

Managing Upstream Risk

Regulatory Reform Review:
An Asian perspective

Issue 16
January 2015





Contents

1. Editorial	4
2. Banking Updates	8
2.1 <i>Financial Stability</i>	
2.2 <i>Capital requirements/Basel III</i>	
2.3 <i>Recovery and Resolution Plans</i>	
2.4 <i>Bond Offerings</i>	
2.5 <i>Emerging Markets</i>	
2.6 <i>Shadow Banking</i>	
2.7 <i>Islamic Finance</i>	
2.8 <i>Financial benchmarks</i>	
2.9 <i>AML/CFT</i>	
3. Financial Markets	22
3.1 <i>OTC Derivatives</i>	
3.2 <i>MiFID II/MiFIR</i>	
3.3 <i>Other updates</i>	
4. Insurance	31
5. Asset Management	33
6. Bibliography	34
7. Contact Our Experts	37
8. Glossary	38

1. Editorial

This edition of Managing Upstream Risk provides updates on the key global regulatory developments in the Q4 2014.

The year under review in Singapore

Even as the year drew to a close, financial institutions ("FIs") in Singapore continued to deal with the regulatory changes which were proposed earlier in the year. Key regulatory themes in Singapore in 2014 were anti-money laundering/countering financing of terrorism ("AML/CFT") and outsourcing.

The Monetary Authority of Singapore ("MAS") had consulted on proposed amendments to the MAS Notices to FIs on Prevention of Money Laundering and Countering the Financing of Terrorism in July 2014. Key proposals included lowering the threshold for FIs to perform due diligence when originating or receiving wire transfers for customers, enhancing clarity on identifying and verifying the beneficial owners of customers and introducing an option to adopt a risk-based approach for politically exposed persons. Additional guidance was also proposed on how FIs consider the country risk of customers. We have seen our FI clients reviewing their AML/CFT programmes against the amendments proposed, providing feedback to MAS and taking steps to strengthen their programmes.

Specific to private banks, the MAS issued an Information Paper on Guidance on Private Banking Controls in June 2014, covering the themes of AML/CFT, fraud risk prevention and investment suitability. Even as we have been helping our private banking clients assess themselves against the standards suggested in the Information Paper and roll out initiatives to enhance their processes and controls, we have also

seen non-private banking clients use the Information Paper as guidance for areas which are applicable to them.

Recognising increasing dependence of financial sector on outsourced service providers, in September 2014, MAS proposed an enhanced Outsourcing Notice and Guidelines. The consultation paper proposed the maintenance of a central register of material outsourcing agreements, risk management framework for material outsourcing agreements, a procedure for formal assessments of service providers and the enhancement of contractual provisions with service providers to ensure compliance to the Notice, to ensure the protection of customer data and to ensure the rights to terminate material outsourcing agreement. While FIs in Singapore have been providing feedback to the consultation paper via the Singapore Association of Banks in Singapore, independent law firms and Asia Cloud Computing Association, they have also been revamping their compliance programs to adhere with the Notice on Outsourcing and re-opening discussions with their service providers. We have been helping clients prepare their compliance programs and increase awareness of the impact to service providers by conducting informative sessions.

Global regulatory spotlight in Q4 2014

International regulatory agenda in the last quarter of 2014 has been particularly intensive on recovery and resolution planning, where work has been focusing along two major avenues: further expansion of recovery and resolution planning beyond banking and more detailed guidance and rules on bank resolution.

FSB has provided guidance on extending the recommendations on resolution regimes and resolution planning to insurers, firms that hold client assets, as well as financial market infrastructures (including payment systems, securities settlement systems, central securities depositories, central counterparties and trade repositories) and their systemically important participants. This guidance also addresses arrangements for information sharing that support the effective resolution of cross-border institutions.

In addition, the work on financial markets infrastructure specifically has been complemented by a CPMI/IOSCO report which provides detailed guidance to institutions and their regulators on development and implementation of recovery plans for these institutions. Together, these documents set a comprehensive set of guidance on recovery and resolution for different kinds of systemically important FMI.

At the same time, international, US and European regulators are pushing further in establishing a sound resolution regime for banks.

“We anticipate that 2015 will be dominated by 3 key regulatory themes for Asia - AML/CFT, outsourcing and reliance on third parties, as well as recovery and resolution planning”.

On the international scale, as part of its effort to ensure all global systemically important institutions (G-SIFIs) are resolvable, FSB is continuing its work on the reform of resolution regimes and resolution planning. The priorities for 2015 identified in its latest progress report to the G20 include recommendations on the funding profile of banks, improved contractual arrangements and their cross-border recognition to enable resolution as well as further guidance on the resolution planning by home and host authorities on funding arrangements and operational continuity of critical services. Singapore is one of the few FSB jurisdictions which has introduced legislative reforms over the past year to enhance the alignment of their bank resolution regimes to the FSB standards, including a legal framework with mechanisms to accept resolution actions by a foreign authority, a fundamental element for effective resolution of cross-border firms.

In the US, FDIC has issued further guidance on resolution plans for insured depository institutions with assets greater than \$50 billion, providing guidance relating to the elements to be covered by the resolution strategy, cost analysis, plan assumptions and obstacles to resolution which institutions should address. To further enhance regulatory cooperation on resolution of global systemically important banks, FDIC hosted an exercise for the heads of Treasuries and leading financial regulatory bodies in the United States and United Kingdom, designed to advance the communication and cooperation between U.S. and U.K. authorities in case of the failure and resolution of a global systemically important bank.

European authorities are currently continuing further work on the implementation and application of the European Bank Recovery and Resolution Directive (BRRD), which addresses recovery and resolution of credit institutions, investment firms and related entities across the EU. The Directive came into force on 1 January 2015 (with the exception of bail-in powers, which must apply from 1st January 2016 at the latest). The BRRD requires resolution authorities to draw up resolution plans outlining actions to be taken in case an institution meets the conditions for resolution. Most recent consultations by the EBA address different topics around resolution, including:

- Bank funding structure conducive to effective resolution: criteria for determining minimum requirements for own funds and eligible liabilities to ensure institutions' balance sheet structure which does not hamper the effectiveness of bail-in or other resolution tools
- Resolution of cross border institutions: functioning of resolution colleges for cross-border institutions within the European Economic Area (EEA), contractual recognition of bail-in in relation to liabilities governed by the law of a third country and group financial support for an entity in early intervention
- Using valuation information to determine the terms of bail-in: guidelines on the use of the bail-in power and its contractual recognition, treatment of liabilities in bail-in, and valuation in resolution

- Resolution planning process: procedures, forms and templates for the provision of information to the authorities involved in resolution planning, notifications relating to a determination that an institution is failing or likely to fail and notices summarising the effects of resolution action.

The year ahead – 2015

We anticipate that these three key themes – AML/CFT, outsourcing and reliance on third parties as well as recovery and resolution planning - will continue to stay on the radar of financial institutions and regulators in Asia.

