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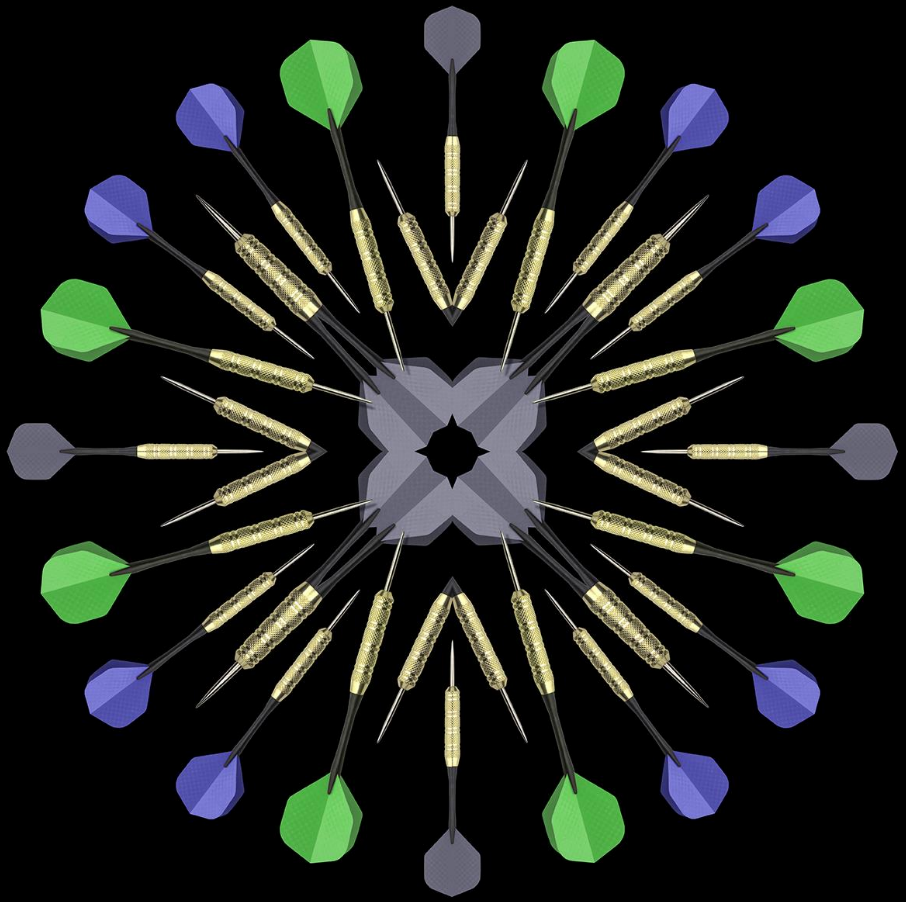

Asia Pacific Financial Regulatory Update

Q2 2021

July 2021

CENTRE *for* **REGULATORY STRATEGY**
ASIA PACIFIC

Introduction

Dear clients and colleagues,

The Deloitte Asia Pacific Centre for Regulatory Strategy is pleased to share with you the key regulatory updates from around our region for Q2 2021.

Moving from pandemic to endemic: More than a year since COVID-19 was declared a global pandemic, the world is gradually learning to live with COVID-19 as an endemic disease. Vaccination rates are rising – albeit unevenly – and some countries are taking cautious steps to open up.

Financial regulators are adjusting to the new normal too. After dealing with the massive COVID-19 disruption last year, regulators are refocusing on several key global regulatory initiatives like Basel III Final Reforms and LIBOR transition. But it is not simply "business as usual" for the regulatory community. In line with the "Build Back Better" agenda, a few themes are emerging among Asian regulators:

Operational Resilience: The unprecedented disruptions caused by COVID-19 has led to increased supervisory focus on operational resilience. Rapid adoption of alternative digital channels and work from home arrangements, together with the increased threat of cyber attacks, have added to supervisory concerns.

Globally, the Basel Committee has issued a set of Principles for Operational Resilience. The HKMA has asked financial institutions to adopt the Basel guidelines, while MAS has provided additional guidance on Risk Management and Operational Resilience in a Remote Working Environment.

Operational resilience straddles several areas, including business continuity management, cybersecurity and outsourcing risk management. In HK, financial institutions are being asked to consider the need for secure tertiary data backup to safeguard their operations in the event of cyber attacks. New Zealand has issued new cyber resilience guidance and India has published Guidelines for Managing Risks in Outsourcing for co-operative banks. Malaysia-based e-money issuers may soon need to segregate customer funds and implement enhanced business continuity, outsourcing and technology safeguards.

Sustainability: Another development is that regulators have become more sensitive to the role that finance could play in promoting a sustainable economic recovery from COVID-19. They are doing so by providing regulatory guidance on how financial institutions should manage and disclose climate-related risks as well as on consistent standards for structuring green finance transactions.

APRA and JFSA are consulting on draft guidance on Climate Change Financial Risks and Climate Transition Finance respectively. In Malaysia, the BNM published a principle-based taxonomy to help financial institutions assess and categorise economic activities according to the extent to which they support climate objectives. Such taxonomy will promote standardised reporting of climate-related exposures and strengthen accountability and market transparency.

In Singapore, the Green Finance Industry Taskforce has developed a framework for green trade finance transactions, together with the recommended industry certifications. The taskforce has also proposed a roadmap for scaling green finance in the real estate, infrastructure and fund management sectors. In addition, workshops and e-learning modules will be launched to develop local capabilities in environment risk management.

Culture and Conduct: Finally, regulators are focusing on culture and conduct matters to ensure that the financial sector is built on sound ethical and governance foundations. Both China and Japan have introduced new corporate governance requirements for bancassurance and listed companies respectively. Australia have issued guidance on remuneration practices and financial advice fees, while Korea has put in place additional investor protection measures for complex products.

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

Best regards,

The ACRS Co-leads

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

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Australia (1/2)

1 Landmark *Your Future, Your Super* reforms pass through parliament

On 17 June 2021, the Australian Federal Government's landmark superannuation reforms (known as the *Your Future, Your Super* reforms), completed its passage through parliament. The *Your Future, Your Super* reforms are designed to help ensure superannuation works in the best financial interests of all Australians by "removing unnecessary waste, increasingly accountability and transparency, and providing more flexibility for families and individuals."

Key elements of *Your Super, Your Future* include:

- A strengthening of trustee obligations, to ensure trustees only act in the best financial interests of members and provide better information regarding how they manage and spend members' money;
- A requirement for an employee's superannuation fund to follow them throughout their career - preventing the creation of unintended multiple superannuation accounts when employees change jobs;
- A new investment performance standard, which will require superannuation products to meet an annual objective performance test, with consequences for persistently underperforming superannuation funds; and
- Creation of a new online comparison tool, YourSuper, allowing consumers to interactively compare different superannuation offerings within the market.

AUS Treasury Media Release - Superannuation reforms pass parliament
Treasury Laws Amendment (Your Future, Your Super) Bill 2021

2 Establishment of Financial Regulator Assessment Authority

On 23 June 2021, the *Financial Regulator Assessment Authority Bill 2021* passed through parliament, fulfilling the Federal Government's commitment to implement recommendations 6.13 and 6.14 of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*.

Under the legislation, a new independent body, the Financial Regulator Assessment Authority (FRAA), will be established to regularly review and report on the effectiveness and capability of the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA). The FRAA will consist of three independent statutory appointees. The full membership of the FRAA will be announced by the Government in due course.

AUS Treasury Media Release - Establishment of Financial Regulator Assessment Authority
Financial Regulator Assessment Authority Bill 2021

3 Implementation of upcoming capital framework reforms for ADIs

On 2 June 2021, the Australian Prudential Regulation Authority (APRA) released a letter to authorised deposit-taking institutions (ADIs) on the implementation of the capital framework reforms, which will come into effect from 1 January 2023.

This letter follows the May 2021 consultation to enhance capital adequacy for ADIs with subsidiaries, and the December 2020 consultation on the ADI capital framework, both of which are aimed at reinforcing the industry's 'unquestionably strong' capital position, as recommended by the Financial System Inquiry, and to improve the flexibility of the framework to respond during periods of stress.

