6 Benchmark reform

In July, the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks released a statement on TONA First. The initiative recommends liquidity providers including interdealer brokers change the quoting conventions from Japanese yen (JPY) LIBOR to Tokyo Overnight Average Rate (TONA) in the JPY interest rate swaps market starting from 26 July 2021. (Read more [here](#))

In September, the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks launched a public consultation on the Treatment of Tough Legacy Contracts in Japan. The paper sets out high-level requirements for specifying tough legacy contracts that could consider using synthetic yen LIBOR. 'Tough legacy' contracts are defined as those in which the parties involved are unable to reach an agreement on an alternative reference rate despite demonstrable efforts by the issuer to amend the contract. The paper stresses that the use of synthetic LIBOR is a 'safety net', it will only be available for one year and it will be calculated on a methodology different from the one used for panel-based JPY LIBOR. (Read more [here](#))

Key Market Events

The JFSA has taken enforcement action against a mega bank following seven system outages at the bank over this year. The most extensive disruption happened in August which affected transactions at branch counters across Japan. In light of these incidences, the JFSA has issued a business improvement order to the mega bank. In the future, there may also be more rigorous scrutiny on the system failure response policy of other major financial institutes in Japan.



Malaysia (1/3)

1 Updates to categories of sophisticated investors

The Securities Commission (SC) has widened its categories of sophisticated investors to allow more investors to expand their investment options while issuers will be able to tap into a larger pool of sophisticated investors. The changes were made through Schedules 6 and 7 of the Capital Markets and Services Act (CMSA). The categories of sophisticated investors, have been expanded to include among others, individuals with investments of RM 1 million in capital market products (either on their own or through joint accounts with their spouse); CEOs and directors of licensed companies or registered persons under the CMSA; and corporations that manage funds of their related companies with assets of more than RM 10 million.

[Capital Markets Services Act 2007 \(amendments\) – sophisticated investors](#)

2 New rules on unlisted public company share offerings

These guidelines aim to safeguard investors' interests in the wake of increased queries and complaints received by the Securities Commission (SC) on share offerings by unlisted public companies (UPCs) marketed through phone calls, seminars, video recording via social media or unlicensed agents. Key requirements for UPCs include:

- Agents engaged to market and promote a UPC's shares must hold a Capital Markets Services Licence under the CMSA for the regulated activity of dealing in securities;
- UPCs must ensure that prospective investors they approach are categorised as 'sophisticated investors'; and
- UPCs must meet reporting requirements, such as posting issuance notifications to the SC to facilitate its monitoring of funds raised and the utilisation of proceeds.

[Guidelines on Offer of Shares by Unlisted Public Companies to Sophisticated Investors](#)

3 Enhanced requirements for financial advisors

The BNM launched two consultation papers on Exposure Drafts relating to financial advisor conduct and the approval process. The Exposure Drafts apply to approved financial advisers under the Financial Services Act 2013 (FSA) and approved Islamic financial advisers under the Islamic Financial Services Act 2013 (IFSA):

1. **Financial advisor conduct** – the requirements aim to ensure that financial advice is carried out in a fair, responsible and professional manner that instils trust and confidence among consumers, key provisions include:
 - **Business conduct** - presented product options must be appropriate for customers' needs and include at least three different licensed insurers/takaful operators for each class of insurance or takaful business;
 - **Prudential requirements** include minimum capital funds of RM 50,000;
 - **Governance** – approved financial advisers must appoint at least two directors to the board, one of whom must be its financial adviser's representative (FAR). The board is also required to have a charter setting out mandate and responsibilities which include oversight of internal control frameworks. The board will need to conduct periodical reviews, in particular, following a significant change to customer profiles, product options and the external environment which may affect the quality of advice. The board along with senior management must also promote a corporate culture which fosters and reinforces ethical, prudent and professional behaviour.

[Prudent and Professional Conduct by Financial Advisors](#)

2. **Application procedure for financial advisor approval** - This policy document applies to both new approvals and the renewal of existing approval to carry out financial advisory business and Islamic financial advisor business. The requirements set out include:
 - a. The documents and information which must be submitted to BNM in the application process; and
 - b. The procedures to be followed when making an application.

