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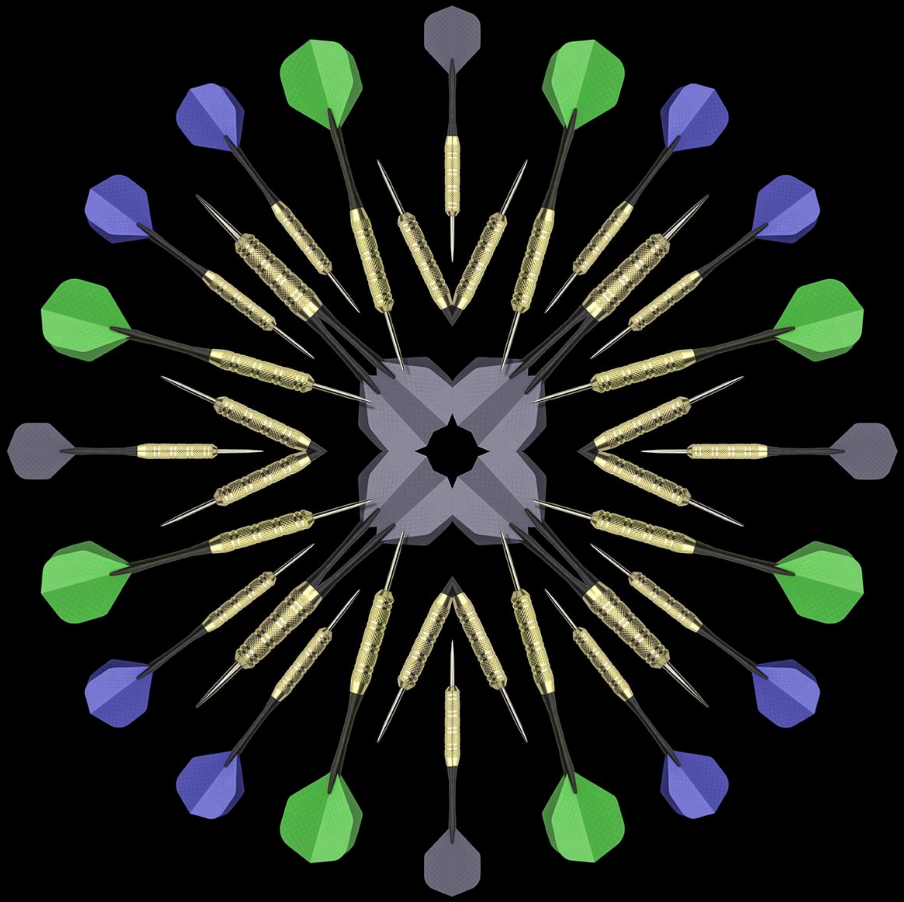


Asia Pacific Financial Services Regulatory Update

Q4 2021

December 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 our region for Q4 2021.

COVID-19 in a new phase: Incremental COVID-19 impacts have started to fade as infections from the Delta variant gradually come under control, even in the severely affected jurisdictions such as Thailand and Indonesia. Though regulators are still cautious about the next wave of new cases, the number of pandemic-related measures is relatively small in this quarter. Rather, regulators' attention has now shifted to the "back to normal" topics such as Basel III implementation and financial supervisory frameworks.

New threats to the financial systems came arise as the Omicron variant, in a much faster pace, began to spread. Particularly, emerging economies with lower vaccination rates could be more vulnerable to the new wave. Effectively, the new variant could have a backspin on the resumption of economic and social activities. Furthermore, outlook for the U.S. monetary policy for interest rate hikes may cause devaluation of the emerging currencies.

We believe the regulatory/monetary/fiscal policies in Asia Pacific (AP) have remained on their way to normalization in Q4, however there are still uncertainties lying ahead.

Climate and sustainability: Climate risk has been a focus area with increasing importance in AP. UK/EU regulators are leading key topic areas such as climate and social taxonomies. UK regulators indicated in Q4 their intention of potentially setting capital requirements on climate risk.

In AP, the majority of jurisdictions are prone to natural disasters (Typhoon, earthquake, and floods), while their economies rely heavily on natural resources. On the other hand, a range of fragmented regulatory frameworks are being formed across the AP region. To address regulatory fragmentation, Association of Southeast Asian Nations (ASEAN) proposed an initiative to establish a common climate taxonomy for member states that reflects the unique geographical and social characteristics of the region.

Technology and data: Data protection is another focus area of regulators, reflecting governments' stances to ensure national security against the backdrop of geopolitical developments within and outside of AP. In 2021, several personal data protection rules have come into effect, for example in China and India. Governments are also keen to protect intellectual property rights and enhance cybersecurity.

In the meantime, governments are utilising new technology and data to empower economic growth. A number of AP jurisdictions, such as Singapore and Hong Kong SAR, have put forward initiatives to promote fintech or non-bank payment systems. Financial supervisors are now required to cover a wider scope of financial industries, including digital payments, digital currencies, and non-bank financial intermediaries. AP regulations, as well as those of other global regions, are expected to modernise their supervisory frameworks to stay aligned with the evolving financial business landscape.

In 2022, we expect that the economic recovery will be stabilised, and that regulators and the FS firms will have more time to take the "new-normal" into consideration for the financial system. The financial sector will need to bear more social and environmental responsibilities, as the clock is ticking toward 2030, the target deadline for emission reduction committed by many nations. FS firms will play an important role in the green transition, through providing financing, bond arrangements, and other financial schemes. It may be challenging to achieve those targets with entirely market-based tools such as carbon-taxes, therefore policymakers will need to utilise their institutional or supervisory powers to prompt market participants' commitments to concrete plans and actions. FS firms will be key actors, in collaboration with regulators, to incentivise the agents and monetise de-carbonisation for the coming decades.

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

Financial Products, Instruments & Services
17
Updates

Data & Technology
8
Updates

Supervisory Approach
12
Updates

Operational & Conduct Risk
10
Updates

Climate & Sustainability
8
Updates

Financial Market Infrastructure
8
Updates

Taxonomy

1. COVID-19 Measures
2. Governance & Strategic / Reputational Risk
3. Financial Risk
4. Operational & Conduct Risk
5. Financial Crime
6. Consumer Protection
7. Data & Technology
8. Financial Products, Instruments & Services
9. Financial Market Infrastructure
10. Systemic / Currency Stability
11. Enforcement
12. Supervisory Approach
13. Climate & Sustainability

Australia (1/2)

1 APRA Finalises New Bank Capital Framework Designed to Strengthen Financial System Resilience

After four years of consultation, on 29 November 2021, the Australian Prudential Regulation Authority (APRA) finalised its new bank capital framework, designed to embed 'unquestionably strong' levels of capital and align Australian standards with the internationally agreed Basel III requirements.

The new framework comes into effect from 1 January 2023, and is designed to:

- **Increase flexibility**, through larger capital buffers that can be used by banks to support lending during periods of stress;
- **Enhance risk sensitivity**, including through a reduction in capital requirements for lower-risk residential mortgages and small business lending, and an increase for higher-risk mortgages;
- **Support competition,** building in safeguards to ensure that capital requirements for advanced banks that use internal models do not become excessively low, relative to standardised banks that use APRA-prescribed risk weights**;**
- **Improve transparency**, by increasing the alignment of APRA's standards with the international Basel framework, and making it easier to compare capital strength across advanced and standardised banks through better disclosures; and
- **Increase proportionality**, through the introduction of simplified capital requirements for smaller, less complex banks relative to larger, significant financial institutions.

To help regulated institutions understand the new capital framework and the regulatory standards that will apply, APRA has released the following information paper outlining the objectives of the framework and its key features:
APRA Information Paper: An Unquestionably Strong Framework for Bank Capital

Alongside the new framework, APRA also published the following updated prudential standards for capital adequacy and credit risk capital:

APS 110: Capital Adequacy;

APS 112: Capital Adequacy (Standardised Approach to Credit Risk); and

APS 113: Capital Adequacy (Internal Ratings-based Approach to Credit Risk)

Draft guidance to support the new prudential standards within the capital framework have also been released for consultation, with written submissions requested by 11 March 2022:

Draft PPG – APG 110: Capital Adequacy;

Draft PPG – APG 112: Capital Adequacy (Standardised Approach to Credit Risk); and

Draft PPG – APG 113: Capital Adequacy (Internal Ratings-based Approach to Credit Risk)

2 Guidance Released on Managing the Financial Risks of Climate Change

On 26 November 2021, APRA released its final prudential practice guide on climate change financial risks which is designed to assist banks, insurers and superannuation trustees to manage the financial risks of climate change. CPG 229 imposes no new regulatory requirements or obligations but will instead assist APRA-regulated entities to manage climate-related risks.

The objective of the guide is to help APRA regulated institutions:

- Understand the risks and opportunities that may arise from a changing climate;
- Ensure investment, lending and underwriting decisions are well-informed; and
- Implement proportionate governance, risk management, scenario analysis and disclosure practices.

The guide also outlines APRA's view of what constitutes 'better practice in the management of climate change financial risks', which include (but are not limited to):

- Having processes in place to identify and measure risks, including high exposure sectors, to understand the potential impact of climate change on business and operating models;
- Monitoring risks through regularly updated metrics, both qualitative and quantitative;
- Using scenario analysis to inform understanding of long-term risks and opportunities;
- Develop and evidence plans to manage climate related risks through mitigation plans, developed through engaging customers and counterparties;
- Evidence the management of climate risks within its written risk management policies, regularly report relevant information to the board and senior management, and consider external market disclosures.

APRA Media Release - New Prudential Guidance on managing climate change financial risks
APRA Prudential Practice Guide - CPG 229: Climate Change Financial Risk

3 Final Report Released on 'Australia as a Technology Centre'

In October 2021, the Australian Government's Senate Select Committee on Australia as a Technology and Financial Centre ("Senate Select Committee") released its final report, focused on key areas affecting the competitiveness of Australia's technology, finance and digital asset industries, namely:

- The regulation of cryptocurrencies and digital asset industries;
- Issues relating to 'de-banking' of Australian fintechs and other companies;
- The policy environment for neobanks in Australia; and
- Options to replace the Offshore Banking Unit regime.

The Senate Select Committee made 12 recommendations, focused on updating Australia's regulatory frameworks, driving innovation and enhancing competitiveness.