APRA is now writing to ADIs to set out a clear timeline to finalise the consultation phase, and to support the banking industry's implementation of the reforms.

APRA Letter to Industry - ADI capital reforms: Roadmap to 2023
APRA Consultation - Revisions to the capital framework
APRA Consultation - Enhancing capital adequacy for ADIs with subsidiaries
APRA Consultation - Revisions to APS 111 Capital Adequacy: Measurement of Capital

4 Joint regulator statement on ceasing the use of LIBOR

On 4 June 2021, Australia's key financial regulators, the Reserve Bank of Australia (RBA), the Australian Prudential Regulation Authority (APRA), and the Australian Securities and Investments Commission (ASIC) released a joint statement reiterating the importance of ensuring a timely transition away from the London Interbank Offered Rate (LIBOR). This requires ceasing the use of LIBOR in new contracts before the end of 2021.

This statement by the Australian regulators follows the Financial Stability Board's (FSB) statement on 2 June 2021 that all new use of LIBOR benchmarks should cease as soon as possible, and no later than the timelines set out by authorities and national working groups. Complementing the statement was the release of further guidance by the FSB and US Banking Supervisors to support the transition away from LIBOR.

ASIC, APRA, and the RBA expect all market participants to adhere to the deadline at the end of 2021 for the issuance of new LIBOR contracts. They should also accelerate the active conversion of legacy LIBOR contracts.

Joint Regulator Media Release - Australian institutions to cease the use of LIBOR
Financial Stability Board Statement - Transitioning away from LIBOR
Financial Stability Board - Global Transition Roadmap for LIBOR

Australia (2/2)

5 RBA and ASIC focus on retail payments regulation

Consultation - Review of Retail Payments Regulation

On 28 May 2021, the Reserve Bank of Australia (RBA) released a paper outlining the preliminary conclusions of the Payments System Board (the Board) following the public consultation process undertaken after the release of the *Review of Retail Payments Regulation – Issues Paper* in November 2019.

In general, the RBA is not proposing major reforms to the Bank's retail payments regulation. The key policy changes proposed are relatively modest and relate mostly to: dual-network debit cards and least-cost routing; interchange fees; and the transparency of scheme fees. Extensive consideration has also been given to the no-surcharge rules imposed by some 'buy now, pay later' (BNPL) providers.

Executive Summary - Consultation Paper: Review of Retail Payments Regulation
Full Consultation Paper - Review of Retail Payments Regulation
Issues Paper - Review of Retail Payments Regulation (November 2019)

ASIC releases guidance on making the most of 'buy now, pay later' (BNPL)

ASIC research showed the number of BNPL transactions increased from 16.8 million in the 2017-18 financial year to 32.0 million in the financial year 2018-19, representing an increase of 90%. But while BNPL can be convenient, ASIC's research also showed that some users were finding it difficult to juggle repayments with other financial commitments.

In response, ASIC has released guidance on making the most of BNPL, and follows their recently released report (REP 672 – BNPL: An Industry Update), setting out ASIC's key observations about the buy now pay later industry, the experiences of consumers and recent regulatory developments.

ASIC tips for making the most of buy now pay later
ASIC MoneySmart – Information Guide: Buy Now, Pay Later services
ASIC Report 672 - Buy Now, Pay Later: An Industry Update (November 2020)

6 New market integrity rules to strengthen capital regime

On 30 June 2021, ASIC released *Consultation Paper 342 – Proposed amendments to the ASIC market integrity rules and other ASIC-made rules*. The proposed amendments are designed to reduce the regulatory burden on participants, streamline rules across rule books and remove ambiguity in existing drafting. Some changes have been made necessary by recent changes to the Corporations Act.

ASIC Consultation Paper - CP 342: Proposed amendments to the ASIC market integrity rules and other ASIC-made rules

7 APRA and ASIC issue guidance on ongoing financial advice fees

Regulators APRA and ASIC have issued several guidance notes and information papers to provide greater clarity to financial advisers and advice licensees on their obligations when providing personal advice to retail clients, following the passage of recent legislation to address recommendations made by the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* relating to charging financial advice fees.

ASIC Media Release - Guidance on ongoing fee arrangements (incl. links to guidance)
ASIC Media Release - Advice fee consent and lack of independence disclosure
APRA & ASIC letter to trustees on oversight of advice fees charged to members' accounts

8 APRA consultation on remuneration

On 30 April 2021, APRA commenced consultation on draft guidance to assist the industry in meeting the requirements of APRA's updated cross-industry prudential standard on remuneration.

The draft Prudential Practice Guide *CPG 511 Remuneration* sets out principles and examples of better practice to help banks, insurers and superannuation licensees comply with prudential standard *CPS 511 Remuneration*, which will be finalised later this year.

CPS 511 will materially strengthen remuneration requirements, particularly for larger and more complex regulated entities, which will be required to assign material weight to non-financial measures when assessing variable remuneration outcomes, and implement longer vesting periods for executive bonuses.

Consultation - Remuneration Prudential Standard (CPS 511) and Practice Guide (CPG 511)

9 APRA guidance on managing the financial risks of climate change

On 22 April 2021, APRA released for consultation its draft guidance to banks, insurers and superannuation trustees on managing the financial risks of climate change. The draft Prudential Practice Guide *CPG 229 Climate Change Financial Risks* is designed to assist APRA-regulated entities in managing climate-related risks and opportunities as part of their existing risk management and governance frameworks.

The guidance covers APRA's view of sound practice in areas such as governance, risk management, scenario analysis and disclosure. The PPG does not, however, create new requirements or obligations, and is designed to be flexible in allowing each institution to adopt an approach that is appropriate for its size, customer base and business strategy.

APRA Consultation - Draft Prudential Practice Guide on Climate Change Financial Risks

China mainland (1/2)

1 Commercial bank debt quality management

The China Banking and Insurance Regulatory Commission (CBIRC) published the final measures to manage the quality of commercial bank debt. The measures specify that commercial banks should focus on strengthening liability quality management in six key areas: the stability of debt sources; diversity of debt structure; the reasonableness of liability and asset matching; the initiative in obtaining liabilities; the appropriateness of debt costs; and the authenticity of debt items. The measures also specify reporting, disclosure, event notification, and management information system requirements and strengthen the quality of debt related supervision, inspection and supervision measures.

Under the measures, commercial banks are also required to develop, implement, and annually evaluate (also revise if required) debt quality management strategies, systems, procedures, limits, and emergency plans, and establish and improve internal controls.

Measures to manage the debt quality of commercial banks

2 Illegal business loans in the real estate sector

The General Office of CBIRC, the People’s Bank of China (PBoC), the Ministry of Housing, and Urban-Rural Development jointly issued a notice on preventing the illegal flow of business loans in the real estate sector. The notice strengthens requirements for assessing and issuing loans including: the verification of borrowers; the management of loan terms and loan collateral arrangements; internal risk management and controls; and the management of intermediates. The notice also establishes a "blacklist" of violations in order to increase accountability.