[Application Procedures to Carry On Financial Advisory Business and Islamic Financial Advisory Business](#)



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Malaysia (2/3)

4 Requirements for bancassurance and bancatakaful

The Bank Negara Malaysia (BNM) issued a consultation paper on proposed regulatory requirements for bancassurance and bancatakaful arrangements in order to support their long-term viability, facilitate accessibility for consumers to purchase insurance and takaful products; and promote sound market conduct practices through ensuring needs-based sales.

Key provisions for financial services providers (FSPs) include:

- 1. Governance** - board and senior management accountability to provide oversight of bancassurance/ bancatakaful arrangement and the formulation of related internal policies.
- 2. Employees qualifications** - bancassurance/ bancatakaful sales staff will need to meet minimum academic/ professional qualification.
- 3. Persistency ratio** - establishment of robust policies, procedures and controls for persistency rates for all non-credit regular premium/ takaful contribution products (i.e. life insurance and family takaful products). FSPs are expected to monitor and manage persistency issues, while internal auditors of the FSP should examine and scrutinise the effectiveness of policies, procedures and controls.
- 4. Disclosure** - marketing names (i.e. name or label of the products) must not be misleading and commissions, charges and expenses that will be borne by policyholders/ takaful participants must be disclosed.
- 5. Remuneration** - upfront fees can be clawed back due to e.g. low persistency ratios and the quantum of upfront fees must be calibrated in a manner that ensures that targets do not incentivise sales volume over sales quality.

[Bancassurance/Bancatakaful Exposure Draft](#)

5 Financial reporting for Takaful Operators

The BNM has issued a consultation paper on Financial Reporting for Takaful Operators following revisions to the Malaysian Financial Reporting Standards (MFRS) aimed at improving the transparency and comparability of financial statements. The key proposals include a minimum two-column presentation of financial statements; new requirements for the measurement and disclosure of 'qard' (interest-free lending) provided by the shareholders' fund to the takaful fund; and minimum disclosure requirements on Shariah contract applications to satisfy Shariah requirements.

[Financial Reporting for Takaful Operators Exposure Draft](#)

6 Recovery planning

The BNM has launched a policy document which sets out its expectations on the development and maintenance of recovery plans for financial institutions as well as reporting templates. The requirements came into effect on 28 July 2021 and require firms to identify and plan for the execution of a suite of recovery options to restore long-term viability under a range of stress scenarios.

The requirements incorporate many aspects of the Financial Stability Board's relevant policy documents. Recovery plans must contain an executive summary, strategic analysis, governance structure & oversight, recovery indicators, recovery options, scenario analysis, communication and disclosure plan and preparatory measures. The requirements also include the need to integrate recovery planning into risk appetite frameworks; identify core business lines, critical functions and shared services; have robust and varied recovery options to raise capital and liquidity as well as de-leverage and reduce risk.

Financial institutions are also required to stress the recovery plan against a range of severe but plausible scenarios including a minimum of three stress scenarios including at least one of each idiosyncratic, system-wide and combined.

[Recovery Planning](#)

7 Agent banking

To promote a more inclusive financial sector, BNM is introducing a revised regulatory framework for agent banking. The proposals in the Exposure Draft aim to:

- Enhance the role and effectiveness of agent banks in supporting financial accessibility, in the transition towards digitalisation of financial services;
- Ensure sustainability of agent banking services; and
- Encourage use of financial services, especially by the rural and underserved segments.

[Agent Banking](#)



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8 Reference rates

The BNM issued a policy document on reference rates which will apply to all banks/ Islamic banks licensed under the Financial Services Act 2013/ the Islamic Financial Services Act 2013, respectively.

The requirements will come into effect on 1 August 2022, after which a Standardised Base Rate (linked solely to the Overnight Policy Rate (OPR)) will be the reference rate used for pricing of all new retail loans or retail Shariah-compliant financing facilities (e.g. personal loans/ financing, housing loans/ financing and vehicle loans/ financing etc.).

Any change to the Standardised Base Rate will only occur if the Monetary Policy Committee determines that there has been a change to the OPR. Other components of loan pricing such as the borrower's credit risk, liquidity risk premium, operating costs, profit margin and other costs will continue to be reflected in the spread above the Standardised Base Rate.