We expect FIs to continue efforts on AML/CFT and outsourcing programmes, as the MAS proposals approach finalisation this year. Additionally, as banks work on their RRP, bank branches here and locally-incorporated banks will likely be engaging regulators as they refine their RRP. Additionally, other financial institutions will likely be exploring more detailed RRP requirements.

Regulatory Updates



2. Banking Updates

2.1 Financial Stability

*Financial Stability Review 2014
published by the MAS¹*

Singapore, 27 Nov 2014

MAS has published its Financial Stability Review 2014, in which it has described Singapore's banking system as sound and resilient to external shocks, although it sounded a warning note about growing debt levels amongst corporates and households, as well as still-elevated property prices. MAS noted that "An interest rate hike combined with an earnings shock could increase the number of financially distressed corporates and households."

MAS also highlighted risks stemming from local banks' rising cross-border banking exposures, noting that foreign currency loans by Singapore banks have grown faster than deposits in recent years. MAS said the rise in Singapore's overall Loans-To-Deposits ratio, a liquidity measure, reflects Singapore's role as an international financial centre in intermediating fund flows to the region, although it also noted that the risks from the rise in cross-border banking exposures were partly mitigated by the banks' access to intragroup funding, and the short-term nature of a significant portion of their loans. Tests conducted by MAS demonstrated that banks' liquidity positions were likely to remain resilient even in conditions of severe stress.

2.2 Capital requirements/ Basel III

FSB consults on proposal for a common international standard on total loss-absorbing capacity (TLAC) for global systemic banks²

US, 10 Nov 2014

FSB has issued a consultation proposal consisting of a set of principles and a detailed term sheet on the adequacy of loss-absorbing and recapitalisation capacity of global systematically important banks.

The proposals were a response to the call by G20 leaders at 2013 St. Petersburg Summit to develop such proposals by end 2014. They were developed by FSB and will, once finalised, form a new minimum standard for "total loss-absorbing capacity" (TLAC). This should provide home and host authorities with some confidence that G-SIBs have sufficient capacity to absorb losses, both before and during resolution

1 MAS, "Financial Stability Review 2014."

2 FSB, FSB consults on proposal for a common international standard on total loss-absorbing capacity (TLAC) for global systemic banks

CPMI releases report on cyber resilience in financial market infrastructures (FMIs)³

Switzerland, 11 November 2014

CPMI has released a report outlining the current cyber risks faced by FMIs and their level of readiness to effectively deal with worst case scenarios. The report *Cyber resilience in financial market infrastructures* analyses the relevance of cyber security issues for FMIs and their overseers within the context of the Principles for Financial Market Infrastructures.

BCBS consultation on Net Stable Funding Ratio (NSFR) disclosure requirements⁴

Switzerland, 9 Dec 2014

BCBS has issued a consultation on disclosure requirements for the Net Stable Funding Ratio (NSFR) standard, following finalisation of the NSFR standard on 31 Oct. The standard aims to reduce funding risk over a longer time horizon by requiring banks to conduct their activities with funding from sources that are sufficiently stable to mitigate the risk of future funding stress. With the development of the disclosure requirements for the NSFR, the transparency of regulatory funding requirements will be improved, and uncertainty in the markets where the NSFR is implemented will be reduced.

Starting from the first reporting period after 1 Jan 2018, internationally active banks across Basel Committee member jurisdictions will be required to publish their NSFRs according to a common template, to promote the consistency and usability of disclosures. The consultation will close on 6 Mar 2015.

BCBS/IOSCO consultation on transparent and comparable securitisation structure and revisions to securitisation framework^{5,6}

Switzerland, 11 Dec 2014

BCBS and IOSCO have jointly published a consultation on criteria to identify and to assist the financial industry in developing simple, transparent and comparable securitisations structures, as well as to help parties involved in a securitisation transaction evaluate the risks of a particular securitisation as part of their due diligence.

The proposed criteria have been mapped to key types of risk in the securitisation process: (i) generic criteria relating to the underlying asset pool (asset risk); (ii) transparency around the securitisation structure (structural risk); and (iii) governance of key parties to the securitisation process (fiduciary and servicer risk). The consultation will close on 13 Feb 2015.

3 BIS, *Cyber resilience in financial market infrastructures*

4 BIS, *“Net Stable Funding Ratio disclosure standards - consultative document.”*

5 BIS, *“Criteria for identifying “simple, transparent and comparable” securitisations: consultative document issued by the Basel Committee and IOSCO”*

6 BIS, *“Revisions to the securitisation framework.”*

BCBS has also issued revisions to the securitisation framework, to address shortcomings in the Basel II securitisation framework and to strengthen the capital standards for securitisation exposures.

This framework, which will come into effect in January 2018, forms part of BCBS' broader Basel III agenda to create a more resilient banking sector by reforming banks' regulatory standards.

The most significant revisions with respect to the Basel II securitisation framework relate to changes in (i) the hierarchy of approaches; (ii) the risk drivers used in each approach; and (iii) the amount of regulatory capital banks must hold for exposures to securitisations (i.e. the framework's calibration).

BCBS consultation regarding outstanding issues on a fundamental review of the trading book⁷

Switzerland, 19 December 2014

BCBS has issued a consultative paper on outstanding issues for its fundamental review of the trading book capital standards. In undertaking its review, the Committee's goal is to improve trading book capital requirements and to promote consistent implementation of the rules so that they produce comparable levels of capital across jurisdictions.

To address these challenges posed by certain elements of the new framework, the consultative paper published today outlines several refinements in three broad areas:

- A specified treatment of internal risk transfers (IRTs) of equity risk and interest rate risk between the banking book and the trading book, to supplement the existing treatment of internal transfers of credit risk.
- A revised standardised approach that uses as inputs changes in the value of an instrument based on sensitivity to underlying risk factors.
- A simpler method for incorporating the concept of liquidity horizons in the internal models approach.

The consultation will close on 20 February 2015

BCBS consultation on the design of a capital floor framework and revisions to standard approach for credit risk^{8, 9}

Switzerland, 22 Dec 2014

BCBS has published a consultation on the design of a capital floor framework based on standardised, non-internal modelled approaches. This floor will ensure that the level of capital across the banking system does not fall below a certain level, and also mitigate model risk and

⁷ BIS, Fundamental review of the trading book: outstanding issues - consultative document

⁸ BIS, "Basel Committee consults on capital floors."

⁹ BIS, "Revisions to the standardised approach for credit risk – Consultative document."

measurement error stemming from internally-modelled approaches. It will also enhance the comparability of capital outcomes across banks. BCBS has also proposed revisions to the standard approach for credit risk to strengthen the existing regulatory capital standard by incorporating the following

- Reduced reliance on external credit ratings;
- Enhanced granularity and risk sensitivity;
- Updated risk weight calibrations which will be further informed by the results of a quantitative impact study;
- More comparability with the internal ratings-based (IRB) approach with respect to the definition and treatment of similar exposures; and
- Better clarity on the application of the standards.

BCBS is also considering replacing references to external ratings with the use of a limited number of risk drivers, which vary based on the particular type of exposure and have been selected as they are considered simple, intuitive, readily available and capable of explaining risk across jurisdictions.