Preventing the illegal flow of business loans in the real estate sector

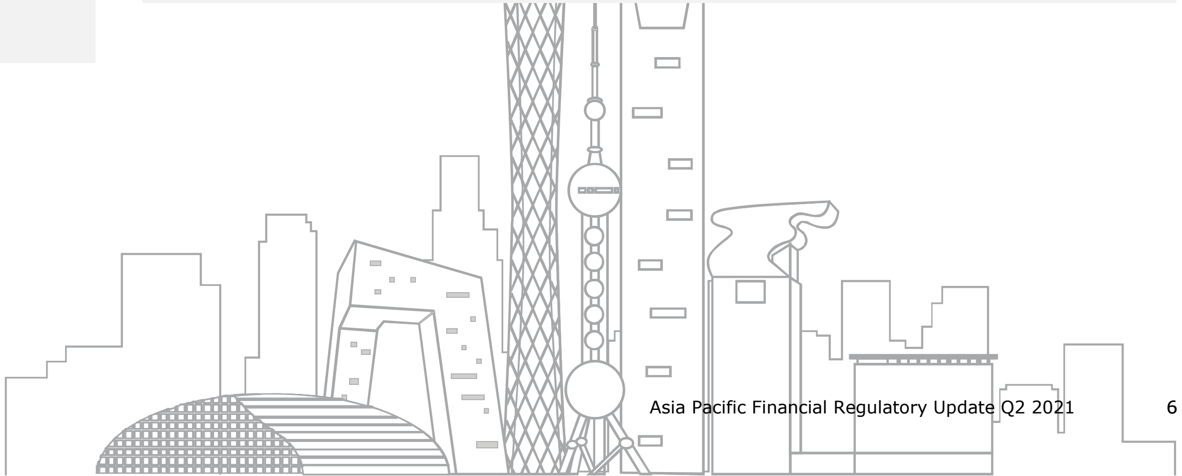
3 Bancassurance corporate governance

In May, the CBIRC announced **measures for evaluating directors’ and supervisors’ performance of duties for bancassurance firms**. The measures clarify the responsibility for performance evaluation; clearly articulate key considerations and documentation content for evaluations; set out the systems, procedures, methods and standards of evaluation; and strengthen the application and supervision of evaluation. The measures also require bancassurance institutions to put forward work suggestions or dismissal opinions for evaluated directors and supervisors based on their performance evaluation results. (Read more here)

In June, the CBIRC issued guidelines for bank and insurance firms to improve the quality and efficiency of corporate governance. The key requirements include:

- **Clearly defined roles and responsibilities, and checks and balances** for shareholders, directors, supervisors, and senior management (including the Board);
- A **comprehensive risk management system** that covers all business processes and operational links and matches the risk status of the company; and
- As part of the firm's capital planning, **major shareholders are required to make a written long-term commitment to the firm for capital supplementation**; bancassurance firms are also required to develop prudent profit distribution plans.

The guidelines also require supervisors to conduct on-site and off-site evaluations on bancassurance firms’ compliance with corporate governance requirements. Firms are expected to report any feedback received from supervisors to the board of directors, the board of supervisors, and senior management and ensure any issues that have been identified are remediated in a timely manner. (Read more here)



China mainland (2/2)

4 RRP requirements for bancassurance firms

In June, the CBIRC published interim measures for bancassurance Recovery and Resolution Plans (RRP), which will apply to commercial banks, rural credit cooperatives, other financial institutions that receive public deposits, asset management companies, financial leasing companies, and insurance companies with on and off-balance sheet assets of CN ¥200 billion or more according to their consolidated statement. Bancassurance firms that do not fall into the above categories will be in-scope if they have on and off-balance sheet assets of CN ¥300 billion or more according to their consolidated statement. Bancassurance firms submitting an RRP for the first time will have until end-August 2022 to do so.

RRP requirements for bancassurance firms

5 Qualifications of insurance company directors

In June, the CBIRC launched provisions for the administration of qualifications of directors, supervisors and senior managers in insurance companies. Under the provisions, local offices of the CBIRC are independently responsible for the supervision and administration of the qualification of senior managers of the branches of insurance companies within their jurisdiction, with the exception of branches of Chinese reinsurance companies and branches of overseas insurance companies.

Qualifications of directors, supervisors and senior managers of insurance companies

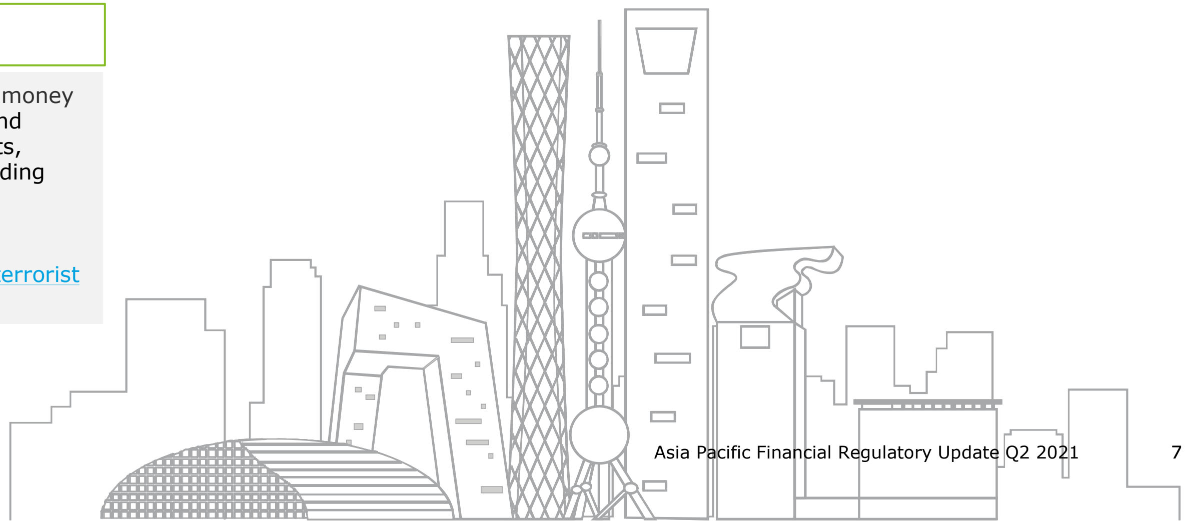
6 Anti-money laundering and counter-terrorist financing

In April, the PBoC launched measures for the supervision and administration of anti-money laundering and counter-terrorist financing. The measures establish more stringent and enhanced internal controls, risk management frameworks and reporting requirements, proportionate to a financial institution's AML/CTF risk status and business scale including accountability of head office and the Board. The measures include a requirement to establish a centralised AML/CTF mechanism at the group level.

Measures for supervision and administration of anti-money laundering and counter-terrorist financing

Key Market Events

The Chinese Communist Party (CCP) State Council has banned financial institutions and payment companies from offering services related to cryptocurrency transactions, and warned investors against speculative crypto trading. Under the ban, institutions are not allowed to provide any service involving cryptocurrency, such as registration, trading, clearing and settlement. The CCP has expressed concerns around financial crime issues such as money laundering, smuggling, and drug trafficking as well as the risks of highly volatile virtual currencies.



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Hong Kong SAR (1/3)

1 COVID-19 related measures

Over Q2 2021, the Hong Kong authorities announced one new COVID-19 related measure and extended one pre-existing measures:

1. In the 2021-2022 budget, the financial secretary announced a time limited **100% Personal Loan Guarantee Scheme (PLGS)** administered by the Hong Kong Mortgage Corporation Insurance Limited (HKMCI). The PLGS provides 100% government backed loans to those unemployed due to the ongoing COVID-19 pandemic. In April, the Hong Kong Monetary Authority (HKMA) set out relevant regulatory treatment with respect to PLGS loans granted by any participating authorised institution (AI) to eligible borrowers. PLGS loans will not be subject to supervisory requirements on credit assessment and credit risk and can be treated as "secured" for risk management purposes. (Read more here)

2. In May, the Hong Kong Insurance Authority (HKIA) announced the **extension of temporary facilitative measures for non-face-to-face distribution** of specific protective insurance products for three months to 30 September 2021. The scope of products covered, and the implementation details of the measures remain unchanged. (Read more here)

2 Operational resilience

Following the launch of the Basel Committee on Banking Supervision's (BCBS's) Principles for Operational Resilience (POR) and revised Principles for Sound Management of Operational Risk (PSMOR), the HKMA wrote a letter to the CEOs of AIs in April. The HKMA noted that many of the requirements captured in the POR are already included within its supervisory framework, but it is considering providing additional guidance to firms. However, the HKMA expects AIs to implement the revised PSMOR as soon as practicable and intends to "*provide relevant guidance through revising SPM module OR-1 on Operational Risk Management and will consult the industry about the proposed revisions in due course.*"

HKMA letter on Principles for Operational Resilience and Revised Principles for Sound Management of Operational Risk

3 Continued focus on data and technology

Data and technology continue to be a key focus area for the HKMA:

1. In April, the HKMA shared key observations and good practices from a **thematic review into how AIs integrate external information and data into their anti-money laundering (AML)/counter-financing of terrorism (CFT) control systems** to enhance effectiveness. The report also includes good practices observed in some AIs' adoption of regulatory technology (Regtech). The review was carried out in response to emerging risks noted following increasing bank customer enquiries and complaints in connection with COVID-19 related fraud, as well as mule account networks and activities related to identity theft and investment scams. (Read more here)

2. In May, the HKMA requested that all **AIs critically assess the need for setting up a secure tertiary data backup (STDB) to counter the risk of destructive cyber attacks**. All retail banks and foreign bank branches with significant operations in Hong Kong are expected to submit a report containing the result of their assessment to the HKMA by 30 November 2021. (Read more here)

3. In June, **the HKMA launched the final issue of the Regtech Watch, which outlines the HKMA's three-year roadmap to integrate supervisory technology (Suptech) into its processes**. Through greater use of Suptech, the HKMA aims to enhance the effectiveness and forward-looking capability of its supervision. (Read more here)

4. In June, the HKMA also requested that *"Selected Licensed Banks"* (with significant operations in Hong Kong) participate in a ***"Tech Baseline Assessment"* which forms part of the HKMA's *"FinTech 2025"* strategy.** Selected banks will need to submit a three-year plan for adopting financial technology (FinTech) covering current and planned adoption across front to back-end operations; concrete action plans for reaching FinTech adoption goals including budget considerations, resource allocation and talent development; and impact of FinTech adoption on longer-term business strategy and competitiveness. (Read more here)

Hong Kong SAR (2/3)

4 Revised Basel III implementation timeline

In June, the HKMA announced a delay to the implementation deadline for some Basel III requirements:

- **Credit risk, operational risk, output floor and leverage ratio** requirements will now take effect from 1 July 2023 (instead of 1 January 2023);
- The deadline for implementing **market and credit value adjustment (CVA)** risk frameworks will be extended by six months (reporting from 1 July 2023 with requirements in full effect on 1 January 2024)

Additionally, to facilitate timely implementation of requirements, the HKMA aims to have finalised most of its Basel III related rules drafting by the end of 2022.

Revised Basel III implementation timeframe

5 Sustainability and climate change developments

The Securities and Futures Commission (SFC) Chief Executive Officer, Mr. Ashley Alder delivered two speeches on environmental, social and governance (ESG) topics:

1. On **corporate sustainability disclosure standards**, Mr Alder highlighted the International Organization of Securities Commission (IOSCO) support of the **International Financial Reporting Standards (IFRS) Foundation's proposal to establish a new global sustainability standard-setting board** which would create *"a comprehensive and harmonised corporate-level reporting framework"* for ESG reporting. Mr Adler, who also chairs the IOSCO Board ,described the proposal as *"a major breakthrough"* for a number of reasons including the expertise involved in developing the framework, the likelihood of any standards developed becoming mandatory globally, as well as improved auditability of ESG disclosures once international standards are in place. (Read more here)

1. In a later speech on the **emerging global framework for climate change regulation**, Mr Alder emphasised that *"sustainable finance is now a clear IOSCO priority"* and discussed three key forthcoming IOSCO reports on **corporate-level disclosures, ESG ratings, and regulatory expectations of asset managers**. On ESG ratings, the report will include *"guidance to service providers and rating agencies, together with recommendations for regulators on how to deal with potential conflicts of interest"*. IOSCO will also set out a *"credible and consistent framework which fund managers can use to improve sustainability-related practices and disclosures."* (Read more here)

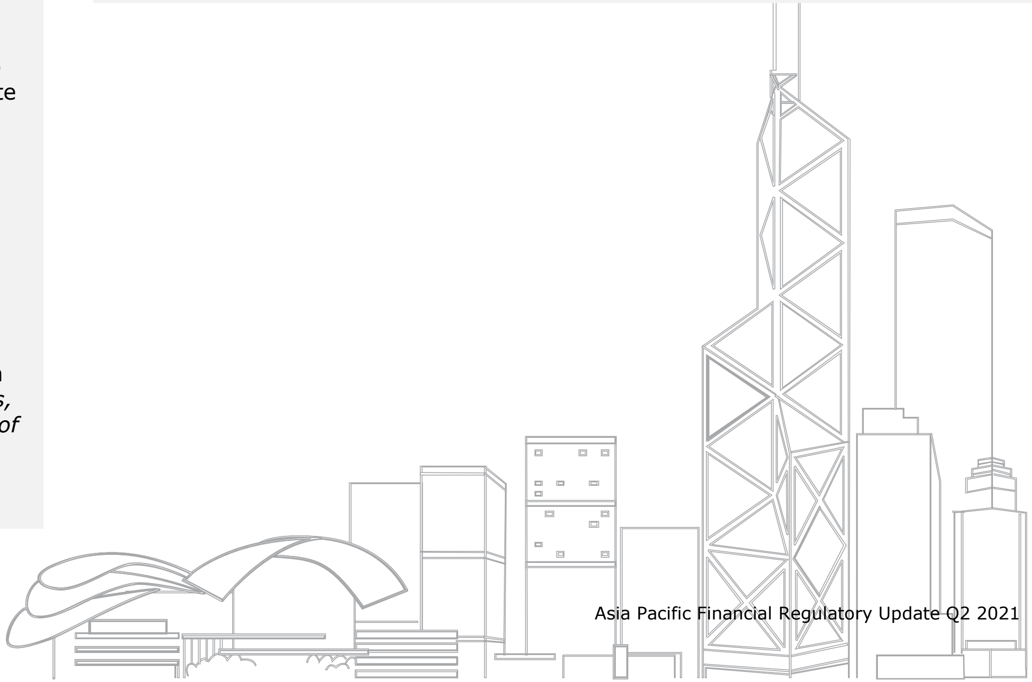
6 Supervision of insurance groups

On 29 March 2021, legislation came into effect giving the HKIA powers to regulate insurance groups and on 14 May 2021, the HKIA assumed the group supervisor role for AIA, FWD and Prudential. Group-wide supervision is decided based on the HKIA classifying a Hong Kong incorporated company within the insurance group as a designated insurance holding company (DIHC). In May, the HKIA also issued Guideline on Group Supervision (GL32) which sets out the principles and standards for DIHCs in respect of their supervised groups. The GWS framework contains three regulatory pillars:

- Pillar 1: group capital requirements;
- Pillar 2: risk management and governance; and
- Pillar 3: disclosure and reporting.

Key requirements include: HKIA approval of major acquisitions (>50% of a company) by any member of the supervised group; HKIA approval of senior management and key persons in control functions; and HKIA approval of DIHC shareholder controllers (15%), who are also subject to ongoing suitability requirements. The DIHC must also prepare an annual report on the capital requirements of the supervised group and certain members.

Guideline on Group Supervision



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Hong Kong SAR (3/3)

7 Assessment of systemically important banks

In April, following consultation with industry associations, the HKMA published the revised Supervisory Policy Manual (SPM) Module CA-B-2: Systemically Important Banks statutory guidance. The revisions aim to:

- Improve the assessment of an AI's complexity for the domestic systemically important bank (D-SIB) identification process; and
- Update various sections of the SPM module to reflect recent developments.