[Reference Rate Framework](#)

9 Benchmark reform

The BNM issued two regulatory guidelines and a consultation paper on benchmark reform, covering the following:

1. Requirements which must be observed by Kuala Lumpur Interbank Offered Rate (KLIBOR) submitters in the rate setting process (read more [here](#));
2. The design, methodology and governance framework of the Malaysia Overnight Rate (MYOR) (read more [here](#)); and
3. The design, methodology and governance framework of the Malaysia Islamic Overnight Rate (MYOR-i) (read more [here](#)).

MYOR is based on overnight transactions in the interbank market and will run in parallel to the existing KLIBOR. The availability of both interest rate benchmarks is aimed at providing the market with the flexibility in the pricing of financial instruments.

MYOR-I will replace the Kuala Lumpur Islamic Reference Rate (KLIRR) as the Islamic benchmark rate.

Key Market Events

On 7 July BNM launched a six-month moratorium for all individuals, microenterprises and SMEs affected by the COVID-19 pandemic. Under the Pemulihan economic package, eligible borrowers can defer their loan payments. In addition to the moratorium, banks will also offer a reduction in instalments and other packages, including to reschedule and restructure financing to suit the specific financial circumstances of borrowers.

However, the proposals have been criticised by some commentators for not requiring banks to waive interest payments on loans that will accrue during the ongoing six-month moratorium. In August, BNM governor Datuk Nor Shamsiah Mohd Yunus defended the decision explaining that profits earned from accrued interest during the loan moratorium are meant to cover the funding costs of banks. Therefore waiving accrued interest could have serious ramifications for banks' ability to lend and possibly their financial viability, negatively impacting Malaysia's economy.



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New Zealand

1 Review of financial institutions conduct

The Ministry of Business, Innovation and Employment (MBIE) has recently closed consultations on the CoFI regime, which follows on from the Financial Markets (Conduct of Institutions) Amendment Bill and are currently working towards obtaining policy approval for the regulations.

The regulations relate to fair conduct programmes in the financial services industry. They include more detailed requirements for fair conduct programmes, the regulation of sales incentives, exclusions of certain occupations from the definition of an intermediary and the inclusion of insurance contracts as financial products under the FMCA 2013. COFI is designed for registered banks, insurers and non-bank deposit takers and applies broadly to the financial services sector.

Discussion articles across the industry have noted that this bill overlaps with the existing Financial Services Legislation Act (FSLAA). Further, there have been calls for MBIE to remove financial advisers from the list of intermediaries captured by this regulation as they are already covered by FSLAA, due to the increased cost of compliance for regulations that work towards the same outcome. MBIE has acknowledged these challenges and has proposed changes to reduce the impact of the overlap. They intend to ensure the CoFI and FSLAA regulations 'fit together to achieve the best outcomes for consumers'.

[Conduct of Financial Institutions Review](#)

2 RBNZ launch an enforcement department

The Reserve Bank of New Zealand (RBNZ) has recently launched an Enforcement Department. This was introduced with the intention of promoting confidence in compliance across the financial services industry.

The new department will work towards RBNZ's strategic priorities of promoting compliance within financial institutions, using tools such as 'coherent, robust legislation, and regulatory frameworks.' The department is developing an enforcement framework that will guide its approach to the tasks ahead. An Enforcement Committee will also be established to oversee the actions taken for 'repeated and serious breaches of regulatory requirements.'

[Reserve Bank of New Zealand launches enforcement department](#)

3 Climate disclosures

The New Zealand Government has recently introduced legislation through an amendment to the Financial Markets Conduct (FMC) Act 2013 to require climate-related disclosures for publicly listed companies, large insurers, banks, non-deposit takers and investment managers.

The disclosures are intended to reduce the information deficit which the Productivity Commission believes is causing 'an overvaluation of emissions-intensive activities.' The disclosure requirements also seek to ensure that climate is considered in underwriting decisions, provide foresight on climate related issues and support efforts to build a more sustainable economy.

[Amendment to FMC Act - Mandatory Climate Related Financial Disclosures](#)

4 FMA reports on investor confidence

In July 2021, the FMA released the results of their annual investor confidence report. The objectives of the report are to measure the level of confidence New Zealander's have in the financial market and what their perceptions are of the FMA.