Both consultations will close on 27 March 2015.

*Hong Kong Banking Disclosure
Amendment Rules 2014¹⁰*

Hong Kong, 23 Dec 2014

HKMA has announced that the Banking (Disclosure) (Amendment) Rules 2014 to introduce disclosure requirements associated with the second phase of Basel III requirements for authorised institutions will be gazetted on 24 Dec 2014.

The disclosure requirements relate primarily to:

- (a) The capital buffers and LCR to be implemented via the Banking (Capital) (Amendment) Rules 2014 and the Banking (Liquidity) Rules respectively, which will come into effect on 1 Jan 2015; and
- (b) The Basel III LR which, according to the BCBS' Basel III implementation timetable, is required to be disclosed by banks with effect from 2015.

The Banking (Disclosure) (Amendment) Rules 2014 will be tabled before the Legislative Council at its sitting on 7 Jan 2015 for negative vetting. They are scheduled to come into operation on 31 Mar 2015.

¹⁰ HKMA, "Revised disclosure rules for banks gazetted."

MAS consults on revisions to MAS Notices 610 and 1003¹¹

Singapore, 31 Dec 2014

MAS has launched a consultation on its proposal to revise the data collected under MAS 610 and MAS 1003, following a consultation with a select group of respondents in January 2014. Feedback regarding the changes received from the respondents during the previous consultation was listed and elaborated upon, along with the MAS' responses to the feedback.

Areas which MAS is seeking comments on include

- (i) Including accrued interest in the outstanding amounts of the financial assets or liabilities that give rise to the accrued interest
- (ii) Having banks' nostro accounts and interbank lendings reported under "cash and balances" while their Vostro accounts and interbank takings are reported under "deposits and balances"
- (iii) Reporting fair value of financial derivatives

MAS is also clarifying its expectation that every bank and merchant bank should keep track of all trades booked in Singapore or executed on their premises here, and for auditors to validate these transactions. The consultation will close on 5 Feb 2015.

2.3 Recovery and Resolution Plans

Regulators meet to discuss key components for resolution of G-SIBs¹²

Global, 13 Oct 2014

The heads of the Treasuries and leading financial regulatory bodies in the United States and United Kingdom today participated in an exercise designed to further the understanding, communication, and cooperation between U.S. and U.K. authorities in the event of the failure and resolution of a global systemically important bank, or G-SIB.

The event was hosted by Federal Deposit Insurance Corporation Chairman Martin Gruenberg. The exercise furthered understanding among these principals regarding G-SIB resolution strategies under U.S. and U.K. resolution regimes, aspects of those strategies requiring coordination between U.S. and U.K. authorities, and key challenges to the successful resolution of U.S. and U.K. G-SIBs. This exercise builds on prior bilateral work between U.S. and U.K. authorities, which, since late 2012, has included the publication of a joint paper on G-SIB resolution, participation in detailed simulation exercises for G-SIB resolution, and participation in other joint G-SIB resolution planning efforts.

11 MAS, "Public Consultation on Proposed Revisions to MAS Notice to Banks 610 and MAS Notice to Merchant Banks 1003 – Submissions of Statistics and Returns"

12 FDIC, U.S. and U.K. Officials Meet to Discuss Key Components for the Resolution of a Global Systemically Important Bank

The exercise demonstrates the continued commitment of the United States and the United Kingdom since the financial crisis to promote a safer and sounder financial system by cooperating to address issues involved in the orderly resolution of large and complex financial institutions without cost to taxpayers. Both countries reiterated their commitment to the Financial Stability Board's ongoing work concerning G-SIB resolution. The exercise was timed to coincide with the IMF annual meeting.

FSB publishes guidelines on resolution of non-bank financial institutions¹³

US, 15 Oct 2014

FSB has issued the Key Attributes of Effective Resolution Regimes for Financial Institutions, incorporating guidance on their application to non-bank financial institutions and on arrangements for information sharing that support the effective resolution of cross-border financial institutions.

Four new Annexes to the Key Attributes have set out guidance covering:

- Resolution of Financial Market Infrastructures (FMIs), including central counterparties (CCPs), and resolution of systemically important FMI participants;
- Resolution of insurers;
- Client asset protection in resolution; and
- Information sharing for resolution purposes

FSB Chair Mark Carney said: "The guidance published today is another significant step to giving authorities the tools to manage the failure of any type of systemic institution. The development of resolution regimes for non-bank financial institutions will complement the progress made in enabling the resolution of banks. With the introduction of mandatory central clearing of OTC derivatives, it is crucial that we avoid the threat of CCPs becoming the new "too big to fail" institutions."

CPMI and IOSCO issue report on the recovery of financial market infrastructures¹⁴

Global, 15 Oct 2014

CPMI and IOSCO have published a report which provides guidance to financial market infrastructures. The report is directed at central counterparties (CCPs) on how to develop plans to enable them to recover from threats to their viability and financial strength that might prevent them from continuing to provide critical services to their participants and the markets they serve. It also provides guidance to relevant authorities in carrying out their responsibilities associated with the development and implementation of recovery plans.

The report was issued for consultation in Aug 2013. The final version now published takes account of the comments received during the consultation process.

13 FSB, FSB publishes Guidance on Resolution of Non-Bank Financial Institutions

14 IOSCO, CPMI and IOSCO issue report on the recovery of financial market infrastructures

ISDA Resolution Stay Protocol open for adherence¹⁵

Global, 12 Nov 2014

ISDA has announced that the ISDA Resolution Stay Protocol is open for adherence. The protocol, which has been developed in coordination with FSB to support cross-border resolution and reduce systemic risk, will come into effect on 1 Jan 2015 for the 18 major banks that signed it at launch. By knitting together various statutory regimes, the protocol becomes an important step in meeting the regulatory and industry objective of addressing the too-big-to-fail problem.

Parties adhering to the protocol will be opted into certain existing and forthcoming special resolution regimes, subject to creditor protection safeguards, with the aim of ensuring that cross-border derivatives trades are captured by statutory stays on cross-default and early termination rights in the event a bank counterparty enters into resolution. These stays are intended to give regulators time to facilitate an orderly resolution of a troubled bank.

The Protocol also outlines restrictions on creditor contractual rights that would apply when a US financial holding company

becomes subject to US bankruptcy proceedings, including a stay on cross-default rights that would restrict the counterparty of a non-bankrupt affiliate of an insolvent US financial holding company from immediately terminating its derivatives contracts with that affiliate. A non-defaulting party's right to terminate derivatives trades with a direct counterparty that is under insolvency proceedings is unaffected by the Protocol.

FSB Reports to G20 on progress in reforming resolution regimes and resolution planning¹⁶

US, 12 Nov 2014

FSB has published its report to G20 on the progress of reforms of resolution regimes, and resolution planning for global systematically important financial institutions. Effective resolution regimes and resolution planning are core for FSB's policy for ensuring G-SIFIs can be resolved without recourse to public subsidy and without disruption to the wider financial systems.