Revised SPM Module CA-B-2: Systemically Important Banks

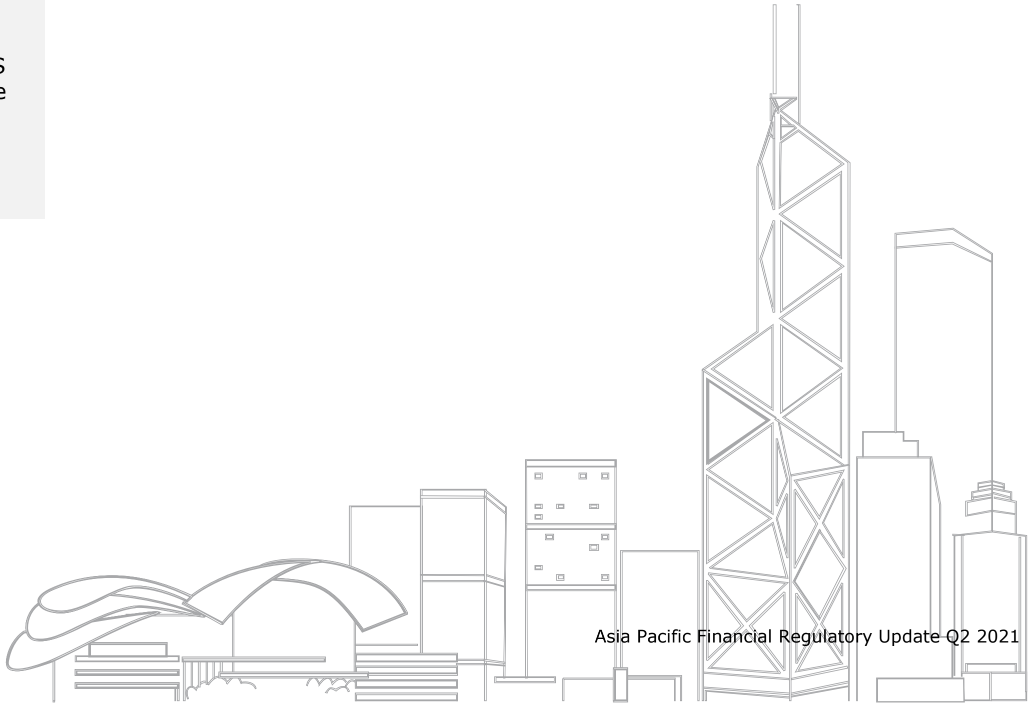
8 Insurance linked securities grant scheme launched

In May, the HKIA announced details of the two-year Pilot Insurance-linked Securities Grant Scheme (the Grant Scheme) promulgated in the 2021-22 Budget. The Grant Scheme provides an incentive for insurance companies and organisations to issue insurance-linked securities (ILS) in Hong Kong. In order to be eligible, issuances must take place in Hong Kong, be at least HK $250 million, and a minimum of 20% of the upfront issuance costs must be earned by service providers based locally. The total amount of grant for each issuance is the lesser of HK $12 million or 100% of the total upfront costs incurred for ILS with a maturity of three years or more. If the maturity of the ILS is under three years, the total grant will be the lesser of HK $6 million or 50% of total upfront costs.

Relevant Information on the Eligibility Criteria and Sum of Grants under the Pilot Insurance-linked Securities Grant Scheme

Key Market Events

The HKMA is very focused on technology and as highlighted, there are several workstreams and initiatives under way such as the HKMA's FinTech 2025 strategy. ESG also remains a key topic of focus and market discussion - following the establishment of the Green and Sustainable Finance Cross-Agency Steering Group in Dec 2020 and the commitment to net zero for Hong Kong in 2050, the market is very keen to hear further updates from the government and regulators on the path towards net zero and what this means for their firm and the broader industry. The HKMA is expected to consult on its plan to supervise sustainable finance within this half of the year, as well as to provide feedback based on the climate risk stress testing pilot undertaken with selected AIs (results are due by end-August).



India

1 Amendments to Alternative Investment Fund regulations

In May, the Securities and Exchange Board of India (SEBI) published amended Alternative Investment Funds (AIF) legislation. Key changes are as follows:

1. Definition of "startup" has been introduced;
2. Terms of reference of the committee constituted for approving the decisions of the AIF need to be disclosed in the information memorandum or placement memorandum;
3. Category I and II of AIFs shall invest not more than 25% of the investable funds in an Investee Company directly or through investment in the units of other AIFs;
4. AIFs which are authorised under the fund documents to invest in units of AIFs shall not offer their units for subscription to other AIFs;
5. AIFs may invest in units of other AIFs managed or sponsored by its Manager, Sponsor or associates of its Manager or Sponsor, with the approval of 75% of investors by value of their investment in the AIF;
6. General obligations of AIF have been revised;
7. Schedule IV, outlining the Code of Conduct for AIFs has been introduced. (Read more here)

SEBI also increased the amount that SEBI registered AIFs and venture capital funds (VCFs) are permitted to invest overseas to USD $1500 million (an increase from USD $750 million). Under the rules, AIFs and VCFs must disclose the utilisation of overseas investment limits within five working days. (Read more here)

SEBI has also extended the due dates for regulatory filings by AIFs and VCFs prescribed under SEBI (Alternative Investment Funds) Regulations, that fall due between end-March 2021 to July 2021. AIFs and VCFs now have until 30 September 2021 to submit their regulatory filings. (Read more here)

2 Managing co-operative banks' outsourcing risks

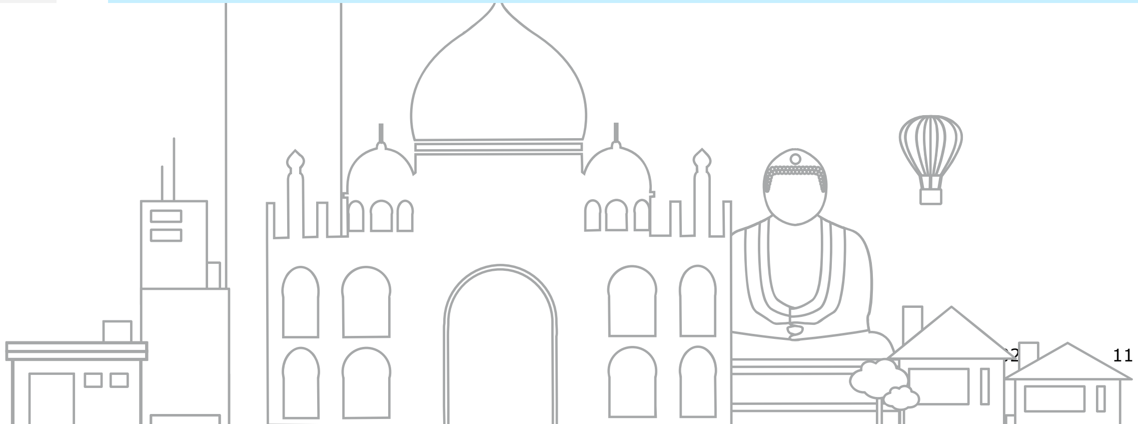
In June, the Reserve Bank of India (RBI) published Guidelines for Managing Risks in Outsourcing of Financial Services by Co-operative Banks. The guidelines require that a cooperative bank intending to outsource any of its financial activities should put in place necessary safeguards and a comprehensive outsourcing policy (approved by the Board) to address the inherent risks in outsourcing of activities. The guidelines focus on the following:

- **Activities that shall not be outsourced** including core management functions (e.g. internal audit and compliance), know your customer (KYC) requirements, credit sanction and management of investment portfolios;
- **Assessment and analysis of material outsourcing** based on e.g. *"the impact on the co-operative bank's reputation and brand value, and ability to achieve its business objectives, strategies and plans, should the service provider fail to perform the service"*;
- **Risk management practices** for outsourcing including the requirement to carry out risk assessments against strategic risk, reputation risk, compliance risk, operational risk, legal risk, exit strategy risk, country risk, concentration and systemic risk; and
- **A centralised list of outsourced agents**.

Guidelines for Managing Risk in Outsourcing of Financial Services by Co-operative Banks

Key Market Events

Due to the prevailing COVID-19 pandemic, the RBI has extended the timeline for compliance with various payment system requirements until 30 September 2021, including the minimum positive net-worth requirement; harmonisation of turnaround time (TAT) and customer compensation for failed transactions using authorised payment systems; and submission of the System Audit Report.



Indonesia

1 Business plans of sharia commercial banks and business units

In April, the Indonesia Financial Services Authority (Otoritas Jasa Keuangan (OJK)) launched revisions to business plan requirements for sharia commercial banks (BUS) and sharia business units (UUS) following developments in banking regulations. Under the requirements, adjustments have been made to the previous provisions regarding the coverage, format and reporting procedures for the business plans of BUS and UUS including rules around the submission of business plans.