The key findings from the report include an increase in consumer confidence in the financial markets by six percentage points, from 66% to 72%. Reasons for the increase were attributed to observations that the country's economy recovered quickly in comparison to other countries in the wake of COVID-19, as well as being kept informed and updated on market activities. Reasons for the lack of confidence were noted as New Zealanders having concerns over the general instability of the economy and the impact the current Government has had and will continue to have on the market.

The trends highlighted in the report include:

- 83% of New Zealanders aged over 18 hold some form of investment, with Kiwisaver being the most common form.
- There has been a slight downward trend in term deposits and superannuation schemes, with Kiwi's opting to purchase shares. Six in ten respondents purchased shares using an online DIY platform such as Sharesies or Hatch.
- Confidence of investors in the regulation of the financial markets stayed constant at 67%. This was largely attributed to respondents not feeling as though they had a reason to think otherwise due to the lack of reports on fraud or corruption.
- Of note, fewer than half of the respondents held the perception that the FMA 'supports the integrity of New Zealand's financial markets (48%), promotes fair, efficient and transparent financial markets (48%), or promotes trust and confidence in New Zealand capital markets (46%)'

[FMA Investor Confidence Report](#)

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Singapore

1 Development of the payments landscape

The Monetary Authority of Singapore (MAS) is continuing to enhance payments infrastructure through the expansion of the payment system and further exploration into Central Bank Digital Currencies (CBDC), as explored below:

- MAS and the Reserve Bank of India announced plans to link Singapore's PayNow and India's Unified Payments Interface (UPI) real-time payment systems by July 2022. This follows a similar link-up between PayNow and Thailand's PromptPay earlier this year. (Read more [here](#))
- The Bank for International Settlements (BIS) Innovation Hub, the Reserve Bank of Australia, Bank Negara Malaysia, Monetary Authority of Singapore and South African Reserve Bank will join forces to test the use of CBDCs for international settlements through Project Dunbar.¹ This comes shortly after The BIS Innovation Hub Singapore Centre and MAS have published a proposed blueprint for enhancing global payments network connectivity via multilateral linkages of countries' national retail payment systems.² And, the MAS and Banque de France announcement of the successful completion of a wholesale cross-border payment and settlement experiment using CBDC. The experiment simulated cross-border transactions involving multiple CBDCs (m-CBDC) on a common network between Singapore and France.³ (Read more at [1](#), [2](#) and [3](#))

2 Empowering recovery through technology

A key facet of technological development efforts continues to be incentivising of innovation and development of the workforce through the involvement of industry:

- MAS announced the 15 finalists for the global competition to develop retail Central Bank Digital Currency (CBDC) solutions (Global CBDC Challenge). (Read more [here](#))
- MAS announced the launch of the inaugural Global Veritas Challenge. The competition seeks to accelerate the development of solutions which validate artificial intelligence and data analytics (AIDA) solutions against the fairness, ethics, accountability and transparency (FEAT) principles, to strengthen trust and promote greater adoption of AI solutions in the financial sector. (Read more [here](#))

3 COVID-19 relief update

Given a cautious recovery and reopening, further clarity has been provided on COVID-19 relief measures:

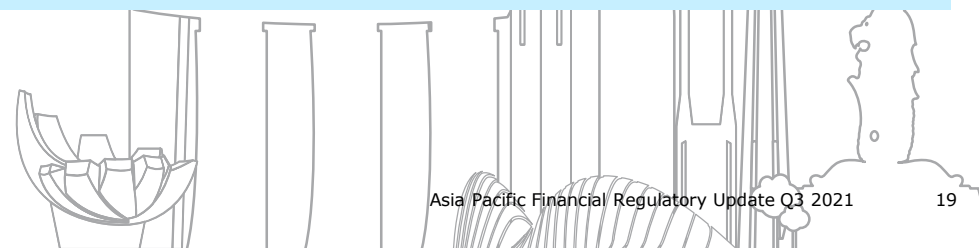
- MAS further extended the MAS SGD Facility for ESG Loans. This extension will complement the six-month extension of Enterprise Singapore's Temporary Bridging Loan Programme from 1 October 2021 to 31 March 2022. The Facility will continue to provide SGD funding at an interest rate of 0.1% per annum for a two-year tenor to eligible financial institutions. (Read more [here](#))
- MAS announced that dividend restrictions on local banks and finance companies will not be extended. (Read more [here](#))
- Listed issuers and parties involved in rights issues and take-over or merger transactions will continue to have the option to electronically disseminate Offer Documents through publication on SGXNET and their corporate websites beyond 30 June 2021. (Read more [here](#))