Final Report: Australia as a Technology and Financial Centre

Australia (2/2)

4 Improving Cyber Resilience Across Australia

APRA

On 23 November 2021, APRA released a short report outlining the results of their recently completed pilot initiatives outlined in their 2020-2024 Cyber Security Strategy:

- A data collection initiative focused on technology resilience; and
- An independent assessment of a pilot set of entities' compliance with CPS 234, APRA's information security prudential standard.

APRA noted that the results and insights gained from the two pilots (in addition to ongoing supervisory activities) reinforce APRA's existing view that boards need to strengthen their ability to oversee cyber resilience. Ultimately, APRA expects boards to have the same level of confidence in reviewing and challenging information security issues as they do when governing other business issues. In APRA's view, boards need to play a more active role in:

- Reviewing and challenging information reported by management on cyber resilience;
- Ensuring their entities can recover from high-impact cyber-attacks; and
- Ensuring information security controls are effective across the supply chain.

A summary of APRA's insights and expectations with respect to information security and enhancing cyber resilience throughout the financial sector can be viewed below:

APRA Insight Newsletter - Improving cyber resilience: the role boards have to play

ASIC

On 6 December 2021, the Australian Securities & Investments Commission (ASIC) published its 2020-21 report on cyber resilience of firms operating in Australia's financial markets. Overall, results from ASIC's review found that whilst management of cybersecurity risk was steadily improving overall, there was still opportunity for improvement across the entire sector. Unsurprisingly, the COVID-19 pandemic had a detrimental impact on planning improvements and investment and planned expenditure was reprioritised to address and mitigate other emerging cyber risks.

A summary of ASIC's key findings and insights can be viewed below:

ASIC Report - Cyber resilience of firms in Australia's financial markets: 2020–21

5 ASIC Releases Guidance on Crypto-Asset Related Investment Products

On 29 October 2021, ASIC released information for product issuers and market operators on how they meet their regulator obligations regarding crypto-asset exchange traded products (ETPs).

The information covers good practices for market operators in how they admit and supervise these products, and good practices for product issuers in how they establish and operate these products. Key matters covered by ASIC's good-practice guide include admission and monitoring standards, custody of crypto-assets, pricing methodologies, disclosure and risk management.

Media Release - ASIC releases guidance on crypto-asset related investment products
ASIC Information Sheet 225: Crypto-assets
ASIC Information Sheet 230: Exchange traded products – Admission guidelines

6 APRA Consultation to Strengthen Crisis Preparedness Across Banking, Insurance and Superannuation

On 2 December 2021, APRA commenced a five-month consultation on new prudential standards to strengthen the preparedness of banks, insurers and superannuation trustees to respond to future financial crises. Written submissions are requested by 29 April 2022.

Two new prudential standards are proposed, and are aimed at ensuring entities are prepared to deal with threats to their viability, thereby reducing the risk of negative consequences resulting from failure:

- **CPS 190: Financial Contingency Planning** (CPS 190) would ensure all APRA-regulated entities have plans for responding to severe financial stress; and
- **CPS 900: Resolution Planning** (CPS 900) would require large or complex APRA-regulated entities to take pre-emptive actions to minimise adverse impacts in the event of failure, including ensuring that critical financial services can continue to be provided with minimal disruption.

The new prudential standards are proposed to come into effect from 1 January 2024 for banks and insurers, with CPS 190 commencing one year later (on 1 January 2025) for superannuation trustees.

Media Release - APRA moves to strengthen crisis preparedness
APRA Discussion Paper and Draft Prudential Standards for Consultation

China Mainland (1/3)

1 Updates on Insurance Regulation

1. Measures on Insurance Group Companies

To enhance operational risk prevention and ensure the healthy development of the insurance sector, the China Banking and Insurance Regulatory Commission (CBRIC) amended administrative measures on insurance group companies. The amended measures come into effect starting on 30 November 2021. Key measures include:

- **Strengthening governance:** Requires insurance group companies to enhance ownership and responsibility of governance of the entire group.
- **Strengthening risk management:** Requires insurance group companies to integrate group risk management resources and establish a comprehensive risk management system.
- **Non-insurance subsidiaries**: Enhances regulations and clarifies the scope and conditions for insurance groups to invest in non-insurance subsidiaries. Enhances requirements on areas including internal control, prohibited conducts, outsourcing management, information reporting, etc.
- **Group-wide Supervision:** Comprehensively enhances requirements on group-wide supervision, emphasises the fundamental role of controls in consolidated supervision, balanced by risk sensitivity. Clarifies the scope of consolidated supervision, as well as enhances requirements on information disclosure, crisis management, etc.

CBIRC Issues the Rules on Insurance Group Companies

2. Measures on Accident Insurance Supervision

On 13 October 2021, the CBIRC released Supervisory Measures on Accident Insurance Business to facilitate the structural reform on the supply side of China's insurance sector.

The Measures addresses existing issues in the accident insurance market, including low payout ratios, excessive commissions, and misconduct in sales. The Measures laid out requirements on areas including actuarial development and pricing, information disclosure, sales management, policy terms, etc. The Measures will be effective starting from 1 January 2022. All new products submitted for approval or filing must follow the new measures after the publication of the Measures.

CBIRC Issues the Rules on Accident Insurance Business

1 Updates on Insurance Regulation (Continued)

3. Notice on Measures on Opening Up Insurance Intermediary Market

On 17 December 2021, the CBIRC released a set of measures on the opening up of the insurance intermediary market. The measures aim to relax conditions for foreign-funded insurance intermediary institutions. The key measures include:

- Significantly relaxes restrictions on market entrance for foreign insurance brokerages, eliminating requirements such as total assets etc.
- Lowers market entry barriers for foreign-funded insurance intermediaries.
- Simplifies administrative approval process for foreign intermediaries.

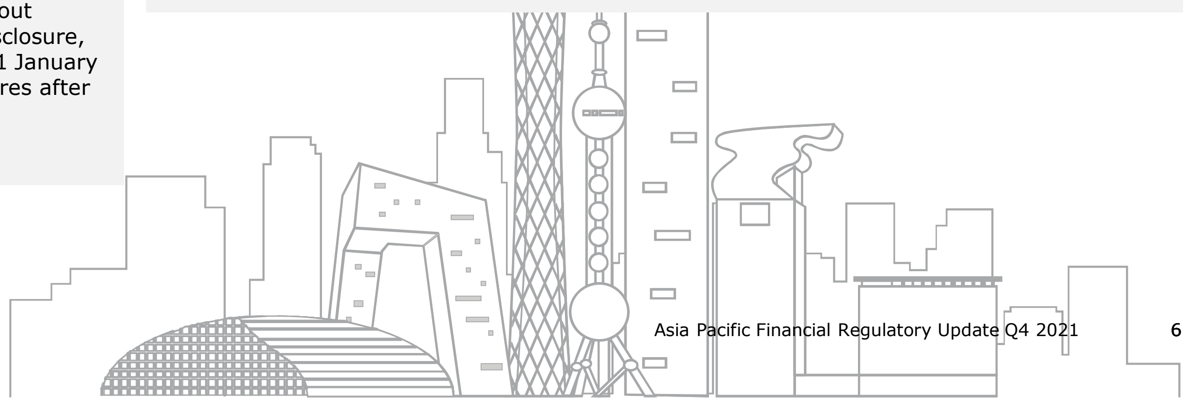
CBIRC Issues Notice on Measures on Opening Up Insurance Intermediary Market

4. 2021 Solvency Aligned Risk Management Requirements and Assessment (SARMRA) on Insurers

On 28 December 2021, the CBIRC concluded the 2021 SARMRA on 43 insurers. The SARMRA exercise is both an important Pillar 2 component, and an essential element for calculating the solvency ratio under Pillar 1 of the C-ROSS framework.

Results from the 2021 SARMRA review show an enhancement of risk management from insurers. The 43 insurers assessed scored an average of 74.03 points, 2.11 points up from the previous SARMRA review. Issues identified from the review include: lack of attention on risk management from some of the board and senior management members; lack of implementation enforcement of the risk management frameworks; weak abilities to utilise risk management tools, etc.

CBIRC Concludes the 2021 SARMRA on Insurers



China Mainland (2/3)

2 Supervision of Domestic Systematically Important Banks

In October 2021, the People's Bank of China (PBOC) and the CBRIC jointly released the list of Domestic Systematically Important Banks (D-SIBs) and published additional regulations for systematically important banks. The additional provision has been effective from 1 December 2021. The key provisions provide more clarity on the following requirements:

1. **Additional regulatory measures:** Measures including additional capital, additional leverage ratio, etc.
2. **Recovery and resolution planning:** SIBs are required to formulate and submit group-level recovery plans and disposal plan proposals to the PBOC-led crisis management group.
3. **Prudential supervision requirements**: Requirements including information reporting and disclosure, risk data summation and risk reporting, corporate governance, etc.

PBC and CBIRC Release the List of Domestic Systematically Important Banks
PBC and CBIRC Issue the Additional Regulatory Provisions on Systemically Important Banks (Provisional)

3 Regulatory System of Listed Companies

On 26 November 2021, the China Securities Regulatory Commission (CSRC) published a public consultation on practices to integrate regulatory frameworks on listed companies. Key areas of focus include the following:

1. Merge regulations on the same regulatory matters;
2. Amend rules that are repetitive, outdated, or incompatible with current market practice, and harmonise the language used across regulations;
3. Enhance formation of rules according to best practices.
4. Abolish previously published temporary provisions, stage arrangements, and regulations contradicting the current versions.