Business plans of Sharia Commercial Banks and Sharia Business Units

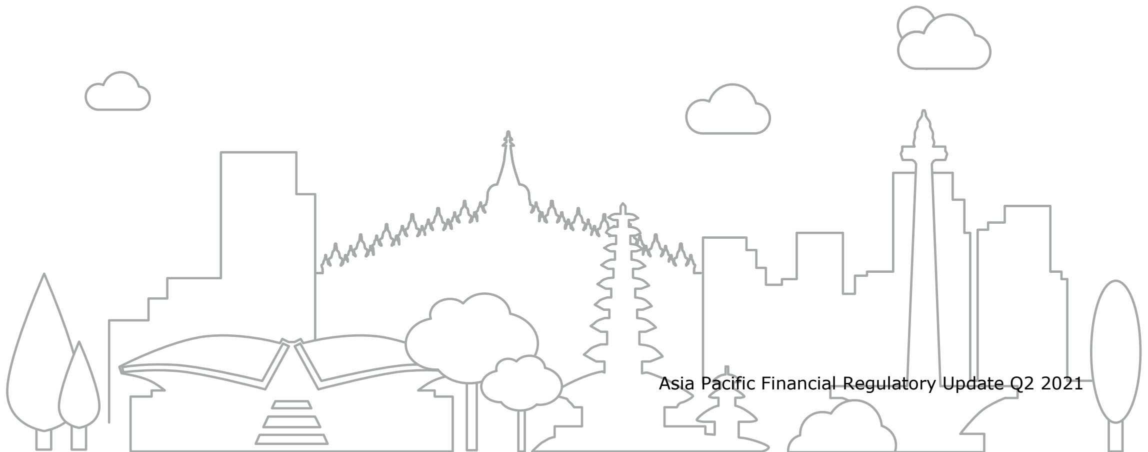
1 Dispute resolution

In May, the OJK published a report on Alternative Institutions for Financial Services Sector Dispute Resolution. The regulation is an implementation of the provisions of Article 36 and Article 37 of regulation number 61/POJK.07/2020 concerning Alternative Institutions for Financial Services Sector Dispute Resolution (LAPS) which stipulates that the LAPS of Financial Services Sector is obliged to submit report to the OJK periodically. This regulation includes several provisions, namely the format and structure for the LAPS report which consists of periodic reporting and reporting the names of PUJK (Financial Service Business Actors) and consumers in dispute; procedures for submitting the LAPS; and procedures for submitting reports in the event of technical problems with the electronic reporting system provided by the OJK.

Report on Alternative Institutions for Financial Services Sector Dispute Resolution

Key Market Events

Two of Indonesia’s biggest technology startups, Gojek and Tokopedia have announced their plans to merge. Once the US$18 billion merger is finalised, the combined company, “GoTo” will be one of Southeast Asia's biggest technology conglomerates covering a wide range of services from ride-hailing to digital payments and e-commerce. GoTo is also expected to launch an initial public offering (IPO) on the Indonesia Stock Exchange (IDX) before the end of 2021. If this goes ahead, GoTo could instantly become the second-biggest listed company on the IDX in terms of market capitalization (behind Bank Central Asia (BCA)).



Japan (1/2)

1 Revisions to Japan's Corporate Governance Code

In April, Japan's Financial Services Authority (JFSA), released "Revisions of Corporate Governance Code and Guidelines for Investor and Company Engagement." The key changes include:

- **Enhancing board independence** including an increase in the number of independent directors from at least two to at least one-third of board members;
- **Promoting diversity** including requirements to disclose a policy and measurable voluntary targets with respect to promoting diversity in senior management;
- Attention to **sustainability and ESG** including a requirements to develop a basic policy and disclose initiatives on the company's efforts to foster sustainability, and enhance the quality and quantity of climate-related disclosure based on the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations or equivalent international frameworks at prime market listed companies.

Revisions of Corporate Governance Code and Guidelines for Investor and Company Engagement

4 Climate transition finance

In April, the JFSA, the Ministry of Environment, and Ministry of Economy, Trade, and Industry jointly published draft "Basic Guideline for Climate Transition Finance". The guideline describes the definition and role of transition finance, and four major elements which borrowers are required to address. The elements include climate transition strategy and finance; environmental materiality of the business model; scientific climate transition strategy (goal and trajectory); and transparency of implementation. Borrowers are expected to implement transitional arrangements in line with the requirements set out in the principles, and to make the necessary relevant disclosures.

Guidelines for climate transition finance

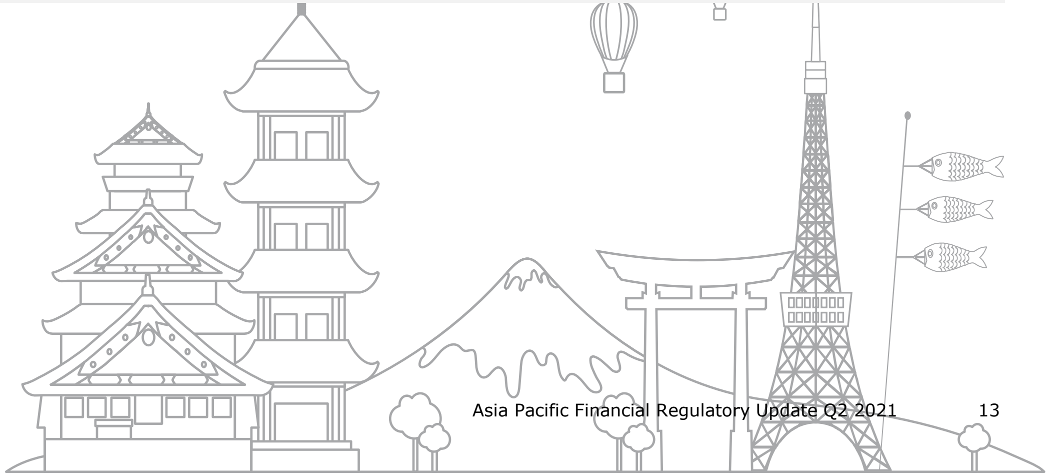
2 Benchmark reform

Japan launched a number of benchmark reform initiatives over Q2 2021, including:

1. The JFSA and the Bank of Japan (BOJ) published a joint update on the "Roadmap to Prepare for the Discontinuation of Japanese Yen LIBOR", based on a "Report from the Sub-Group for the Development of Term Reference Rates". The Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks added a transition plan for interest rate swaps referencing Japanese yen LIBOR maturing after end-2021 to the roadmap. (Read more here)

2. The BOJ released a statement regarding the "Calculation and Publication of Production Rates for Term Reference Rates". The BOJ announced that QUICK Benchmarks Inc. had begun to publish production rates for Term Reference Rates (the Tokyo Term Risk Free Rate (TORF)). The rates, which can be used in actual transactions, were available on QUICK information terminals from 26 April 2021 and on the website of QUICK Corp. (Read more here)

3. The JFSA and the BOJ, published the results of a joint survey of 274 financial institutions, including banks, securities companies and insurance companies, regarding their use of LIBOR. The survey found that over 80% of the firms' combined assets', liabilities' and derivatives' contracts referencing JPY LIBOR or USD LIBOR have maturities beyond end-2021. However 49% of the contracts referencing JPY LIBOR and 63% of the contracts referencing USD LIBOR have already incorporated fallback provisions (either under hardwired or amendment approach). The proportion of the amounts outstanding of such LIBOR is 18% and 30.3%, respectively. At the time of the previous survey (end-June 2019), very few contracts incorporated fallback provisions. (Read more here)



Japan (2/2)

5 Relaxation of ‘firewall’ rules

In May, the Financial System Council under the JFSA published a report from the Financial Market System Working Group. The report includes recommendations to relax the firewall regulation that restricts banks and securities firms in the same groups from sharing client information (including material non-public information). The reports recommends to switch the client consent procedure from the current "opt-in" approach to an "opt-out" approach.