4 Consultation on Implementation of Basel III Capital Requirements

MAS has responded to its policy consultations on The Proposed Implementation of the Final Basel III Reforms in Singapore¹ and issued Draft Standards for Market Risk Capital and Capital Reporting Requirements for feedback². (read more [1](#) and [2](#))

Key Market Events

Climate risk and sustainability remain key focus areas in Singapore underscored by the MAS announcing the formation of a new Sustainability Group including a Chief Sustainability Officer as well as the Singapore Exchange (SGX) inviting feedback on climate-related disclosures through a series of Consultation Papers. Moreover, in the shadow of a precarious recovery, priorities continue to be the development of enabling technology, workforce and sustainability within a prudent risk environment.



South Korea (1/2)

1 Supervision of virtual assets providers

The Financial Services Commission (FSC) has stepped up actions to supervise virtual asset service providers (VASP) under the Act on Reporting and Using Specified Financial Transaction Information (the Act) which came into effect earlier this year. Under the Act, VASPs had until 24 September 2021 to register their business and adhere to AML duties including the establishment of internal procedures, human resources and facilities to support the implementation of AML requirements. The FSC is expected to tighten regulation of the virtual asset industry over the coming year and has issued the following notices this quarter:

1. The FSC announced **the result of comprehensive inspections** conducted on the legitimacy of deposit accounts held by VASPs - It was found that 79 VASPs had 94 deposit accounts, of which 14 of them were linked to fraudulent or fictitious account activities. The FSC also warned virtual asset service users to remain vigilant to the possible use of illegitimate accounts. (Read more [here](#))
2. The FSC and relevant institutions provided **on-site consultation to 25 VASPs** between 15 June and 16 July in order to review their preparation for business registration, check the level of stability in their transactions system and provide advice on supplementary measures needed prior to the registration deadline. No VASP met all of the registration requirements, particularly in relation to AML requirements. The FSC also noted its plans to continue to work on improving VASPs' AML capacity through inspection, supervision and education. (Read more [here](#))
3. The Korea Financial Intelligence Unit (KoFIU) issued a **notice to 27 foreign VASPs** identified as conducting business operations targeting Koreans. The notice reminded the foreign VASPs of their obligation to register their business under the Act. Foreign VASPs were reminded that any VASP found operating in South Korea without registering after the deadline will be subject to up to five years of imprisonment or a maximum fine of KRW 50 million. (Read more [here](#))
4. The FSC and the Ministry of the Interior and Safety issued an advance notice of **organisational change KoFIU** which will add a specific division and personnel tasked to oversee virtual asset transactions. (Read more [here](#))

On 28 September, the FSC also announced **new conflict of interest rules for VASPs** which prohibits VASPs, VASP operations and staff members from trading virtual assets issued by their own platforms or by other specially related entities. VASPs are also required to set up internal standards reflecting the conflict of interest rule within one month. A failure to implement the requirements by the deadline may result in suspension of business or a fine of up to KRW100 million. (Read more [here](#))

2 Use of artificial intelligence

The FSC launched regulatory guidelines on the use of artificial intelligence (AI) in financial services. All financial and finance-related institutions offering services using AI technologies should follow the guidelines which include:

- Establishment of three internal control mechanisms including ethical principles for AI, appointment of an internal organisation to oversee AI services, and risk management for privacy breaches;
- Management of the origin and quality of data used by AI technologies and the development of a privacy protection system;
- Maintenance of a bias control mechanism to prevent discriminatory services; and
- Adequate provision of explanations to financial consumers on AI-based financial services.