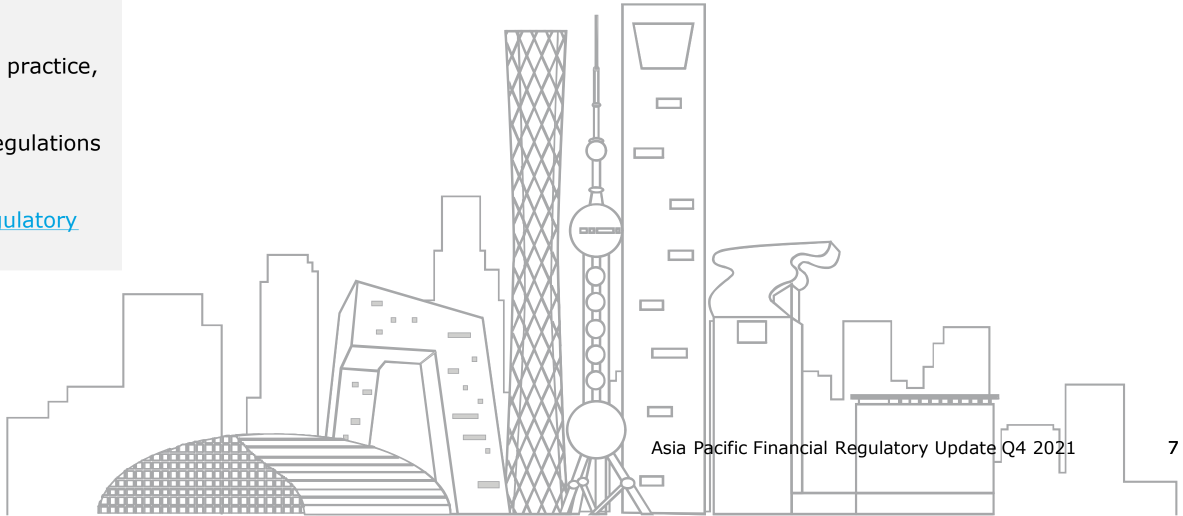
CSCR solicits public opinions on relevant rules involved in the integration of the regulatory system of listed companies

4 Supervisory Measures on Conduct of Major Bank and Insurance Shareholders

On 14 October 2021, the CBICR released Supervisory Measures on Conduct of Major Bank and Insurance Shareholders. Key items addressed in the Measures are:

1. Specifying the legal basis of the Measures, applicable objects and the criteria for identifying major shareholders;
2. Regulating the behavior of major shareholders, prohibiting major shareholders from improper interference with the normal operation of banking and insurance institutions;
3. Strengthening the responsibility and obligation of major shareholders by requiring them to study and understand the regulatory regulations and policies;
4. Harmonising regulatory standards for banks and insurance institutions; and
5. Emphasising responsibilities of banks and insurance institutions. Encouraging banks and insurers to produce a list of responsibilities and misconduct for major shareholders and ensure accountability of major shareholders.

Supervisory Measures on Conduct of Major Shareholders



China Mainland (3/3)

5 Carbon Emission Reduction Facility

In November 2021, PBOC launched the carbon emission reduction facility (CERF) to pursuit carbon peaking and carbon neutrality goals. The PBOC stressed the importance of facilitating and encouraging the green transition. Financial institutions will be offered low-cost funds and guidance to extend the carbon extension rate at rates close to the loan prime rate (LPR).

Under the facility, financial institutions are required to disclose information on carbon emission lending. The amount of reduction supported by such lending, the disclosed information will be verified by third-party professional institutions and subject to public scrutiny.

The People’s Bank of China Launches the Carbon Emission Reduction Facility

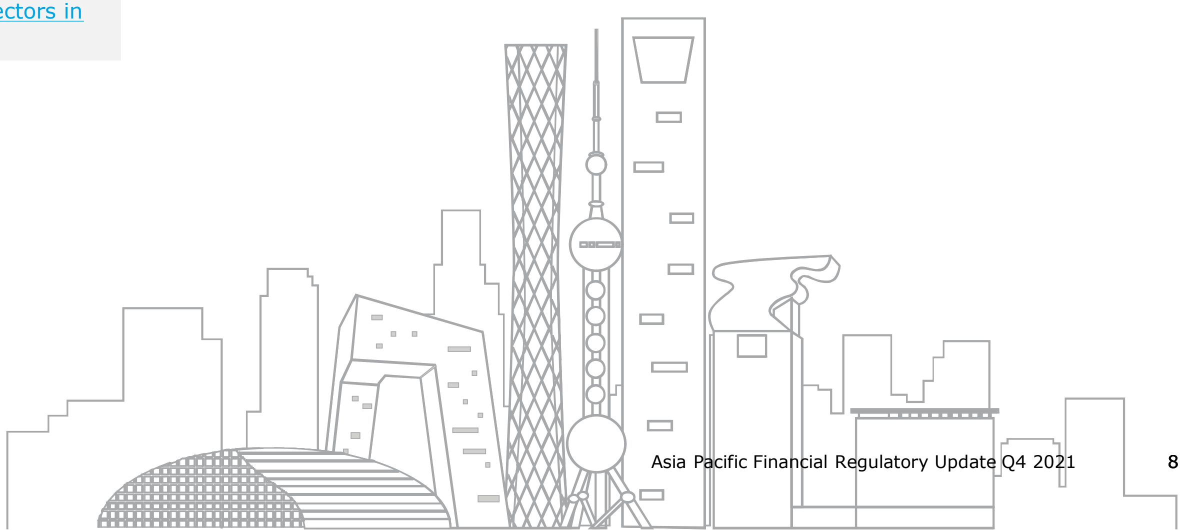
6 Lessons Learned From the COVID-19 Pandemic

On 27 December 2021, the CBIRC published a report summarising lessons learned from the COVID-19 pandemic for banking and insurance sectors. The report presented best practices and experience in seven chapters, including: COVID-19 response measures by CBIRC; ensuring operational resilience of banks and insurers; providing finance support to production resumption; prioritising SMEs in resource allocation; protecting legal rights of consumers; and lessons learned from combatting the pandemic.

CBIRC Releases the Practices and Experiences of China’s Banking and Insurance Sectors in Fighting COVID-19

Key Market Events

On 17 December 2021, the CSCR released a consultation paper to solicit public opinions on provisions on interconnection mechanism between stock markets in Mainland and Hong Kong, including amendments on the scope round-trips and qualified investors. Mainland investors will no longer be able to trade through SH-HK stock connect, a one-year transition period will be given for mainland investors to trade their A-shares.



Hong Kong SAR (1/2)

1 Code of Banking Practice

In December, the Hong Kong Association of Banks (HKAB) and the DTC Association (DTCA) issued the revised Code of Banking Practice, endorsed by the Hong Kong Monetary Authority (HKMA).

The HKMA continues to support the digitalisation of banking services and emphasises the importance for banks to ensure proper customer protection in the digital environment. Chief Executive of the HKMA- Mr. Eddie Yue noted that as "all banks go fintech" becomes a key part HKMA's "Fintech 2025", the timely enhancement of the code enables better align customer protection with fintech developments.

The key enhancement of the code includes the following:
1. Enhancing customer experience and protection in digital banking services
2. Strengthening protection and transparency of banking services
3. Further promoting financial inclusion

The revised code has become effective starting from 10 December 2021. Authorised institutions (AIs) are expected to achieve full compliance with the new provisions within 6 months of the effective date.

Enhancements to the Code of Banking Practice
Code of Banking Practice - December 2021

2 Report on Operational Resilience and Remote Working Arrangements

On 4 October 2021, the Securities and Future Commission (SFC) published a report to set out regulatory standards for operational resilience and remote working arrangements.

Ms. Julia Leung, the SFC's Deputy Chief Executive Officer and Executive Director of Intermediaries noted that, as the hybrid working arrangement becomes the new norm, firms must be vigilant regarding the associated risks, especially cybersecurity risks. The report analyses the possible risks, as well as measures for intermediaries to manage and review their business continuity strategies and operational resilience policies.

SFC sets out standards for operational resilience and remote working arrangements
Report on Operational Resilience and Remote Working Arrangements

3 Continued Focus on Fintech Development

Following the announcement of the Fintech 2025 strategy in June, the HKMA is continuing to strengthen Hong Kong's fintech capabilities. Key developments include:

1. **Anti-Money Laundering Regtech Lab (AMLab) series:** On 5 November 2021, the AMLab series was launched by the HKMA in collaboration with Cyberport, and supported by Deloitte. The AMLab series aims to strengthen banks' capabilities to protect customers from fraud and financial crime losses, as well as encourage regtech adoption. (Read more here)

2. **Cross-boundary Fintech cooperation:** The HKMA and PBOC jointly announced on 21 October 2021, the signing of the "Memorandum of Understanding on Fintech Innovation Supervisory Cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA)". Under the MoU, the HKMA links up with the PBOC fintech innovation regulatory facility to provide a platform to conduct pilot trials of cross-boundary fintech initiatives for FIs. (Read more here)

3. **Data:** The Proof-of-Concept study on the technical feasibility of the Commercial Data Interchange (CDI) is completed and has entered the pilot launch stage. According to the HKMA, CDI is a "next-generation financial data infrastructure that aims to enable more efficient financial intermediation in the banking system and enhance financial inclusion in Hong Kong". It is expected to officially launch by the end of 2022. (Read more here)

4. **Talent Development:** The HKMA introduced the Industry Project Masters Network (IPMN); a mentorship network that offers opportunities to Hong Kong fintech major postgraduate students to gain experience, supervised by industry professionals. (Read more here)

Hong Kong FinTech Week 2021

4 Designation of D-SIBs

On 24 December 2021, the HKMA released the updated list of D-SIBs after completion of the annual assessment. Effective from 1 January 2022, the total number of D-SIBs will decrease from six to five. No amendments are made to the higher loss absorbency (HLA) requirements released on 30 December 2020, the HLA requirements applicable remain between 1% - 3.5% .

Designation of Domestic Systemically Important Authorized Institutions

Hong Kong SAR (2/2)

5 Sustainability and Climate Change Development

In Q4 2021, the Green and Sustainable Finance Cross-Agency Steering Group continues to support Hong Kong's strategy to become a green finance hub. Key developments are as follows:

1. Climate Action Plan 2050

On 8 October 2021, the Hong Kong SAR government announced Hong Kong's Climate Action Plan 2050, following commitments under the Paris Agreement and climate action plan 2030+. The action plan sets out the vision for "Zero-carbon Emissions · Liveable City · Sustainable Development" and outlines the strategies and targets for combating climate change and achieving carbon neutrality.

Hong Kong Climate Action Plan 2050

2. Green Bond Tokenisation

The HKMA collaborated with the Bank for International Settlement Innovation Hub (BISIH) to develop a prototype digital platform, which will allow safe government bond investment via mobile apps. The prototype digital platform aims with higher transparency and greater access to retail investors. On 4 November 2021, detailed findings are published in the final reports.

BIS Innovation Hub and Hong Kong Monetary Authority conclude first green finance project

3. New Climate Initiative

To align with the Paris agreement commitments, the HKMA announced a partnership with International Finance Corporation (IFC) and an institutional investor to build a global climate-smart investment platform- the Managed Co-Lending Portfolio Program (MCPP) One Planet. The partnership aims to create a global institutional financing mobilisation model to support emerging markets to accelerate their transition to low-carbon economies.