ISDA key principles for recovery and resolution of CCPs¹⁷

Global, 25 Nov 2014

Central counterparties (CCP) have become a crucial part of the derivatives market infrastructure, supported by regulations such as the Dodd-Frank Act and the European Market Infrastructure Regulation that requires standardised OTC derivatives to be cleared. With the

15 ISDA, "ISDA publishes 2014 Resolution Stay Protocol."

16 FSB, FSB reports to G20 on progress in reforming resolution regimes and resolution planning

17 ISDA, "ISDA launches principles on CCP recovery."

volume of cleared trades increasing rapidly and certain to grow further, these entities have become systemically important. ISDA believes that particular attention is to be paid to ensuring the risks of a CCP reaching the point of non-viability are minimised. However, ISDA also recognises that a clearly defined recovery plan needs to be in place if that point is reached that does not involve the use of public money.

To that end, ISDA has published a set of key principles on the adequacy and structure of central counterparty (CCP) loss-absorbing resources and on CCP recovery and resolution, which identifies the key issues that need to be addressed, and makes several recommendations on how to proceed.

The BRRD identifies three notification scenarios relating to such a determination, and these RTS specify the process and content of notifications in each of the above scenarios. The RTS also address the process and content of a notice summarising the effects of resolution action and in particular the effects on retail customers. The consultation will close on 20 Mar 2015.

2.4 Bond Offerings

MAS response to feedback on consultation for facilitating bond offerings to retail investors¹⁸

Singapore, 23 Dec 2014

MAS has issued a response to feedback received on the consultation paper on facilitating bond offerings to retail investors published on 1 Sep 2014. In tandem with MAS' consultation paper, the Singapore Exchange (SGX) has separately published a consultation paper on a proposed bond seasoning framework.

MAS will proceed with the following proposals to make it easier for corporates to offer bonds to retail investors while maintaining sufficient safeguards:

- Under the bond seasoning framework, wholesale bonds issued by eligible issuers without a prospectus can now be offered to retail investors after the bonds have been listed for six months (seasoned bonds). Currently, such bonds are only available to institutional and accredited investors or in large denominations of at least S\$200,000. Seasoned bonds can be re-denominated into smaller lot sizes and made available to retail investors via secondary trading. Eligible issuers under the seasoning framework will also be exempted from the prospectus requirement for additional offers

¹⁸ MAS, "MAS responses to public feedback on bond offerings to retail investors"

of new bonds to retail investors with the same terms as the seasoned bonds.

- In addition, bonds issued by issuers that satisfy specified thresholds that are higher than the eligibility criteria under the seasoning framework, can be offered directly to retail investors at the start of an offer without a prospectus. This provides an avenue for retail investors to acquire bonds directly from an issuer at the onset, without having to wait for six months for the bonds to be seasoned.

Based on the eligibility criteria, about 120 issuers in Singapore can potentially issue bonds under the seasoning framework, of which about 60 will be able to offer bonds directly to retail investors at the start of an offer without a prospectus.

To safeguard retail investors' interests, only plain vanilla unsubordinated bonds with a maximum tenor of 10 years can be offered under the prospectus exemptions. Issuers will also be required to provide key information on the risks and features of the bonds to investors in a product highlights sheet. Further details are set out in the response to feedback received on the public consultation.

MAS has proposed to grant the prospectus exemptions by way of regulations, and asked that comments on the draft regulations be submitted by 23 Jan 2015.

2.5 Emerging Markets

RBI guidelines for wider opportunity for banking services to individuals and small business^{19, 20}

India, 27 Nov 2014

RBI has issued final guidelines for payment banks that will allow mobile firms and supermarket chains, among others, to provide banking services to individuals and small businesses. The move aims to promote financial inclusion and boost saving habits by providing basic bank services to millions of Indians who currently do not have bank accounts, and comes within seven months of RBI issuing two full-fledged banking licences in Apr 2014.

RBI has also released guidelines for small banks, which provide savings products and credit to small businesses and farmers. RBI was accepting applications to set up these new banks up till 16 Jan 2015, and the applications will be screened by an external advisory committee comprising of finance professionals. The validity of the in-principle approval issued will be for eighteen months and the names of applicants for bank licences will be placed on the RBI's website.

19 RBI, "RBI releases guidelines for Licensing of Payment Banks."

20 RBI, "RBI releases Guidelines for Licensing of Small Finance Banks in the Private Sector."

2.6 Shadow Banking

FSB global shadow banking monitoring report²¹

US, 4 Nov 2014

FSB has published its fourth annual Global Shadow Banking Monitoring Report. The main findings from the report are as follows:

- The broadest measure, referred to as the Monitoring Universe of Non-Bank Financial Intermediation (MUNFI), grew by \$5 trillion in 2013 to reach \$75 trillion. This measure is based on the financial assets of Other Financial Intermediaries (OFIs) and captures all non-bank financial intermediation where shadow banking-related risks to the financial system might potentially arise.
- Globally, MUNFI assets represent on average about 25% of total financial assets, roughly half of banking system assets, and 120% of GDP. These ratios have been relatively stable since 2008.
- MUNFI assets grew by 7% in 2013 (adjusted for foreign exchange movements), driven in part by a general increase in valuation of global financial markets. In contrast total bank assets were relatively stable. Within the headline global growth figure of MUNFI assets exists considerable differences across jurisdictions and entities.
- This year, the FSB continued to refine the shadow banking measure to produce an estimate that more tightly focuses on shadow banking risks, narrowing down the broad MUNFI estimate by filtering out entities that are not part of a credit intermediation chain and those that are prudentially consolidated into a banking group. Using more granular data reported by 23 jurisdictions, the broad MUNFI estimate of non-bank financial intermediation was narrowed down from \$62 trillion to \$35 trillion.
- Based on the narrowed down estimate, the growth rate of shadow banking for this smaller sample in 2013 was +2.4%, instead of +6.6% for the MUNFI (using the same smaller sample). The narrowing down approach remains work in progress and will improve further over time.
- By absolute size, advanced economies have the largest shadow banking sectors, while emerging market jurisdictions recorded the fastest growth rates (albeit from a relatively small base). While the non-bank financial system may contribute to financial deepening, careful monitoring is still required to detect any increases in systemic risk factors (e.g. maturity and liquidity transformation, and leverage) that could arise from the rapid expansion of credit provided by the non-bank sector.

²¹ FSB, "Global Shadow Banking Monitoring Report 2014."

- Trust Companies and Other Investment Funds were the fastest growing sub-sectors globally in 2013. Trust Companies have consistently grown at a fast pace, whereas the 18% annual growth in Other Investment Funds, the largest sub-sector, was sharply higher than in the preceding years.
- The Hedge Funds sub-sector remains significantly underestimated in the FSB's data collection exercise. Further refinement of the data for this sector could provide important additions to future editions of this report.