[Guideline on the Use of Artificial Intelligence in Financial Services](#)

3 Revisions to data guidelines

In July, the FSC announced revised guidelines on MyData services. The revisions intend to achieve an appropriate balance between consumer convenience and protection over provision of consumer data and establish rules on informed consent to guarantee consumer's data privacy rights. Key provisions include:

- **Safeguards for third party** and other sensitive information - The scope of privacy data usage is limited to users of MyData service for the purpose of providing analysis services about the user.
- Requirement to establish an **informed consent and data transfer system** that is suitable for a mobile environment and easy to understand for consumers.
- **Consumer protection from excessive competition** including requiring MyData providers to refrain from engaging in excessive marketing.
- Staggered schedule for **standardised application programming interface (API)** usage - MyData businesses will offer services only through standardised API from 1 January 2022.

[FSC Introduces Revisions to MyData Guidelines](#)

South Korea (2/2)

4 Private equity fund requirements

The FSC has informed financial investment businesses and market participants about broad regulatory changes impacting private equity funds (PEFs) in October this year, following consultation over the summer. Key provisions are as follows:

- A **new classification system** of 'general PEFs' and 'institution-only PEFs' will be introduced according to the scope of investment entities and the type of investors.
- **Investor protection** qualifying retail investors (those investing KRW 300 million or more) can only invest in general PEFs, investor safeguards will also be strengthened.
- **Market soundness and supervision of general PEFs** including a new rule on the cancellation of registration to facilitate the quick removal of fund management firms that fail to meet requirements over a certain period of time. General PEFs will be required to report any changes to their business registration status within two weeks and submit financial statements once a year. The FSC will also have the power to carry out inspections.
- The **maximum number of investors allowed for a PEF** will be increased from 49 to 100 - the total number of retail investors will continue to be limited a maximum of 49.

[Financial Investment Businesses about Upcoming Changes in PEF Rules](#)

5 COVID-19 measures

The FSC extended some of the deregulatory measures introduced last April in response to the COVID-19 pandemic. The measures were due to expire end-September 2021 and have now been extended for six months until end-March 2022. The extensions cover:

- Loan maturity extensions and payment deferrals for small merchants and SMEs;
- Liquidity requirements including the temporary lowering of the total Liquidity Coverage Ratio (LCR) and foreign currency LCR (for banks), the temporary lifting of the liquidity ratio (for credit finance & savings banks) and the temporary easing of liquidity standards (for insurance firms);
- Temporary lifting of the long-term debt (LTD) ratio; and
- Temporary lifting of credit extension requirements (for savings banks).

The authorities also extended the lowering of risk weights on business loans to self-employed small merchants until end-December 2021. However, the increased cap on credit extensions between subsidiaries of the same financial holding company was not extended and hence expired end-September 2021.

[Guideline on the Use of Artificial Intelligence in Financial Services](#)

6 Enhanced corporate disclosures and investor protection

The FSC has proposed revisions to the Financial Investment Services and Capital Markets Act and its subordinate statute with the aim of improving corporate disclosure rules and enhancing investor protection. Key revisions include:

- Strengthening the effectiveness of monetary sanction on violation of the 'five percent rule';
- Enhancing disclosure rules for issuing private convertible bonds (CBs) or bonds with warrants (BWs); and
- Requiring newly listed companies to submit their quarterly and semi-annual reports covering the accounting period immediately preceding their listing in order to ensure investors have access to sufficient information.

[Legislative Changes to Enhance Corporate Disclosure and Investor Protection](#)

Key Market Events

Toss Bank, which is poised to become South Korea's third internet-only bank, attracted more than half a million subscribers to its pre-registration for deposit accounts in just three days by offering an annual interest of 2% (the average interest rate currently offered by commercial banks less than 1%).

The FSC gave preliminary approvals to Shinhan Card and Korea Technology Credit Bureau for their application to assume credit information businesses - the first decision made since the Credit Information Act was revised.

20 entities were selected to participate in the FSCs digital-data testbed program (D-testbed) in an effort to promote use of FinTech in delivering financial services. The D-testbed program offers FinTech start-ups and prospective entrepreneurs a chance to test out the viability of innovative ideas and technologies making use of financial industry data.

Changes to in the Enforcement Rules of the Financial Investment Services and Capital Markets Act and other relevant industry regulation were approved allowing China-based ETFs listed in the Shanghai Stock Exchange to be registered for sale by local asset managers in South Korea.