Media Release - IFC and HKMA Embark on New Climate Finance Initiative

6 Updates on Insurance Regulations

1. Regulated activity under Insurance Ordinance

On 12 October 2021, the Hong Kong Insurance Authority (IA) released the Insurance Ordinance "Regulatory Activity" explanatory note. The explanatory note aims at answering enquiries relating the scope of "regulatory activity" involving different types of distribution models. This note also sets out IA's general approaches and hypothetical case studies regarding licensing and related matters.

Explanatory Note on "Regulated Activity" under the Insurance Ordinance (Cap. 41)

2. Insurance Rules Savings and Transitional Arrangements

On 23 November 2021, IA released a notice on savings and transitional arrangements to alleviate impacts of the new Broker Rules that came in force on 23 September 2019. The new transitional arrangement will step up requirements for the previously self-regulated licensed insurance broker. Key requirements includes the following:

- **Share Capital and Net-Assets:** Specified insurance broker companies must increase their paid-up share capital and net assets to an amount of not less than HK$300,000 by 31 December 2021.
- **Audited Financial Statements**: Effective from financial year beginning on or after 1 January 2021, insurance brokerage must comply with the requirements with audited financial statements under rule 8(2) of the Broker Rules.
- **Consequence of Non-compliance with the Broker Rules**: Specific insurance broker must ensure compliance with new requirements by the effective date, failure to do so may lead to penalties including reprimand, pecuniary fine, suspension of license or revocation of license.

Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41L) Savings and Transitional Arrangements

Key Market Events

On 18 October 2021, the HKMA announced the list of Hong Kong banks that are eligible for the Cross-Boundary Wealth Management Connect (WMC) services (Northbound and Southbound participating banks).

India

1 Alternative Investment Fund Regulation

1. Modalities for filing of placement memorandum

On 21 October 2021, the Securities and Exchange Board of India (SEBI) issued a circular to Alternative Investment Funds (AIFs) on filing draft placement memorandum. The Circular states that, at the time of registration, or prior to launch of new scheme on the SEBI intermediary portal, AIFs are required to submit the due diligence certificate provided by the Merchant Banker along with other necessary documents.

Modalities for filing of placement memorandum through a Merchant Banker under SEBI (Alternative Investment Funds) Regulations, 2012

2. Alternative Investment Regulation Amendment

On 9 November 2021, SEBI introduced the fifth amendment to the Alternative Investment Funds Regulations. Key updates to the regulations are:

i. Definition of Co-investment has been inserted: "Co-investment" means investment made by a Manager or Sponsor or investor of Category I and II Alternative Investment Fund(s) in investee companies where such Category I or Category II Alternative Investment Fund(s) make investment which was absent previously;
ii. Category III Alternative Investment Funds shall invest not more than 10% of the NAV in listed equity of an Investee Company and shall invest not more than 10% of the investable funds in securities other than listed equity of an Investee Company; and
iii. The manager shall not provide advisory services to any investor other than the clients of Co-investment Portfolio Manager.

Securities and Exchange Board of India (Alternative Investment Funds) (Fifth Amendment) Regulations, 2021

2 Prompt Corrective Action (PCA) Framework

On 2 November 2021, RBI published the revised Prompt Corrective Action (PCA) Framework for scheduled commercial banks, which will come into effect on 1 January 2022.

The objective of the PCA Framework revision is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner, to restore its financial health. The PCA Framework is also intended to act as a tool for effective market discipline.

Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks

3 Appointment of Internal Ombudsman by Non-Banking Financial Companies

On 15 November 2021, RBI directed Non-Banking Financial Companies (NBFCs) to appoint Internal Ombudsman where:

a) The NBFC is a deposit-taking NBFCs (NBFCs-D) with 10 or more branches.
b) The NBFC is a non-deposit taking NBFCs (NBFCs-ND) with asset size of Rs.5,000 crore and above and having public customer interface.

Appointment of Internal Ombudsman by Non-Banking Financial Companies

4 Mutual Fund Regulation

On 10 December 2021, SEBI issued a circular on the usage of pool accounts by mutual funds. According to the circular, mutual funds may use pool accounts, only for transactions that are executed at mutual fund level, subject to the following conditions:

1. AMCs shall have internal policies approved by the Board of AMC and Trustees controls are in place to segregate and ring-fence the assets and liabilities of each scheme along with segregation and ring-fencing of securities & bank accounts;
2. At the end of day, the assets and liabilities of each scheme shall be segregated and ring-fenced from other schemes of the mutual fund. The pool accounts for both securities and funds should have nil balance at end of the day;
3. The securities or funds of one scheme shall not be used for other scheme(s);
4. Trustees in their Half Yearly Trustee Report (HYTR) to SEBI shall confirm that the assets and liabilities of each scheme; and
5. It shall be audited on half yearly basis by the auditor appointed by the trustees.

Circular on Mutual Funds

Key Market Events

As per extant practice, banks incorporated in India need to seek prior RBI approval for:
a) Infusion of capital in their overseas branches and subsidiaries.
b) Retention of profits in, and transfer or repatriation of profits from these overseas centres.
In order to provide greater operational flexibility, it has been decided that prior RBI approval for the above capital infusion/ transfers (including retention/ repatriation of profits), shall not be required by banks which meet the regulatory capital requirements (including capital buffers). Instead, the scheduled commercial banks shall seek approval of their boards for the same.

SEBI has facilitated co-investment by investors of Alternative Investment Funds (AIFs) through the portfolio management route. AIFs providing portfolio management services are now required to register themselves under the SEBI (Portfolio Managers) Regulations, 2020.

Indonesia

1 Preparation of Securities Company Financial Report

In late September, Financial Services Authority of Indonesia (OJK) published a regulation on preparation of financial report of securities companies.

According to the regulation, to produce high-quality financial reports for securities companies, it is necessary to improve the transparency, accountability, uniformity during the preparation process. Applicable accounting standards and guidelines need to be further refined to align with the development of capital market transactions and products, as well as international accounting standards.

This regulation states that Securities Companies' financial reports, both on the single entity and the consolidated level, must be prepared based on Financial Accounting Standards (SAK), for the purpose of submission to the public and to the OJK. Security Companies that are issuers or public companies will also need to comply with Financial Services Authority Regulation (POJK) when preparing financial reports. When preparing consolidated financial reports, Securities Companies are required to include any entities that they have control over. The parties responsible for the preparation of the financial report of the Securities Company is the Management of the Securities Company. Securities Companies are required to prepare financial reports based on the Guidelines for Accounting Treatment of Securities Companies as regulated in the Circular Letter of the Financial Services Authority (SEOJK). Securities Companies should follow related SAK rules on issues that are not covered under SEOJK regulation. In the event that there is a change in the new SAK and/or SAK after the enactment of the SEOJK, the accounting treatment of the Securities Company must follow the provisions of the latest SAK, if not otherwise directed by the OJK.

This POJK applies to the preparation of the financial report of Securities Companies for the financial year period starting on or after 1 January 2022. A Securities Company may apply this POJK provision earlier, and in this case, it must disclose the earlier application in the notes of the financial report.

Preparation of Securities Company Financial Report

2 Calculation of Risk Weighted Assets for Credit Risk

In October, the OJK published a SEOJK on use of standardised approach for calculating risk weighted assets (RWA) for commercial banks.

In response to the Basel III final package issued by the Basel Committee on Banking Supervision (BCBS), related regulation has been adjusted as the regulatory basis for implementation. The amended regulation laid out the procedure for calculating the RWA for credit risk using a standardised approach, which includes the calculation of net receivables, determination of risk weights according to portfolio category, as well as recognition of credit risk mitigation techniques. Additionally, amendments are made to improve capital resilience and risk sensitivity. These amendments include: calculating risk weights on a more granular level, having a more diversified classification of portfolio categories, and requiring due diligence on counterparties to ensure understanding of the profile risks. Furthermore, Banks must submit their reports to the OJK and publish the reports.

Calculation of Risk Weighted Assets for Credit Risk Using the Standard Approach

3 Participation in the Implementation of Fund Transfer, Scheduled Clearing, Transactions, Securities Administration, and Instant Fund Settlement

Bank Indonesia published a regulation on participation in the implementation of fund transfer, scheduled clearing, transactions, securities administration and instant fund settlement.

This regulation aims at supporting the improvement of membership services by developing a support system for participation services in the implementation of electronic and centralised payment system infrastructure and financial systems. This regulation covers several provisions, including participation in the operations of the payment system and financial market infrastructure operated by Bank Indonesia, which consists of the Bank Indonesia National Clearing System, the Bank Indonesia System-Electronic Trading Platform, Bank Indonesia-Scripless Securities Settlement System, and the Bank Indonesia-Real Time Gross Settlement System. These provisions include matters such as the principles and requirements for becoming a participant, procedures for becoming a participant, changes to membership data and membership status.

Participation in the Implementation of Fund Transfer, Scheduled Clearing, Transactions, Securities Administration, and Instant Fund Settlement

Japan (1/2)

1 Japanese Yen LIBOR Updates

1. **Public Consultation on the Treatment of Tough Legacy Contracts**

In November 2021, the Bank of Japan (BOJ) announced the publication of "Final Report on the Results of the Public Consultation on the Treatment of Tough Legacy Contracts in Japan". The purpose of the report is to present the results of the public consultation conducted between September 28 to October 19 to solicit feedback from the industry. By presenting the views of the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks, this final report will be regarded as a standard in Japanese markets for the treatment of tough legacy contracts and the use of synthetic yen LIBOR.

The Final Report concluded that whilst it is recommended that the JPY LIBOR transition be completed by the end of 2021, it may not be possible in some cases. In the event that the transition cannot be completed in 2021, discussions should continue into 2022, and the transition is expected to be completed by the end of the first revision of the interest rate at the latest. In cases where the synthetic yen LIBOR is used, it is expected that market participants will shift from the synthetic yen LIBOR to alternative interest rate benchmark as early as possible.

Final Report on the Results of the Public Consultation on the Treatment of Tough Legacy Contracts in Japan

2. Survey on the Use of JPY LIBOR

On 1 November 2021, Financial Services Agency (JFSA) published the summary of results of a brief survey, conducted jointly with the BOJ, on the use of JPY LIBOR. The reference date of this survey is the end-September 2021. A total of 27 financial institutions, including banks of different sizes, and securities companies. The survey showed that as of September 30, 85.1% of loan contracts, 51.6% of bond contracts, and 99.1% of derivative contracts had already incorporated fallback provisions. Most of the legacy contracts are expected to complete the transition by the end of 2021, while a small number of exceptional cases exist, in which the transition will continue into 2022.