The second report of the Working Group on The Market System of the Financial Council

6 Model risk management

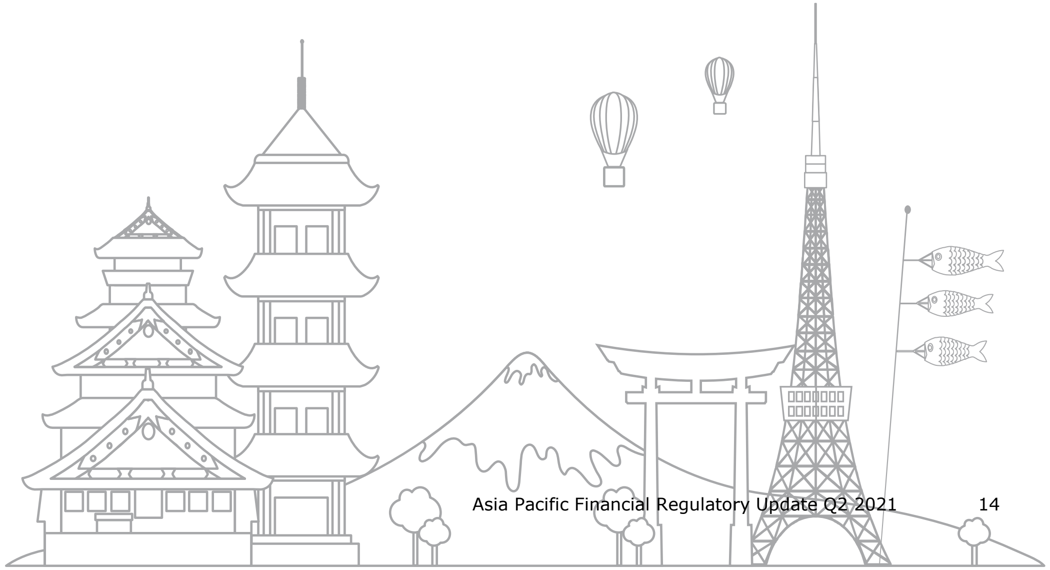
In May, the JFSA published draft ”Principles on Model Risk Management", which includes eight principles on the definition, scope, governance, and process of model risk management. The principles also incorporate a wider range of models on non-prudential areas such as AML/ CFT models.

Principles for Model Risk Management

Key Market Events

A third-party panel released an investigative report on a large-scale system breakdown that occurred across a major bank’s ATMs last quarter. The report found that there was no common technological cause of the incident and concluded that human errors were largely culpable such as a lack of awareness about the impact on users, inadequate controls over systems management, and shortfalls in the bank’s crisis response. A social network service (SNS) provider was also found to have failed to comply with the necessary procedures for customer consent on cross border data transfer including a lack of consideration regarding local regulatory requirement which may have put customer information at risk. Following these two events there may be more stringent regulatory scrutiny in these areas.

Further, in line with the Financial Stability Board’s (FSB’s) over-the-counter (OTC) derivatives reform, a new regulation will take effect in 2022; which will require reporting to the trade repository, DTCC Data Repository (Japan) from October 2022. Financial institutions will need to address technical and legal requirements before the implementation date.



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Malaysia

1 Electronic money

In June, the Central Bank of Malaysia (Bank Negara Malaysia (BNM)) published a consultation paper on electronic money (e-money).
This policy document outlines requirements aimed to:

- Ensure the safety and reliability of e-money issued by electronic money institutions (EMIs); and
- Preserve customers' and merchants' confidence in using or accepting e-money for the payment of goods and services.

Draft proposals relating to electronic money

2 Benchmark reform

In May, the BNM launched a discussion paper on the *"Alternative Reference Rate and Strategic Direction"* on the Kuala Lumpur Interbank offered rate (KLIBOR) and the Kuala Lumpur Islamic Reference Rate (KLIRR) for the Malaysian financial markets. The objective of the discussion paper is to seek feedback from industry stakeholders on the framework, design and features pertaining to the development of an alternative reference rate (ARR), potential enhancements to KLIBOR as well as a review of KLIRR. The paper outlines the features of the proposed transaction-based ARR, and proposals to refine the fallback plans for KLIBOR and future direction for KLIRR.

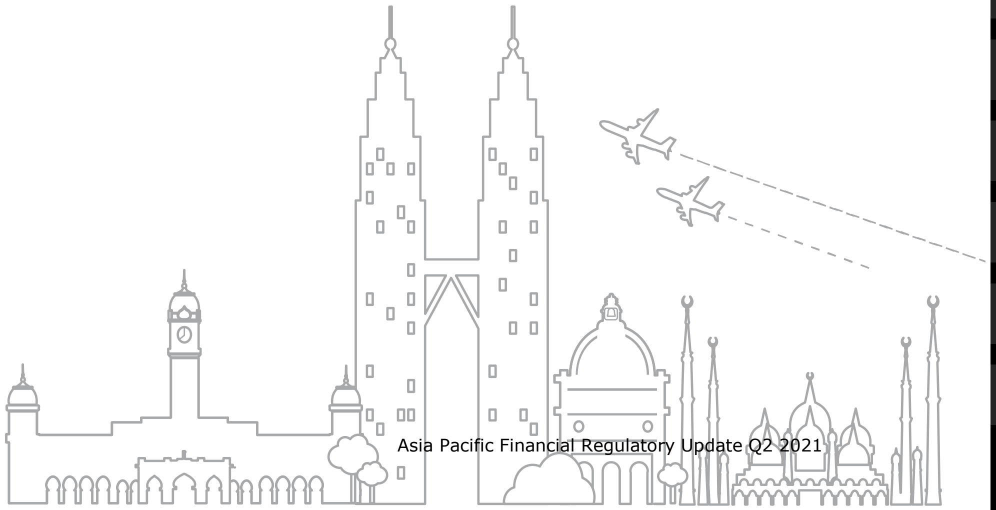
Discussion paper on alternative reference rates

3 Climate change guidelines

In May, the BNM published regulatory guidelines on climate change including a principle-based taxonomy. The guidelines aims to:

- Provide an **overview of climate change** and its impact on businesses and households as well as the broader economy;
- **Introduce a principle-based taxonomy** for financial institutions to assess and categorise economic activities according to the extent to which the activities meet climate objectives and promote the transition to a low-carbon economy. The taxonomy also incorporates the consideration of broader environmental outcomes through the principle of no significant harm, with specific regard to how business operations affect pollution, biodiversity and resource efficiency. In supporting an orderly transition, the taxonomy recognises remediation measures and introduces a progressive system of transition categories to acknowledge concrete efforts and commitments by businesses to adopt sustainable practices; and
- **Facilitate standardised classification and reporting of climate-related exposures to support risk assessments** at the institution and systemic levels, strengthen accountability and market transparency, and encourage financial flows towards supporting climate objectives. FIs can also leverage on the taxonomy in the design and structuring of green finance solutions and services to accelerate development of green sectors and activities, and decarbonisation efforts.

Climate change guidelines including a principle-based taxonomy



New Zealand (1/2)

1 Kiwisaver fund shifts

Kiwisaver is a government led retirement savings and investment scheme. Just under three million New Zealanders are enrolled in the scheme and can choose the risk level of their investment through their Kiwisaver provider (most commonly, their bank).

In March 2020, many Kiwis switched to a lower risk fund with the intention of protecting their investment following the announcement of the COVID-19 lockdowns. The combined value of this switch was $1.2 billion. This shift was most notable in the 26–35-year-old age bracket, with their change rate being 21 times higher than the pre-COVID-19 average. As the market conditions improved, many people switched back to a high-risk fund, however, the combined value of this was only $121 million. This means $1 billion funds missed the market rebound resulting in significant losses to individuals Kiwisaver balances.

A recent report published by the Financial Markets Authority (FMA) outlined that this shift was caused by several behavioral economic factors. It outlined that the ability to see your Kiwisaver balance alongside your everyday accounts has meant many Kiwis view this part of their everyday money as opposed to a long-term investment and are therefore more likely to act when the balance suddenly drops.

From a regulatory perspective, this event is important as many regulators are interested in how to prevent this loss from occurring again. They are now questioning how the financial services industry can provide more information to customers on the impacts of holding and switching their risk profiles in the event of a disaster.