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1 ESG disclosure rules

The Financial Supervisory Commission (FSC) has announced new disclosure rules for ESG funds issued by the Securities Investment Trust Enterprise (SITE). The requirements aim to standardise the common format of information disclosure by ESG funds and strengthen the integrity of the prospectus on ESG investment policies. The requirements cover the following:

When a SITE raises and issues an ESG fund, at least the following contents must be disclosed in the fund issuance plan and prospectus in the SITE's application:

1. Investment objectives and measurement standards;
2. Investment strategy and method;
3. Allocation of investment proportion;
4. reference performance benchmark;
5. Exclusion policy;
6. Risk;
7. Stewardship report; and
8. Periodic assessment and reporting.

[Disclosure Rule for ESG funds issued by Securities Investment Trust Enterprise \(SITE\)](#)

2 Shelf registration for common stock

The FSC has decided to allow companies to adopt a shelf registration for common stocks, in order to promote the efficiency of capital raising and give firms flexibility around the timing of new share issuance in line with long-term capital investment needs or specific research and development requirements. The FSC is proposing to allow listed companies meeting certain scales and conditions to register a proposed total number of new shares within the next two years; after a shelf registration becomes effective, the issuer may subsequently issue within the proposed quota without the need to re-file.

The FSC plans to finish updating relevant regulations to reflect shelf registration rules in Q4 2021. The FSC will also ask the Taiwan Stock Exchange, the Taipei Exchange, and the Taiwan Securities Association to cooperate in adjusting their information reporting website and revising self-regulatory rules.

[Press Release-FSC Proposes to Allow Domestic Companies to Adopt Shelf Registration for Common Stocks to Enhance Financial Flexibility and Efficiency-Financial Supervisory Commission](#)

3 Covid-19 support measures

The FSC has issued interim measures related to capital requirement for the banking sector to prompt banks to devote resources to providing credit to enterprises and individuals. The measures aim to mitigate the impact of the COVID-19 pandemic on the real economy and ensure that the banking system maintains its financial and operational risk bearing capacity.

[FSC Publishes Supporting Measures for Developing Domestic Banks' Financial Intermediary Functions](#)

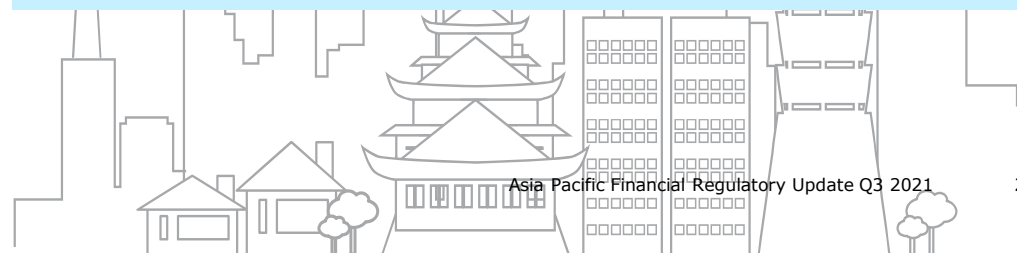
4 Supervision principles

In order to enhance the effectiveness of financial examinations and meet increasing supervisory demands, the FSC has launched 'Principles for Effective Financial Examination'. The requirements will act as the highest standards for all examination rules and schemes and will help support supervisors conducting financial examinations. The Principles include eight articles, which incorporate the Financial Examination Bureau's (FEB's) important concepts and the key requirements outlined in the Basel Committee on Banking Supervision's (BCBS's) 'Core Principles for Effective Banking Supervision' for regulators' examination of functions and mechanisms.

[FSC Issues the "Principles for Effective Financial Examination" to Build an Objective & Professional, Risk-based, and Open Communication Organizational Culture for the FEB.](#)

Key Market Events

The FSC hosted the 13th Taipei Corporate Governance, where it was noted that Taiwan firms demonstrated robust corporate governance in line with international requirements. The FSC has also successively launched the 'Green Finance Action Plan 2.0', 'Corporate Governance 3.0-Sustainable Development Roadmap' and 'Capital Market Roadmap' to promote development of domestic financial and capital markets.