Summary of Results of the Brief Survey

2 Basel III Implementation

1. Draft Amendments to the Regulatory Notices Pertaining to Pillar 1 and Pillar 3 of Basel III

On 28 September 2021, JFSA published the draft amendments to the regulatory notices pertaining to Pillar 1 and Pillar 3 requirements of capital adequacy, particularly with regard to credit risk, credit valuation adjustment risk, and market risk. The proposal intends to implement the finalised Basel III framework including the consolidated package of the Basel III framework (December 2017) and the "Minimum capital requirements for market risk".

Implementation of the finalised Basel III framework is proposed to start in March 2023 for all internationally active banks and non-internationally active banks that use the international model approach. For non-internationally active banks that use the standardised approach, implementation will be deferred to March 2024.

Publication of the draft Amendments to the Regulatory Notices Pertaining to Pillar 1 and Pillar 3 Requirements of Capital Adequacy

2. Draft Amendments to the Regulatory Notices Pertaining to Leverage Ratio Requirements

On 29 October 2021, JFSA proposed draft amendments to the regulatory notice pertaining to leverage ratio requirements. The proposal provides corresponding amendments to leverage ratio requirements in response to the finalized Basel III framework including the consolidated package of the Basel III framework (December 2017) and the "Minimum capital requirements for market risk".

Publication of the Draft Amendments to the Regulatory Notices Pertaining to Leverage Ratio Requirements

Japan (2/2)

3 Principles for Model Risk Management

On 12 November 2021, the JFSA published the English translation of the finalised "Principles for Model Risk Management".

The scope of the report covers Global Systemically Important Banks (G-SIBs), D-SIBs headquartered in Japan, and foreign G-SIBs' Japanese subsidiaries. To build and implement a proper model risk management framework, the report laid out 8 principles focusing on areas including governance, model identification, inventory and risk rating, model development, model approval, ongoing monitoring, vendor products and use of external resources, and internal audit.

The Principles is intended to clarify the JFSA's approach to model risk management, thereby facilitating further development of the model risk management practices in the industry.

Provisional Translation: Principles for Model Risk Management

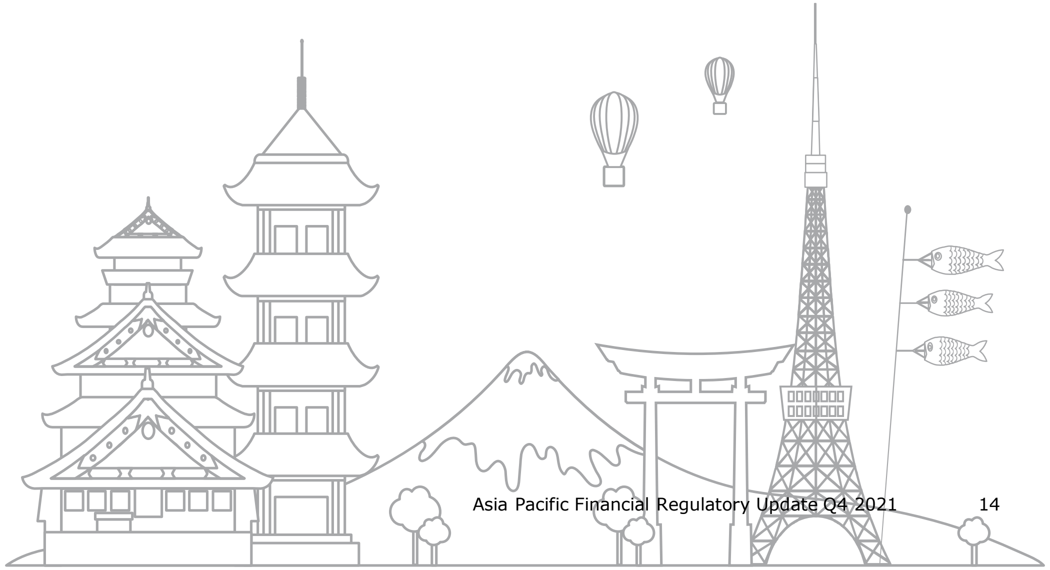
4 Comprehensive Guidelines for Supervision of Major Banks, etc.

On 10 November 2021, JFSA published the finalised amendments to the "Comprehensive Guidelines for Supervision of Major Banks, etc.". The amendments include the scope of banking business operations and the service contents to be rendered by the International Financial Center. The amendments took effect on 22 November 2021.

Publication of the finalized amendments to the "Comprehensive Guidelines for Supervision of Major Banks, etc.

Key Market Events

The BOJ announced the amendment to the regional banks revitalisation scheme. The scheme introduces a special deposit facility under which it will pay 0.1% interest on current account balances held by eligible regional lenders, for the purpose of incentivising regional lenders to consolidate and help revitalise regional economies



Introduction
Summary
Australia
China mainland
Hong Kong SAR
India
Indonesia
Japan
Malaysia
New Zealand
Philippines
Singapore
South Korea
Taiwan
Thailand
Vietnam
Contact

Malaysia

1 Requirements for Wholesale Financial Markets

On 9 November 2021, the Bank Negara Malaysia (BNM) issued a consultation paper on the Code of Conduct for Malaysia Wholesale Financial Markets aiming to uphold integrity and principles of fair market practices.

The paper proposed principles and standards to address key gaps identified in the feedback from the industry as well as global developments of wholesale market conduct matters.

Code of Conduct for Malaysia Wholesale Financial Markets

2 Management of Customer Information and Permitted Disclosure

In October, the BNM issued a policy document which sets out the requirements and expectations for financial service providers (FSPs) on handling customer information while providing financial services and products, in line with the laws administered by BNM, including the Financial Services Act 2013 (FSA), Islamic Financial Services Act 2013 (IFSA) and Development Financial Institutions Act 2002 (DFIA).

The BNM specified the conditions of customer information disclosure in accordance with the permitted disclosures set out in Schedule 11 of the FSA and IFSA, as well as the Fourth Schedule of the DFIA in this policy document. The requirement came into effect on 12 October 2021.

Management of Customer Information and Permitted Disclosure

3 Requirements for Money Services Business (MSB)

On 18 November 2021, the BNM issued a policy document for public consultation on the proposed minimum requirements that a money services business licensee approved to appoint money services business agents, under sections 42 and 43 of the Money Services Business Act 2011 (MSBA) must observe to ensure effective agent oversight for principal-agent arrangement.

Responses to the consultation are due on 18 January 2022.

Agent Oversight Framework for Money Services Business (MSB)

4 Requirements for Application of Hajah

On 15 November 2021, the BNM released a discussion paper on the proposed requirements for the application of *hajah* by Islamic financial institutes (IFIs) to address the conduct of Islamic banking and Takaful business. The paper seeks feedback from the following:

1. Definition, scope and application of *hajah*;
2. Expectations on the oversight and responsibilities of the board, senior management, Shariah committee, and the control function of the IFI in ensuring a comprehensive and robust assessment of the application of *hajah*; and
3. Requirements and policy guidance relating to the processes and procedures to facilitate Shariah deliberation and decision making concerning *hajah* in IFIs.

Responses to the consultation are due on 31 January 2022.

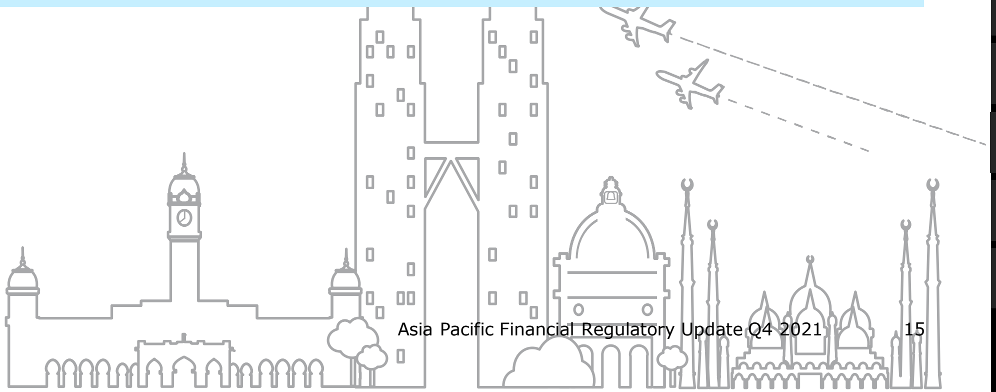
Hajah – Discussion Paper

Key Market Events

The BNM requires banks to cease new issuance of LIBOR- referencing contracts by 31 December 2021. The Bank emphasises the urgency for bank customers to get prepared for the transition from LIBOR to RFRs.

The Monetary Policy Committee (MPC) of BNM decided to maintain the Overnight Policy Rate (OPR) at 1.75 percent.

In October, the annual budget was presented by the Finance Minister to the parliament. RM332.1 billion is allocated under Budget 2022, a record high budget allocation in past years.



Introduction
Summary
Australia
China mainland
Hong Kong SAR
India
Indonesia
Japan
Malaysia
New Zealand
Philippines
Singapore
South Korea
Taiwan
Thailand
Vietnam
Contact

New Zealand

1 AML/CFT Risk Ratings

On 7 December 2021, the Financial Markets Authority (FMA) published an AML/CFT risk assessment over the 10 sectors that the FMA supervises. The previous risk assessment was conducted in 2017, but the risk ratings have not changed.

Since the last report, a new sector has been added called "Virtual Asset Service Providers" and was rated as "High". This sector facilitates cryptocurrency, token or crypto-asset transactions. The FMA Director of Supervision noted in a release that this sector was considered high risk because virtual assets allow for greater levels of anonymity and make cross-border payments very easy.

Another area of interest in the risk assessment was the risk associated with online investment platforms. Rapid growth in this sector suggests that they are targeted by money launderers as the businesses haven't had time to scale up their compliance resources to maintain a high level of account and transaction monitoring.