FSB Chairman Mark Carney said: "The system-wide monitoring of shadow banking is a core element of the FSB's work to strengthen the oversight and regulation of shadow banking in order to transform it into a transparent, resilient, sustainable source of market-based financing for real economies. To this end, the FSB launched in 2011 the shadow banking annual monitoring exercise, which aims to identify and measure potential sources of systemic risks beyond the current bounds of prudential regulation. The progressive refinements of this exercise have sharpened the risk monitoring capabilities not only of the FSB but also of national and regional authorities".

RBI has also released guidelines for small banks, which provide savings products and credit to small businesses and farmers. RBI was accepting applications to set up these new banks up till 16 Jan 2015, and the applications will be screened by an external advisory committee comprising of finance professionals. The validity of the in-principle approval issued will be for eighteen months and the names of applicants for bank licences will be placed on the RBI's website.

2.7 Islamic Finance

IFSB working paper on evaluation of core principles relevant to Islamic finance regulation²²

Malaysia, 10 Nov 2014

IFSB has issued the working paper “Evaluation of Core Principles Relevant to Islamic Finance Regulation”. IFSB, which is currently in the midst of preparing a new standard on IFSB Core Principles for Islamic Finance Regulation (Banking Segment), has issued this working paper in parallel to the Exposure Draft (ED-17) of the Standard on Core Principles for Islamic Finance Regulation (Banking Segment), providing the background and wider context for the Standard that is under preparation by an IFSB Working Group.

The paper assesses and analyses in full the Core Principles issued by the BCBS, IOSCO and IAIS. IFSB’s Secretary General Mr Jaseem Ahmed said: “The key objective was to analyse the applicability and relevance to the prudential regulation and supervision of Islamic finance of the Core Principles of the international standard-setting bodies for conventional financial system.” He also added that “The analysis indicated many areas of relevance, but it also underscored the importance of having additional principles to cater for the specific nature of products and the balance sheet structure of institutions offering Islamic financial services (IIFS)”.

2.8 Financial benchmarks

HKMA announces outcome of FX investigation²³

Hong Kong, 19 Dec 2014

HKMA has announced the outcome of its investigation into the FX trading activities of 10 banks in Hong Kong. The investigation aimed to ascertain whether the banks concerned and/or their staff in Hong Kong had engaged in any rigging of FX benchmark fixings, collusion, and/or other inappropriate activities from 2008 to 2013.

The investigation found no evidence of inappropriate activities, except for two cases involving two traders. The first was of a suspected attempt to influence an Asian currency benchmark fixing. There was insufficient evidence to find trades were effected in the attempt to rig the fixing. The second was with regards to FX trading, involving a failed attempt to influence USD/HKD spot rate.

The investigation identified certain control deficiencies in isolated cases of communication indiscretions, although no evidence of market manipulation was found.

With regards to the findings, HKMA has taken action against the two traders, and taken steps to find root causes of the incidents. It has also conducted assessments of current controls to reduce the control deficiencies

22 IFSB, “IFSB Issues Its Working Paper Titled “Evaluation of Core Principles Relevant to Islamic Finance Regulation”

23 HKMA, HKMA announces outcome of FX investigation

2.9 AML/CFT

FATF briefing to the United Nations Security Council Counter Terrorism Committee²⁴

Global, 18 Dec 2014

In a briefing to the United Nations Security Council Counter Terrorism Committee on 18 Dec 2014, FATF president Roger Wilkins highlighted the lack of compliance with targeted financial sanctions requirements to freeze terrorists' assets effectively, stating that FATF had begun a new round of assessments shifting the focus from the question "have countries complied with the FATF requirements" to a new question "has the country implemented the FATF standards to effectively stop or mitigate the laundering of money and the financing of terrorism?".

This approach highlighted that the focus was shifting from simply technical compliance to effectiveness of the measures put in place.

He also warned that countries that failed to effectively implement targeted financial sanctions were likely to find themselves in "enhanced follow up", a much more demanding and intrusive process of accountability, where those countries who failed to meet the standards would be required to report to their peers on improvements and progress at each FATF Plenary until they fixed their problems.

Mr Wilkins also spoke about ISIL funding, stating that ISIL represented a new form of terrorism where funding was central and critical to its activities as it was effectively running an army. He also further mentioned that previous forms of terrorism had not been that dependent on finance or funding, and that the key to defeating them would likely be to strangle off their funding sources.

²⁴ FATF, "Many countries are still not able to freeze terrorists' assets effectively, says FATF President Roger Wilkins, AO"



3. Financial Markets

3.1 OTC Derivatives

FSB publishes Regulatory Framework for Haircuts on Non-Centrally Cleared Securities Financing Transactions²⁵

US, 14 Oct 2014

FSB has published a Regulatory Framework for Haircuts on Non-centrally cleared securities financing transactions. This framework is to ensure shadow banking is subject to appropriate oversight and regulation to address bank-like risks to financial stability, while not inhibiting sustainable non-bank financing models that do not pose such risks. It also aims to limit the build-up of excessive leverage outside the banking system and to help reduce pro-cyclicality of that leverage. Given the interconnectedness of markets and strong adaptive capacity of shadow banking system, the FSB believes that policies in this area have to be comprehensive.

IOSCO update on information repository for OTC derivatives clearing²⁶

Spain, 28 Oct 2014

IOSCO has released its first update of its information repository for OTC derivatives central clearing requirements, since making the repository public in Aug 2014. The repository provides regulators and market participants with consolidated information on the clearing requirements of different

jurisdictions. The repository sets out central clearing requirements on a product-by-product level, along with any applicable exemptions. The information in the repository will be updated quarterly.

FSB progress report on implementation of OTC derivatives market reforms²⁷

US, 7 Nov 2014

FSB published today its eighth progress report on implementation of OTC derivatives market reforms. The report finds that although implementation to meet the commitments is not yet complete, progress continues to be made across FSB member jurisdictions, and further progress is expected in 2015.

Although the extent of implementation of detailed regulations varies across jurisdictions and across policy reform areas, the greatest progress to date has been in implementing higher capital requirements for non-centrally cleared derivatives and trade reporting requirements. Measures to promote trading on exchanges or electronic trading platforms continue to take longer than those in other reform areas.

25 FSB, FSB publishes Regulatory Framework for Haircuts on Non-Centrally Cleared Securities Financing Transactions

26 IOSCO, "IOSCO updates information repository for central clearing requirements for OTC derivatives."

27 FSB, "FSB publishes Progress Report on Implementation of OTC Derivatives Market Reforms."

IOSCO Consultation on Post-Trade Transparency in the Credit Default Swaps Market²⁸

Spain, 17 Nov 2014

IOSCO has published a consultation analysing the potential impact of mandatory post-trade transparency in the credit default swaps (CDS) market, reaching a preliminary conclusion that the introduction of mandatory post-trade transparency did not have a substantial effect on market risk exposure or market activity for those CDS products. It preliminarily believes that greater post-trade transparency - including making the price and volume of individual transactions publicly available - in the CDS market will increase the efficacy of the G20 commitments to reform the OTC derivatives markets, and encourages each of its members to take steps to enhance post-trade transparency in the CDS market in its jurisdiction.