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1 COVID-19 measures

With the COVID-19 pandemic still ongoing, the Bank of Thailand (BOT) and the Thailand Revenue Department (TRD) have issued regulations to relieve business operators and support businesses. Moreover, the BOT has issued a Notification regarding Commercial Bank business structure to emphasise that banks should focus on risk management.

In July, the TRD launched certain tax exemptions in relation to the 'Asset Warehousing Scheme', whereby debtors transfer their collateral assets to FIs for the settlement of debt. The tax exemption is summarised below:

1. An exemption from corporate income tax or personal income tax for debtors of FIs on income derived from debt forgiven by FIs.
2. Exemptions from personal income tax, corporate income tax, withholding tax, specific business tax, and stamp duty for debtors of FIs and for FIs themselves in relation to the transfer of assets, sales of goods, or execution of instruments. (Read more [here](#))

In the same month, the TRD also set out tax relief measure for FIs that write-off bad debts from debtor accounts without the need to follow the general bad debt write-off procedures for debts settled by the transfer of collateral assets under the 'Asset Warehousing Program'. (Read more [here](#))

Further, in September, the BOT issued a circular on guidelines for helping debtors affected by COVID-19 (Sustainable Debt Relief Measures), following continued severe impacts of the pandemic. The BOT stressed the need to expediate and promote continuous and sustainable debt remediation. Emphasis is given to FIs and business operators assisting affected debtors through long-term debt restructuring. (Read more [here](#))

2 Commercial banks' business structure

In August, the BOT launched regulations on the structure and scope of commercial bank's financial business group. There are three classifications for FI groups (1) commercial banks, (2) finance companies, and (3) credit financier companies. The requirements stipulate how different categories of group will be regulated and supervised, with the aim for ensuring regulation is suitably tailored to different business styles and ensures appropriate risk management.

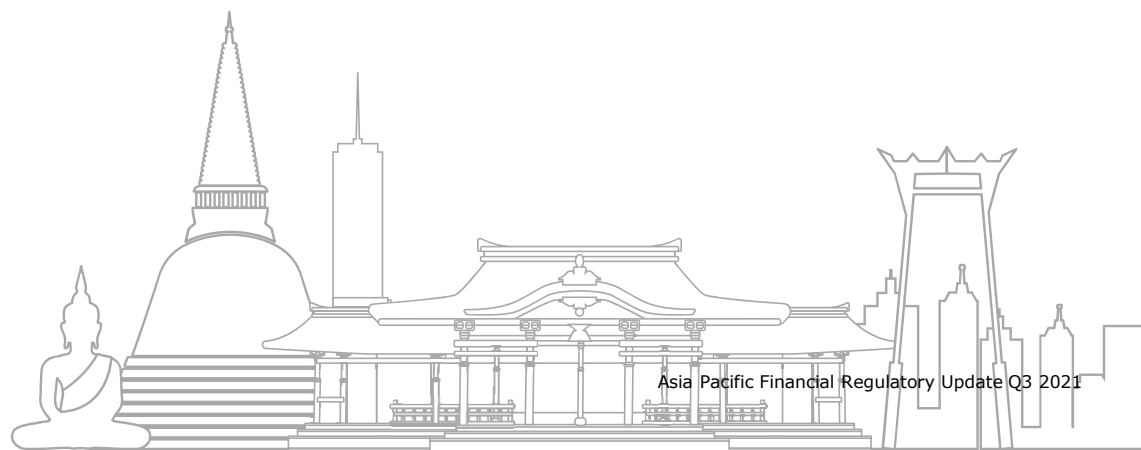
[Regulations on the structure and scope of business of a commercial bank's financial business group](#)

3 Personal data protection

The BOT has announced the preparation of a number of supporting guidelines and materials to assist firms in meeting the Personal Data Protection Act requirements which will now come into effect on 1 June 2022 (a deadline extension of one year).

The Thai Bankers' Association and its members have developed implementation of personal data protection practices for the banking sector (Guideline on Personal Data Protection for Thai Banks). The BOT has also urged regulated business operators to continue in their preparations ahead of the deadline.

[Preparation for compliance with the Personal Data Protection Act](#)



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