Anti-Money Laundering and Countering Financing of Terrorism - Sector Risk Assessment 2021

2 RBNZ Cash System Redesign

For a number of years, the Reserve Bank of New Zealand (RBNZ) has been investigating cash use in New Zealand and the systems that make cash available. In September 2021, the RBNZ released their third paper on 'The Future of Money,' following two previous releases on Stewardship and Central Bank Digital Currency.

This paper discussed a range of external drivers impacting the cash system and suggested that this could lead to significant resilience issues for the system if left unchecked. Within the paper, there are 16 different policy response suggestions that could support the delivery of a "fit for purpose cash system" as well as an additional 8 policies that could work as a bundle to shape incentives and address the RBNZ's objectives. These options include consolidating public and private sector cash functions into one or multiple public utilities, as well as requiring back to provide cash services or banks paying merchants that provide cash-out services on their behalf.

Future of Money - Cash system redesign - Issues paper

3 Review of the Insurance Solvency Standards

The Interim Solvency Standard was supposed to come into effect in January 2022. Due to a number of pressures on the industry, this date has now been pushed out to January 2023, which aligns with the date that insurers must adopt IFRS 17.

The additional twelve months will also allow the RBNZ to analyse additional feedback provided while the draft was exposed to consultation. The final interim standard is to be published by October 2022.

Review of the Insurance Solvency Standards

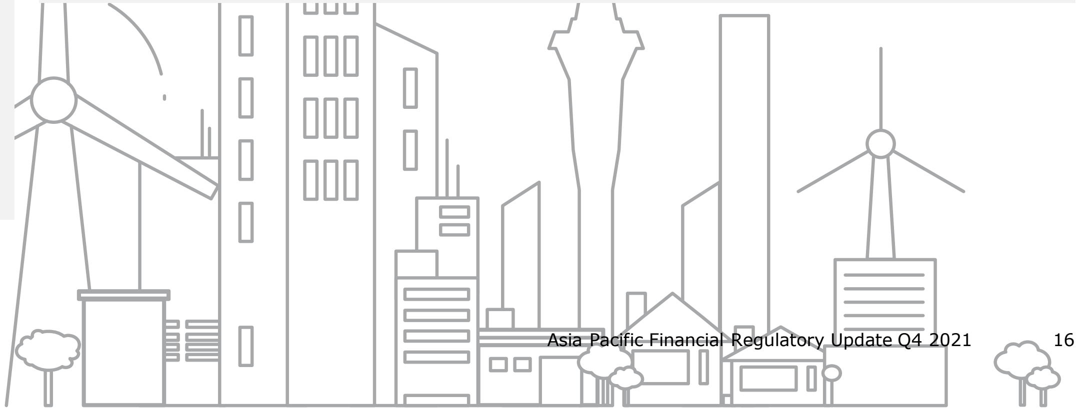
4 Outcomes of the 2021 Bank Stress Test

Annually, RBNZ perform a stress testing programme for banks in New Zealand to identify and investigate current and emerging risks to financial stability, as well as assess the resilience of participating banks to a range of stress scenarios.

Testing is usually performed on insurers and banks, but has recently expanded to include "desktop stress tests" on dairy farms due to their contribution to the economy.

This year the RBNZ have adapted their testing approach from a one-off, project based event to an annual cycle. The change intends to conduct testing more efficiently as the stress tests have historically been very resource intensive. The new approach has been designed to improve collaboration between RBNZ and the industry to improve efficiency and deliver insights.

The Reserve Bank 2021 Stress Testing Programme



Philippines

1 Environmental and Social Risk Management

In October, the Bangko Sentral Ng Pilipinas (BSP) issued Circular No. 1128, detailing the environmental and social risk (E&S) management framework, in line with the Philippines's sustainable financing goal. The approved guidelines will integrate E&S risks in the 153 sustainable frameworks of the Manual of Regulations for Banks (MORB). In the Circular, the BSP stresses the need for banks to ensure E&S risks are incorporated in credit operation procedures and policies.

The amendments take effect 15 calendar days after publication.

Circular No. 1128 Environmental and Social Risk Management Framework

2 Corporate Governance Guidelines

As part of the effort to strengthen corporate governance and risk management for FIs, the monetary board on 28 October 2021 approved the amendments to tighten guidelines on corporate governance and compliance of BSP-supervised FIs. The enhanced requirements include ensuring fit and proper of positions, and tightening the number of seats and term limits of independent board directors.

Circular No. 1129 Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions

3 Continue MORB Enhancements

In Q4, BSP continues to enhance the MORB, multiple exposure drafts were published:

1. Amendments to section 921/921Q of the MORB for the purpose of enhancing electronic Know-your-customer (KYC) rules and procedures. (Read more here)
2. Amendments to Circular No. 1105 and relevant sectors in MORB to define and clarify the digital bank prudential requirements that apply. (Read more here)
3. Amendments to MORB in the definition of capital to determine compliance with prudential limits and requirements. (Read more here)
4. Amendment of licensing prudential criteria on the grant of licenses/authorities and other pertinent regulations in view of the adoptions of the Supervisory Assessment Framework (SAFR). (Read more here)

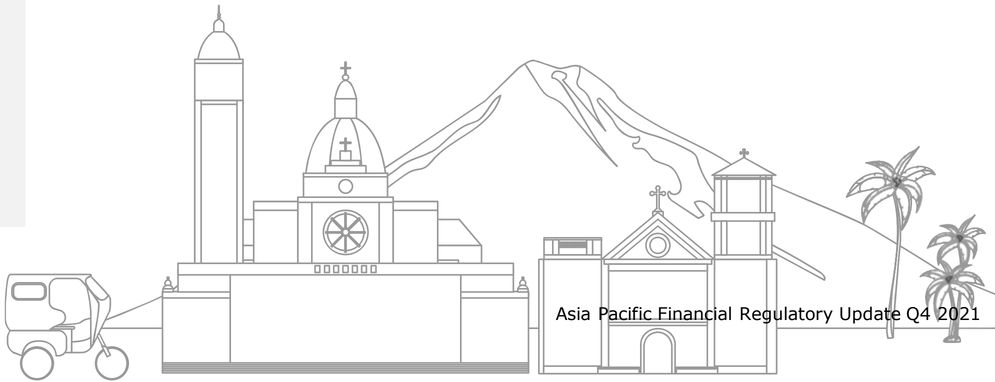
Key Market Events

1. BSP closed the window for non-bank e-money license applications. New guidelines governing non-bank EMI applications under the Regulatory Sandbox Framework will be covered separately.

2. Financial regulators reiterate the importance of sustainable finance in the years to come. Sustainable development to go hand in hand with policy development and growth of the financial system.

3. The BSP is eyeing offline digital payment solutions to enable transactions without the need for internet connection in the effort to boost financial inclusion in off-grid areas. Consistent with the regulator's digital payments transformation roadmap to encourage more Filipinos to use digital finance, especially in areas where internet connection is unreliable.

4. The interim governing body was established to facilitate the formulation of policies and standards related to the Open Finance Framework (BSP Circular 1122). The interim governing body will execute relevant activities for 2 years.



Singapore

1 Enabling Financial Services to be Future-Ready

Government-led initiatives seek to empower the financial services industry with greater capabilities in green finance, artificial intelligence (AI), and promoting businesses in high-growth sectors.

- Institute of Banking and Finance Singapore (IBF) and the Monetary Authority of Singapore (MAS) launched two new skills maps to enhance the capabilities of family office professionals. The new skills maps serve as a resource for training providers and financial institutions to design family office-related training and provide guidance to family offices on the skills and competencies which family office professionals should possess. (Read more here)
- MAS will partner with the industry to pilot four digital platforms under Project Greenprint, to address the financial sector's needs for good data on sustainability. (Read more here)
- The National Artificial Intelligence (AI) Programme in Finance was launched at the Singapore Fintech Festival x Singapore Week of Innovation and Technology (SFF x SWITCH) 2021. (Read more here)
- The Government, Temasek, and the Singapore Exchange (SGX) announced a package of initiatives to support high-growth enterprises to raise capital in Singapore's public equity market and broaden Singapore's proposition as a financing hub. (Read more here)
- With Sandbox Plus, MAS announced three enhancements to its Fintech Regulatory Sandbox framework to further catalyse financial innovation and fintech adoption. (Read more here)
- MAS and the Smart Nation and Digital Government Group launched the second phase of the Singapore Financial Data Exchange (SGFinDex). Individuals can now view information on their investment holdings at The Central Depository (CDP) as part of their consolidated financial position through participating banks' financial planning applications and MyMoneySense. (Read more here)

2 Conduct and Consumer Protection

MAS has enhanced financial advisory standards of practice through the Financial Advisers (Complaints Handling and Resolution) Regulations 2021, which come into operation on 3 January 2022. These regulations set out requirements for financial advisory firms to exercise management oversight and establish policies and procedures for handling and resolving complaints independently and promptly.

Financial Advisers (Complaints Handling and Resolution) Regulations 2021

3 Relevant Consultations

Consultation on new AML/CFT digital platform: MAS is currently seeking feedback on a new digital platform, named COSMIC, for "Collaborative Sharing of ML/TF Information & Cases", and a regulatory framework for financial institutions (FIs) to share relevant information on customers and transactions to prevent money laundering, terrorism financing and proliferation financing (PF)[3] [4]. (Read more 3 and 4)

Consultation on Corporate Governance: Following the consultation paper released earlier this year, the MAS has issued its response and finalized guidelines on Corporate Governance for Designated Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore. They provide guidance on good corporate governance practices that financial institutions should observe in relation to Board matters, remuneration matters, accountability and audit, shareholder rights and engagement, managing stakeholder relationships, and oversight of related party transactions. (Read more here and here)

Consultation on Complex Products: MAS has proposed changes to the classification of certain investment products, whereby those categorised as complex will come with enhanced safeguards to protect retail investors. (Read more here)

4 Development of Payments Landscape

MAS continues to enhance the cross-border payment infrastructure. MAS considers these steps critical towards achieving the vision of an ASEAN network of interconnected real-time payment systems.

- MAS and Bank Negara Malaysia (BNM) announced plans to commence a phased linkage of Singapore's PayNow and Malaysia's DuitNow real-time payment systems[1]. Separately, MAS and the Bangko Sentral ng Pilipinas (BSP) signed an enhanced Fintech Cooperation Agreement (CA) to facilitate interoperable payments between Singapore and the Philippines[2]. MAS had previously announced similar plans to link up PayNow with India's Unified Payments Interface as well as Thailand's PromptPay. (Read more 1 and 2)

South Korea (1/2)

1 Measures for Household Debt

During the 47th Meeting of Central Economic Response Headquarters held on the 26 October 2021, the government released supplementary measures of the initial household debt management plan released in April. The additional measures aim to strengthen household debt-related risk management, resolve financial imbalance and ensure individual loan availability.