The consultation closes on 15 Feb 2015.

HKMA, SEC conclusion on mandatory reporting and record keeping obligations²⁹

Hong Kong, 28 Nov 2014

HKMA and SFC have published their conclusions on a joint public consultation on the mandatory reporting and related record keeping obligations under the new OTC derivatives regime.

The major revisions include:

- Mandatory reporting and related record keeping obligations will commence first for authorized institutions, approved money brokers, licensed corporations and central counterparties, and deferred for other persons that are based in or operating from Hong Kong. This approach was adopted in response to market feedback that reporting obligations should be introduced in phases for different types of reporting entities, with more significant entities subject to mandatory reporting earlier while others would be covered in a later phase.
- Deferring the proposal to require authorized institutions and licensed corporations to report transactions that they have entered into in their capacity as a person registered or licensed to carry on Type 9 Regulated Activity (asset management). This will allow the market more time to sort out some of the reporting difficulties that arise in view of practices in the fund industry.
- Further extending or relaxing some of the exemptions and concessions in response to market feedback.

28 IOSCO, "IOSCO consults on post-trade transparency in the credit default swaps market."

29 HKMA, "Joint HKMA-SFC consultation conclusions on reporting and record keeping rules for OTC derivatives."

Conclusion of consultation on Rules regarding OTC derivative transactions reporting and record keeping obligations³⁰

Hong Kong, 28 Nov 2014

HK SFC has released conclusions to its previous consultation as well as a further consultation on rules regarding the Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules.

The Consultation Paper explains the proposals regarding the mandatory reporting and related record keeping requirements. These new requirements aim to enhance financial market stability by increasing transparency in the OTC derivatives market. The proposals cover the following key areas :

- a) the types of transactions that will have to be reported,
- b) the types of persons that will be subject to reporting and in what circumstances,
- c) the types of exemptions and reliefs that may apply,
- d) reporting timeframes and applicable grace periods,
- e) the form, manner and contents of reports, and
- f) the related mandatory record keeping obligations

The consultation closed on 23 Dec 2014.

3.2 MiFID II/MiFIR

ESMA peer review on MiFID II/MiFIR supervision by national regulators³¹

Europe, 11 Dec 2014

ESMA has conducted a peer review of how national regulators (national competent authorities or NCAs) supervise MiFID conduct of business rules on providing fair, clear and not misleading information to clients.

The peer review focused on NCAs' organisation, supervisory approaches, monitoring and complaints handling in relation to information and marketing communications under MiFID. The Report found that there was overall a high degree of compliance amongst NCAs with the good practices identified in these key areas. However, a variety of approaches were observed, leading to different intensity of supervision. A number of areas for improvement were identified. They include:

- Enhanced use of on-site inspections and thematic reviews;
- A specific focus on conduct of business issues in firms' risk assessments; and
- Greater efforts to detect failings by firms in a timely manner.

30 HK SFC, Consultation Conclusions and Further Consultation on the Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules

31 ESMA, "ESMA reviews supervisory practices on MiFID investor information."

ESMA consultation on draft RTS/ITS on implementation of MiFID II/MiFIR³²

Europe, 19 Dec 2014

ESMA has published its final technical advice (TA) and a consultation on its draft regulatory technical and implementing standards (RTS/ITS) regarding the implementation of MiFID II and MiFIR. The TA and draft RTS translate the MiFID II/MiFIR requirements into practically applicable rules for market participants and national supervisors, and aim to ensure that secondary markets are fair, transparent and safe and that investors' interests are safeguarded when being sold investment products.

ESMA Chair Steven Maijor said: "Today's implementing rules on both secondary markets and investor protection issues reflect ESMA's desire to achieve the best outcome for market users and investors, taking into account the extensive submissions received from our stakeholders. The advice now goes to the European Commission to use in preparation of its delegated legislation, while our technical standards are open for a second round of consultation.

Once fully implemented, MiFID II will have a significant impact on the EU's securities markets, its users and infrastructure providers. It will bring greater transparency and improve the overall functioning of markets thus strengthening investors' trust in the financial sector."

The key proposals stemming from ESMA's TA/draft RTS cover the following issues:

- A trading obligation for shares and a double volume cap mechanism for shares and equity-like instruments, introducing a major change to the framework for trading these instruments in the Union;
- An obligation to trade derivatives on MiFID venues (regulated markets, multilateral (MTFs) or organised trading facilities (OTFs)) only, in line with G20 requirements; increased trade transparency, for non-equity instruments, in particular bonds, derivatives, structured finance products and emission allowances;
- Newly introduced position limits and reporting requirements for commodity derivatives;
- Rules governing high frequency trading, imposing a strict set of organisational requirements on investment firms and trading venues;

³² ESMA, "ESMA provides implementing rules for MiFID II."

- Provisions regulating access to central counterparties (CCPs), trading venues and benchmarks, designed to increase competition in the Union; and
- Requirements for a consolidated tape of trading data, including rules for tape providers, reporting, publication and sales of data.

ESMA's TA also proposes that the Commission adopts a number of measures that will further the protection of investors across the EU. The main proposals relating to the improved protection of investors, especially retail, include:

- Clarifications about the circumstances in which portfolio managers can receive research from third parties;
- Clarifications under which circumstances inducements meet the quality enhancement requirement for the provision of advice;
- Requirements for investment firms manufacturing and/or distributing financial instruments and structured deposits to have product governance arrangements in place in order to assess the robustness of their manufacture and/or distribution;
- Requirements for firms to provide clients with details of all costs and charges related to their investment, including cost aggregations, the timing of disclosure (ex-ante and ex-post); information to non-retail clients; the scope of firms subject to this obligation;
- Information on the cumulative effect of costs on the return;
- Organisational requirements for firms providing investments advice on an independent basis; and
- Specification of powers for ESMA and national regulators with regards to prohibiting or restricting the marketing and distribution of financial instruments.

The TA has been finalised following extensive consultations with stakeholders and will now be sent to the European Commission. ESMA's draft RTS/ITS, already previously consulted upon, are open for public comment until 2 March 2015.

3.3 Other updates

Consultation Conclusions on the Proposed Amendments to the Professional Investor Regime and Further Consultation on the Client Agreement Requirements³³

Hong Kong, 25 Sep 2014

HK SFC has published its conclusions on the consultation on Proposed Amendments to the Professional Investor Regime and Client Agreement Requirements which ended on 14 August 2013, and further comments were invited on the following:

- a) possible reforms to the existing professional investor regime for private placement¹ activities;
- b) proposed amendments to intermediaries' conduct regulation under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code) which include (i) dis-applying all the existing exemptions available to intermediaries when serving Individual Professional Investors² under the Code; (ii) treating Corporate Professional Investors³ that are investment vehicles wholly owned by Individual Professional Investors and by family trusts the same as individuals; and (iii) refining the existing "knowledge and experience" assessment for Corporate Professional Investors;

- c) possible reforms on the Suitability Requirement⁴; and
- d) proposed amendments to the client agreement requirements under the Code which require client agreements (i) to incorporate the Suitability Requirement as a contractual term; (ii) to accurately and clearly set out the actual services to be provided to the client; and (iii) not to contain any terms which are inconsistent with the Code

The latest consultation closed on 24 Dec 2014.

IOSCO consultation on cross-border regulatory tools and challenges³⁴

Spain, 25 Nov 2014

IOSCO has published a report from its Task Force on Cross-Border regulation, describing three cross-border regulatory tools that have been used, or are under consideration to help address the challenges faced by IOSCO in protecting investors, maintaining market quality, and reducing systemic risk.

The tools provide the basis for developing a cross-border regulatory toolkit and common terminology describing potential options for IOSCO members to consult when considering cross-border regulations. They can be broadly classified into three main types: National Treatment, Recognition, and Passporting.

³³ HK SFC, Consultation Conclusions on the Proposed Amendments to the Professional Investor Regime and Further Consultation on the Client Agreement Requirements

³⁴ IOSCO, "IOSCO consults on cross-border regulation."

The report also includes a detailed discussion of the key challenges and experiences faced by regulators in implementing cross-border securities regulations, including how national rules apply to global financial markets and interact with foreign rules and international standards. IOSCO is also consulting to gather further views on experiences and understanding in connection with the use of the cross-border regulatory tools and on other cross-border issues. The consultation will close on 23 Feb 2015.

IOSCO, CPMI assessment methodology for oversight expectations for critical service providers³⁵

Global, 23 Dec 2014

CPMI and IOSCO have published the Assessment methodology for the oversight expectations applicable to critical service providers. The Principles for financial market infrastructures, published in April 2012, include an annex on the oversight expectations applicable to critical service providers (Annex F). The operational reliability of a financial market infrastructure (FMI) may be dependent on the continuous and adequate functioning of third-party service providers that are critical to an FMI's operations, such as information technology and messaging providers. Although an FMI remains ultimately responsible for its operational reliability, a regulator, supervisor or overseer of an FMI may use Annex F to establish

expectations specifically targeted at critical service providers.

The published final document establishes an assessment methodology and provides guidance for authorities in assessing an FMI's critical service providers against the oversight expectations set out in Annex F. This assessment methodology also provides guidance to critical service providers in complying with the oversight expectations.

HKIFA survey on Shanghai-Hong Kong Stock Connect scheme³⁶

Hong Kong, 6 Jan 2015

A survey conducted by HKIFA in Nov-Dec 2014 on the Shanghai-Hong Kong Stock Connect ('SC') scheme launched on 17 Nov 2014 has found that the scheme is still not popular with international investors.

Only 13 member firms (31% of the 41 responding firms) have invested through SC, and the usage has not been extensive - primarily limited to HK-domiciled funds, unauthorised funds, own accounts or other institutional mandates.

Although the remaining firms have expressed interest in using the SC scheme in the near future, many of them have also indicated that there are key technical and legal issues that have to be resolved; and this is particularly pertinent for UCITs (in terms of NAV, about 88% of HKSFC authorized funds are UCITs).

35 IOSCO, "CPMI and IOSCO issue an assessment methodology for the oversight expectations applicable to critical service providers."

36 HKIFA, "HKIFA very positive about the potential of Stock Connect."

The top three issues identified are beneficial ownership (with 85% of the respondents citing this as amongst the top three that has to be addressed); pre-trade checking (cited by 65% of the respondents) as well as the disclosure of interest (“DOI”) and the short swing profits rule (“SSPR”) – 38% flag these two issues. Two other areas that have also been cited are the uncertainty about the availability of quotas and tax.

Mr Bruno Lee, Chairman of HKIFA said, “SC is of huge strategic significance both on a macro and micro level. It is a key milestone in the mainland’s capital account opening process and Rmb internationalisation. The international investment management community attaches huge importance to this scheme.”

Commenting on northbound flows, Mr Lee said, “the survey findings indicate that the level of flows on day one does not fully reflect the latent demand. Due to a number of legal and technical issues, many traditional long-only managers which are keen to make use of this channel for authorized and other regulated funds, pension mandates and other institutional mandates have not been able to leverage on it.

“However, as the issues are resolved steadfastly, we are confident that the level of usage will be able to enjoy steady and robust growth.”



4. Insurance

EIOPA announces its Work Programme for 2015³⁷

Europe, 5 Nov 2014

EIOPA has released its work programme 2015. The work programme was the outcome of EIOPA's annual planning round, a series of exercises designed to establish where the greatest need for EIOPA's work lay, and where it should focus its resources. The exercise for 2015 commenced with a restructuring of EIOPA's strategic goals, aimed at improving the functioning of the internal market by ensuring a high, effective and consistent level of regulation and supervision in the EU.

Further EIOPA consultations Solvency II and RTS on recovery plan, finance scheme and supervisory powers in deteriorating financial condition³⁸

Europe, 2 Dec 2014

EIOPA has published 16 public consultations on the second set of draft ITS and Guidelines required under Solvency II, covering aspects of all the Solvency II pillars. The consultations on the second set of draft ITS and Guidelines will close on 2 Mar 2015. EIOPA has also published a separate consultation - Regulatory Technical Standards on recovery plan, finance scheme and supervisory powers in deteriorating financial conditions, which will close on 18 Feb 2015.

Indonesia plans to create an insurance scheme to guarantee Islamic bank deposits³⁹

Indonesia, 3 Dec 2014

The Indonesian Deposit Insurance Corporation, or Lembaga Penjamin Simpanan (LPS) as it is known locally has plans to create a scheme to guarantee Islamic bank deposits, as the lack of Islamic deposit insurance has been a longstanding problem in the industry, with the situation set to aggravate pending the introduction of Basel III regulatory standards. Under Basel III, bank deposits must be protected by an insurance scheme to be deemed stable, but all bank deposits are guaranteed by LPS under a single fund. Ronald Rulindo, LPS head of Sharia and Risk Management division, said that work on the deposit insurance scheme would start in 2015 with the separation of funds to take place in 2016.

EIOPA report on first set of guidelines for Solvency II⁴⁰

Europe, 3 Dec 2014

EIOPA has published Final Reports on the public consultation related to the first set of the draft Guidelines for Solvency II.

These Guidelines complement the first set of Implementing Technical Standards, in particular with respect to Pillar I. They cover different Solvency II areas: own funds; the standard formula SCR; technical provisions; group solvency; internal models; ORSA and governance; supervisory review process; equivalence.

37 EIOPA, EIOPA's Work Programme 2015

38 EIOPA, "Public consultation on the Set 2 of the Solvency II Implementing Technical Standards (ITS) and Guidelines."

39 Reuters, Indonesia plans Islamic repo rules, separate deposit insurance

40 EIOPA, "EIOPA publishes the outcome of the public consultation related to the first set of the draft Guidelines for Solvency II."

EIOPA intends to issue the Guidelines in all the official EU languages in the first quarter of 2015. National Competent Authorities will then need to confirm to EIOPA within 2 months their compliance or intention to comply with the Guidelines.