“Three Tasks” on household debt management:

1. Moving up second and third Debt Service Ratio (DSR) rules implementation on individual borrowers;
2. Strengthening DSR rules in non-bank sector, lowering DSR level to 50% on individual borrowers in the non-bank sector. Average institution-level DRSs is also adjusted; and
3. Apply strict rules on DSR calculation.

Government Unveils Additional Measures for Household Debt Management

2 Revised Rules on Private Equity Fund Market

On 19 October 2021, the Korean government approved the revised Financial Investment Services and Capital Markets Act (FSCMA) and its subordinate rules. The revised bill aims to better protect retail investors and enhance investor trust in the private equity fund (PEFs) market. The amended rules have been effective starting from 21 October 2021.

Key amendments:

1. Qualified retail investors (investing KRW300 million or more) can invest in “general PEFs” only, with stronger investor protections provided;
2. Prohibits PEFs from issuing personal loans to private lenders, P2P lending firms, etc.;
3. Rules governing institution-only PEFs will be the same as the general rules applied to PEFs; and
4. The authorities plan to set up an integrated PEF monitoring and analysis system at the Financial Supervisory Service (FSS), wide-ranging electronic data will be available.

Revised Rules on PEFs and Improvements to Investor Protection

3 Overseas Business Operation of Financial Companies

On 3 November 2021, the Financial Services Commission (FSC) announced the plan for amending rules to facilitate overseas business operations and investment activities by financial companies. Following significant growth in the volume of financial companies’ financial direct investments, the FSC stressed that unnecessary burden was caused by the current reporting rules. The rules change will be finalised in December 2021.

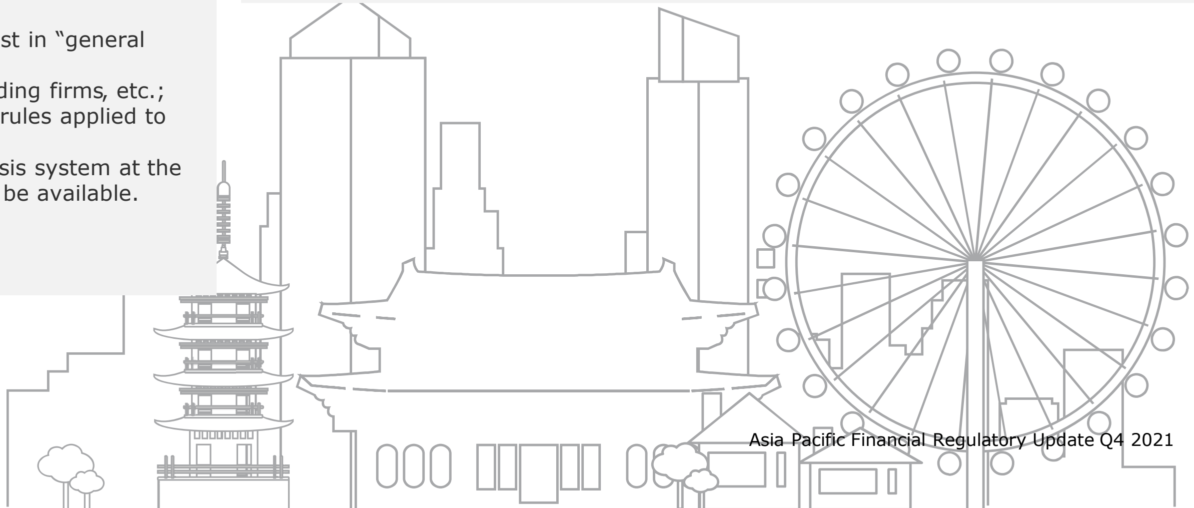
FSC Proposes Rules Change to Facilitate Overseas Business Operation of Financial Companies

4 Green Finance

The FSC held the 4th Green Finance Taskforce meeting on 4 December 2021. The key discussion topics include the following:

1. The implementation and supervision of climate risk management, and the key details of the green finance handbook for financial sectors in order to prepare for the recently revised up nationally determined contribution (NDC) target; and
2. The current environmental, social and governance (ESG) disclosure and assessment system and ways to promote social finance in line with the growth in ESG management and investment.

4th Green Finance Taskforce Meeting Reviews Progress and Discusses Additional Tasks



South Korea (2/2)

5 2022 Policy Agenda

On 17 December 2021, the Financial Development Review Committee met to discuss the key policy agenda for 2022. FSC Chairman Mr. Koh Seungboem addressed in the chairman's remark, the main focus for 2022 will be centred around stability in the financial system, promoting financial development, supporting overall economic growth, and expanding financial inclusion. Key focus areas discussed include household debt management, the financial soundness of insurers for the implementation of IFRS 17, digital transformation and consumer protection, supporting the net-zero goal, as well as financial inclusion.

Financial Development Review Committee Holds Meeting to Discuss 2022 Policy Agenda

6 Proposes Revisions to Improve Asset-backed Securities Market

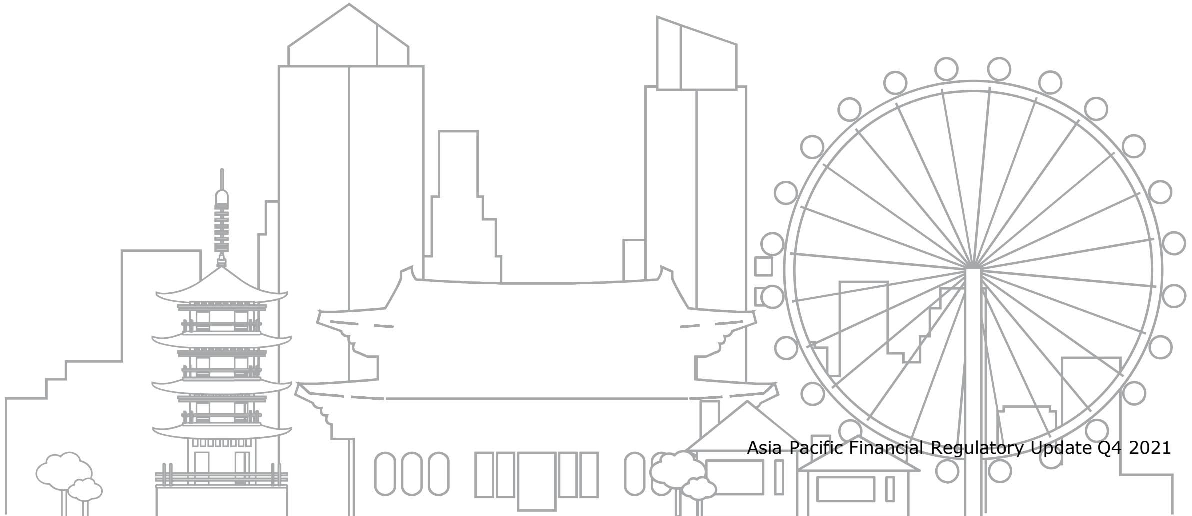
In October, the proposed revision to improve asset-backed securities (ABS) market was approved by the government and is expected to be submitted to the National Assembly in the same month. The revised act aims to improve efficiency in business fundraising activities through ABS and to close regulatory loopholes to strengthen risk management.

Government Proposes Revisions to Improve Asset-backed Securities Market

Key Market Events

My Data (personal credit information management business), which has been highly anticipated as a 'financial assistant in my hand', has started a pilot service on 1 December 2021.

On 20 December 2021, the FSC and the Korean Exchange launched the ESG information platform. The information platform aims to provide investors and the general public convenient information service on ESG-related information of listed companies.



Introduction
Summary
Australia
China mainland
Hong Kong SAR
India
Indonesia
Japan
Malaysia
New Zealand
Philippines
Singapore
South Korea
Taiwan
Thailand
Vietnam
Contact

Taiwan

1 Climate-Related Risk Disclosure

Financial Supervisory Commission (FSC) published the "Guidelines on Climate-related Financial Disclosures of Insurance Companies" with reference to TCFD recommendations, supporting "Green Finance Action Plan 2.0" to promote sustainable finance development.

Based on the scale and nature of business, appropriate assessment and disclosure mechanism are required, including disclosing information on governance, strategies, risk management, and metrics and targets. Internal regulations will also be formulated. The guidelines are expected to be implemented starting from 2022.

FSC Publishes "Guidelines on Climate-related Financial Disclosures of Insurance Companies" for Insurers to Begin Disclosure of Financial Information on Climate-Related Risks Starting from 2023

2 Information Disclosure of Public Companies

On 23 November 2021, the FSC released the advance note regarding information disclosure transparency of public companies. The FSC will publish the amended "Regulations Governing Information to be Published in Annual Reports of Public Companies" after consultation. The key amendments are the following:

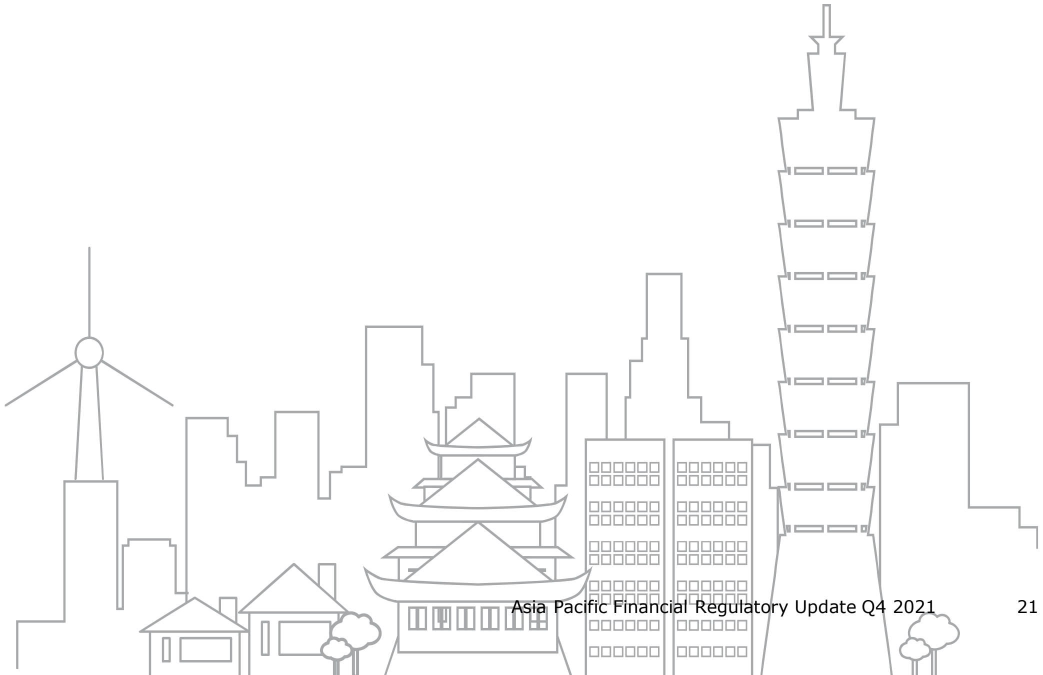
1. Strengthen information disclosure in corporate governance and cyber security risk management;
2. Improve sustainable development information disclosure;
3. Improve the timeliness of information disclosure of the annual report for the shareholders' meeting of listed and OTC companies.