APRA final version of risk management standard⁴¹

Australia, 4 Dec 2014

APRA has released the final version of its new risk management standard, and associated guidance, after consulting extensively over 2013 and 2014 on both the risk management standard and prudential practice guide. The new requirements are applicable to authorised deposit-taking institutions (ADIs), general insurers and life companies, and authorised non-operating holding companies (authorised NOHCs), and take effect from 1 Jan 2015.

APRA Chairman Wayne Byres said the new standard harmonises risk management requirements across the banking and insurance industries, bringing together a range of risk management requirements into a single standard.

IAIS consultation on risk-based, global insurance capital standard⁴²

Global, 17 Dec 2014

IAIS has begun its first consultation to help guide development of its risk-based, global insurance capital standard (ICS). This is the first of three planned public consultations on the ICS and is open until 16 Feb 2015. The purpose of the consultation is to solicit feedback on elements of the proposed

ICS such as valuation, qualifying capital resources, and the development of a standard method for determining the ICS capital requirement.

China to introduce deposit insurance⁴³

China, 30 Nov 2014

China has decided to implement a deposit insurance scheme, in a move that it says will better protect savers and free up interest rates. A set of draft regulations containing 23 articles was published on the website of the Legislative Affairs' Office of China's state council, and the consultation closed on 30 Dec 2014. With the new scheme, financial institutions will be required to pay insurance premiums to a special fund, and an agency will be set up to manage this money, although domestic banks' overseas branches and local branches of overseas banks are exempt from this requirement.

The fund will compensate a maximum of 500,000 yuan (USD 81,500) per depositor in the event of a bank's insolvency or bankruptcy, but banks will be required to cover losses of more than 500,000 yuan with their own assets. Detailed rules will also be released by the new agency to guide banks on how to manage the fund and set insurance premium rates based on the risk level of their businesses.

41 APRA, "APRA releases final prudential standard and prudential practice guide on risk management."

42 IAIS, "Risk-based global insurance capital standard."

43 Xinhua, China to introduce deposit insurance

5. Asset Management

Supervisory approach on Chinese Financial Asset Management companies⁴⁴

China, 28 Nov 2014

The Chinese Banking Regulatory Commission, along with four other ministries, has jointly released a supervisory approach on Chinese asset management companies, which will take effect in Jan 2015. The new measures have set out ground rules for the integrated operation, supervision and control of asset management groups under the regulatory framework.

The new measures will require asset management companies to control the number of layers in the group structure, and also the number of their subsidiaries, in accordance with the principles of maintaining a “compliant, lean and efficient” operation.

⁴⁴ CBRC, “Supervisory approach on Chinese Financial Asset management companies.”

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8. Glossary

ABS	Association of Banks in Singapore
ACGA	Asian Corporate Governance Association
ACGS	ASEAN Corporate Governance Scorecard
ADI	Authorised deposit-taking Institutions
AEOI	Automatic Exchange of Information
AI	Authorised Institutions
AIFMD	Alternative Investment Fund Manager's Directive
AML	Anti-Money Laundering
AML/CTF	Anti-Money Laundering/Counter-Terrorism Financing
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATS	Alternative Trading Systems
BCBS	Basel Committee on Banking Supervision
BIR	Bureau of Internal Revenue
BIS	Bank for International Settlements
BNM	Bank Negara Malaysia
BSP	Bangko Sentral ng Pilipinas
CCP	Central Clearing Party
CDD	Customer Due Diligence
CET 1	Common Equity Tier 1
CIS	Collective Investment Schemes
CMDTF	Capital Markets Development Taskforce
CPSS	Committee on Payment and Settlement Systems
CRDIV	Capital Requirements Directive IV
CROs	Chief Risk Officers
CVA	Credit Valuation Adjustment
DDP	Designated Depository Participants
DIM	Dim Sum Bonds
DNC	Do Not Call
EBA	European Banking Authority
EC	European Commission
EDP	Excessive Deficit Procedure
EIBOR	Emirates Interbank Offered Rate
EMC	Emerging Markets Committee
EMIR	European Market Infrastructure Regulation
EOI	Exchange of Tax Information
ESMA	European Securities and Markets Authority
EU	European Union
FA	Financial Advisor
FAIR	Financial Advisory Industry Review
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FBOs	Foreign Banking Organizations
FCA	Financial Conduct Authority
FDI	Foreign Direct Investment
FDIC	Federal Deposit Insurance Corporation
FII	Foreign Institutional Investor
FinCen	Financial Crimes Enforcement Network
FINRA	Financial Industry Regulatory Authority
FIs	Financial Institutions
FMA	Financial Markets Authority
FMCB	Financial Markets Conduct Bill
FMIs	Financial Market Infrastructures
FPC	Financial Policy Committee
FPI	Foreign Portfolio Investor
FSA	Financial Services Authority
FSB	Financial Stability Board

FSTB	Financial Services and Treasury Bureau
FTT	Foreign Transaction Tax
GSEs	Government-Sponsored Enterprise
HFT	High Frequency Trades
HMRC	HM Revenue & Customs
HQA	High Quality Assets
ICBC	Industrial and Commercial Bank of China
ICD	Institute of Corporate Directors
IIF	Institute of International Finance
IDB	Inter-Dealer Broker
IFSB	Islamic Financial Services Board
IGA	Inter-Governmental Agreements
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IRS	Internal Revenue Service
IRDA	Insurance Regulatory and Development Authority
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standards
JFSA	Japan Financial Services Authority
KRX	Korea Exchange
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
LDP	Low-Default Portfolios
LFTR	Licensed Foreign Trade Repository
LIBOR	London Interbank Offered Rate
LTR	Licensed Trade Repository
MAS	Monetary Authority of Singapore
MiFID II/ MiFIR	Markets in Financial Instrument Directive
MMF	Money Market Funds
MOU	Memorandum of Understanding
NAV	Net Asset Value
NFC	Non-Financial Company
NFFE	National Federation of Federal Employees
NFSP	Non-Financial specified person
NOFHC	Non-Operative Financial Holding Company
OECD	Organisation for Economic Co-operation and Development
OFT	Office of Fair Trading
OTC	Over-the-Counter
OTF	Organised Trading Facility
PBC	People's Bank of China
PDPA	Personal Data Protection Act
PDPC	Personal Data Protection Commission
PEPs	Politically Exposed Persons
PLC	Public Listed Company
POS	Point of Sale
PRA	Prudential Regulatory Authority
QFI	Qualified Foreign Investor
RBI	Reserve Bank of India
RFMC	Regime for Fund Management Companies
RMB	Renminbi
RWAs	Risk Weighted Assets
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEHK	Hong Kong Exchanges and Clearing Limited
SFC	Securities & Futures Commission of Hong Kong
SFTs	Securities Financing Transactions
SGX	Singapore Stock Exchange
SIDD	Separately Identifiable Department or Division
TRC	Tax Residency Certificate
TRM	Technology Risk Management
UK	United Kingdom
UN	United Nations
US	United States
WFE	World Federation Exchange
WMS	Wealth Management Services