The amendments will apply to public companies' annual reports for shareholder meetings starting from 2022.

Press Release: The Advance Notice Procedure of the Draft Amendment to Some of the Articles of the "Regulations Governing Information to be Published in Annual Reports of Public Companies" has been Completed and the Amendment will be Published Soon

Key Market Events

On 6th October, the FSC and the Israel Economic and Cultural Office in Taipei (ISECO) co-hosted the "2021 Israel-Taiwan fintech Webinar". Dr. Tien-Mu Huang, Chairperson of the FSC, Mr. Omer Caspi, Representative of the ISECO, and Mr. Tslil Lahav, Head of the Israeli Economic and Trade Mission in Taipei, jointly opened the webinar. During the webinar, participants discussed the current status of respective domestic measures to promote fintech development.



Thailand

1 IT Security Standard Rules

The Securities and Exchange Commission (SECT) sought public comments until 25 December 2021 on proposed revisions to the Rules on Establishment of Information Technology System (IT Security Standard Rules). The revision aims at ensuring that capital market participants will be able to manage IT security risk and prepare for the ever-increasing cybersecurity risk effectively, as well as to enhance investor confidence in products and services in the capital market.

SEC public hearing on proposed revisions to the IT Security Standard Rules

2 Decentralised Finance (DeFi) Platform

The SECT is consulting on the proposed amendments to the Digital Asset Fund Manager and Digital Asset Advisory Service in terms of customer services related to decentralised finance platforms (DeFi platform). The proposed amendment aims to safeguard the public from ultra-high risk as there were cases of scams and cyber thefts that occurred in the past. The key covered issues include:

1. Prohibit digital asset fund managers from using DeFi platforms to manage clients' assets.
2. Prohibit digital asset advisors from providing advice to clients or conducting analysis regarding DeFi.

Responses to the consultation are due on 7 January 2022.

SEC Thailand's public hearing on proposed amendments to the Digital Asset Fund Manager

3 Disclosure Standards of Sustainable and Responsible Investing Fund

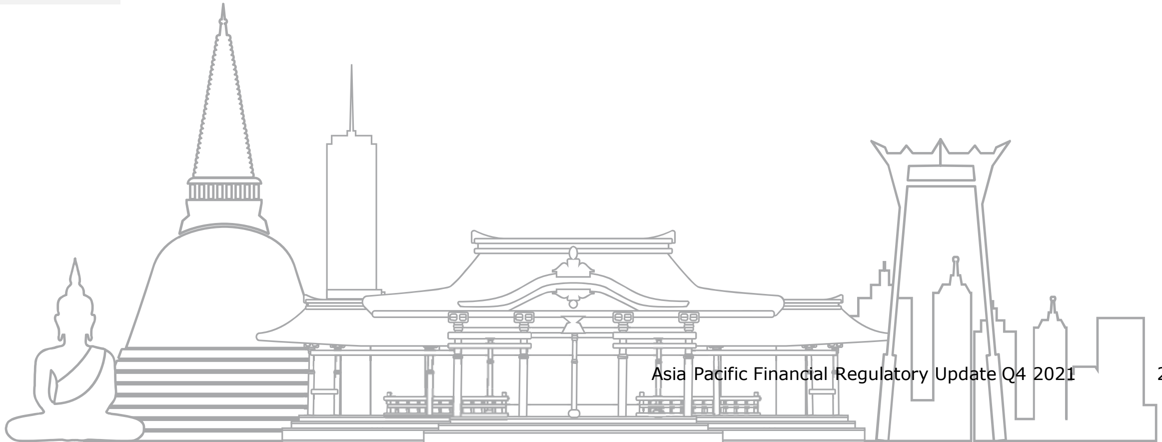
The SECT is seeking public opinion on the draft Regulations for Disclosure Standards of Sustainable and Responsible Investing Fund (SRI Fund). The drafted regulation aims to enhance sustainability-related elements in mutual fund disclosure. The public hearing process will end on 10 January 2022.

SEC Thailand's Public Hearing on Drafted Regulations for Disclosure Standards of Sustainable and Responsible Investing Fund

Key Market Events

In December, Bank of Thailand (BoT) published a notification on the monetary policy target for 2022, which was approved by the Cabinet on 14 December 2021. According to the Notification, the COVID-19 pandemic has had a significant impact on both short-term and long-term perspectives of Thailand's economy. As a result, inflation in 2021 had resided close to the lower bound of the monetary policy target and would remain so going forward. For 2022, the agreed monetary target is set to reside within the 1.0 to 3.0 percent range for the medium-term horizon.

The Ministry of Finance and the BoT will continue to coordinate actions on fiscal and monetary policies to combat the high level of uncertainty caused by the persistent COVID-19 pandemic.



Vietnam

1 Anti-Money Laundering

The State Bank of Vietnam (SBV) is currently soliciting public opinion on the proposed amendment of the anti-money laundering law. Key amendments include the following:

1. Expanding reporting subjects regarding AML; (FIs and NFIs)
2. Amending and supplementing current regulations on periodic assessment of money laundering risk in the country, industry and at each reporting subject; implementing appropriate measures to manage money laundering risks.
3. Finalising regulations on preventive measures applicable to reporting subjects.
4. Finalising regulations related to the collecting, processing, transferring and exchanging of AML information
5. Amending and supplementing the responsibilities of state management agencies with regards to AML.

Draft amendment of Anti-Money Laundering Law

2 Insurance Business Law

The National Assembly of Vietnam released a draft of the revised insurance business law. The draft was submitted to the national assembly by the government and is expected to be issued in 2022 and effective from 1 January 2023. This amendment shall bridge the gap between the domestic insurance business system and international standards and practices.

Key amendments are the following:

1. **General rules:** Enhanced the scope of applicable subjects of the law
2. **Insurance policy:** Supplementing policies of the regulations on loss limitation, insurance fraud prevention and dispute resolution.
3. **Insurance companies, reinsurance enterprises:** Supplementing policies regarding internal controls, internal audit, risk management, information technology application and insurance products.
4. **Insurance agents, insurance brokers, insurance and ceiling services:** Amendments and additional regulation regarding the concept, the principles and the rights of insurance agents and insurance brokers' enterprise and their activities.
5. **Finance, accounting and reporting:** Amend and supplement subjects regarding capital, professional provisions, solvency, the separation of equity sources and source of premiums.

Proposal on Amendment of The Law on Insurance Business

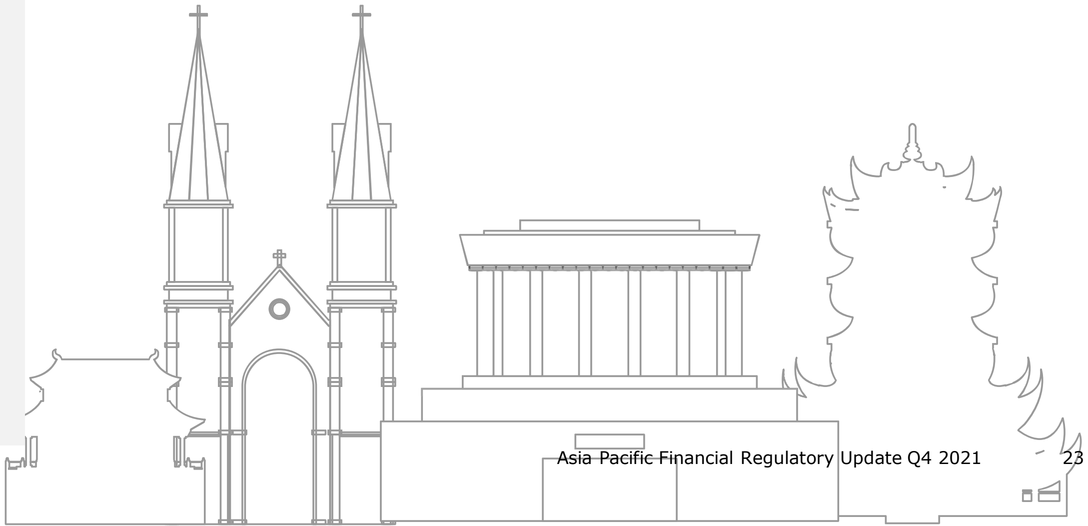
3 Combating 'Black Credit'

In Q4, to continue raising awareness of 'black credit' and enhance official credit channels, the SBV co-hosted a 'Black Credit' workshop and a webinar to discuss the current and future measures on combating 'black credit' traps. In addition, relevant measures on strengthening the accessibility of official credit channels in rural areas were discussed during these events.

Banking sector contributes to combat 'black credit', promote bank credit in rural areas
Workshop on "black credit" traps and enhancing official credit channels

Key Market Events

According to SBV data published on 14 December 2021, Vietnam's CPI in November 2021 increased by 0.32% compared to October 2021; up by 2% compared to December 2020. For 11 months of 2021, the CPI increased by 1.84% as compared to the same period last year. Among eleven groups of commodities, the price of the group of traffic increased the most by 3.11%, followed by housing and construction, which is up by 0.46%.



Introduction
Summary
Australia
China mainland
Hong Kong SAR
India
Indonesia
Japan
Malaysia
New Zealand
Philippines
Singapore
South Korea
Taiwan
Thailand
Vietnam
Contact

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Introduction
Summary
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