High level of KiwiSaver switching during COVID-19 driven by young people

3 Cyber resilience guidance

The financial services industry (FSI) has seen a significant increase in the number of cyber security attacks in recent months, prompting the Reserve Bank of New Zealand (RBNZ) to publish guidance on cyber resilience for regulated entities. *"The guidance outlines the Reserve Bank's expectations around cyber resilience, and draws heavily from leading international and national cybersecurity standards and guidelines."* The intention of this publication is to raise awareness of the need for cyber resilience in the FSI and reduce the risk of significant data breaches and financial loss that could have detrimental impacts on the New Zealand economy.

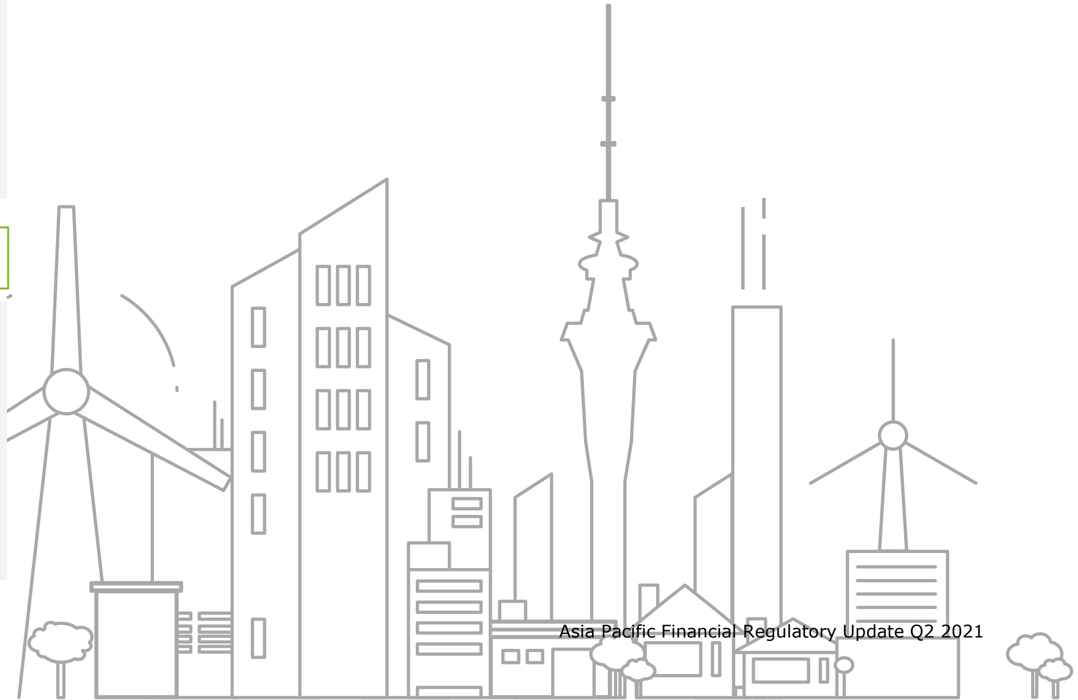
Reserve Bank publishes cyber resilience guidance - Reserve Bank of New Zealand

4 Financial market infrastructure reforms

Payment and settlement systems have been the focus of a recent regulatory change in New Zealand, whereby the RBNZ will work with the FMA to jointly regulate financial market infrastructure (FMI). This legislative change will replace the current regime within the Reserve Bank of New Zealand Act 1989.

"The Bill provides the regulators with comprehensive regulatory, supervisory, enforcement, and crisis management powers in respect of important FMIs." The Bill was passed with the intention of ensuring there is a flexible and robust framework for regulating FMI's, and to work towards the goal of *"fair, efficient and transparent financial markets."* Public consultation on the design of the standards will occur during the 18 month transitional period.

New law reforms the regulation of financial market infrastructure



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New Zealand (2/2)

5 Review of insurance solvency standards

The Insurance Solvency Standards govern the minimum amount of capital that insurers are required to hold. Recently, the RBNZ conducted a review into the solvency standards to ascertain how they currently compared internationally, the *"role of capital in absorbing an insurers losses,"* the risks they pose to the balance sheet and whether the current standards remain practical.

Following a request for submissions, key themes that emerged were the need for insurers to meet their financial obligations to their policy holders, consistency of approach across the industry and the need for the RBNZ to provide clarity on risk appetite.

Review of Insurance Solvency Standards: Principles and Timeline Consultation

6 Guide for "finfluencers"

The FMA has just released a guide to creating content on investing and personal financial management, following a rise in social media focus on this. While the FMA is positive about the trend of individuals looking to improve their financial literacy, they have suggested content creators be weary of the implications of providing financial advice they are not qualified or authorised to give.

FMA releases guide for 'finfluencers'

Key Market Events

Buy now, pay later (BNPL) schemes such as After Pay, Lay Buy or Zip have become a popular method of payment in New Zealand over the past few years. Recently there have been concerns raised over the fact these organisations are largely unregulated due to the fact they do not charge interest, and therefore are difficult to class as a "loan" product. Instead of interest, these firms charge significant late payment fees for customers who do not meet their payment deadlines. According to the Australian Securities and Investments Commission (ASIC) *"More than 20 percent of buy now pay later users missed a payment in the last 12 months. Missed payment fee revenue for all buy now pay later providers in the review totalled over $43 million, a growth of 38 percent." Given that* BNPL providers have been under increasing scrutiny in Australia, it is expected that New Zealand will follow suit in the coming months.

Singapore

1 Continued focus on climate risk and sustainability

The Monetary Authority of Singapore (MAS) has continued to underscore the importance of climate risk and sustainability management through speeches and initiatives, including:

- Mr. Ravi Menon, Managing Director, MAS, spoke on the critical role the financial sector plays in advancing the climate agenda, and how MAS is incorporating climate change and environmental sustainability across all its functions at the Sustainability Report media conference. (Read more here)
- Mr. Ravi Menon, Managing Director, MAS, spoke on the opportunities in using carbon markets to support the transition to a low carbon future, and Singapore's vision to be a carbon services and trading hub in Asia. (Read more here)
- The Green Finance Industry Taskforce (GFIT), convened by MAS, launched several initiatives to accelerate green finance in Singapore through improving disclosures and fostering green solutions. (Read more here)
- MAS announced the launch of the 6th edition of the Global FinTech Hackcelerator, with the theme 'Harnessing Technology to Power Green Finance'. The competition seeks to unlock the potential of FinTech in accelerating the development of green finance in Singapore and the region. (Read more here)

2 Support and development of the financial sector

MAS has extended support and development measures as the economy turns the corner on recovery, including:

- MAS and the Institute of Banking and Finance announced extensions to the enhanced training support measures to build capabilities and strengthen employability of the local workforce. These extended measures will be progressively reduced and cease on 1 July 2022. (Read more here)
- MAS, Association of Banks in Singapore, and the Finance Houses Association of Singapore have announced an extension of the existing industry-wide support measures for individuals and SMEs in Tier 1 and 2 sectors that continue to face financial difficulties due to the COVID-19 pandemic. (Read more here)
- MAS announced a new Regulatory Technology (RegTech) grant scheme and an enhancement of the Digital Acceleration Grant (DAG) scheme to accelerate technology adoption in the financial sector. MAS will commit $42 million for the RegTech grant scheme and enhanced DAG scheme. (Read more here)

3 Building on recovery through technology and inclusion

Dovetailing with recovery efforts, MAS is driving financial inclusion and new technologies, including:

- MAS, in partnership with the International Monetary Fund (IMF), World Bank, Asian Development Bank, United Nations Capital Development Fund, United Nations High Commission for Refugees, United Nations Development Programme, and the Organization for Economic Co-operation and Development (OECD), has announced the launch of a global challenge for retail Central Bank Digital Currency (CBDC) solutions (Global CBDC Challenge). (Read more here)
- MAS is the first central bank to join the Mojaloop Foundation as a sponsor-level member to collaborate on providing the underserved access to affordable financial services through digital currency-based settlement systems and foundational digital infrastructure. (Read more here)
- Mr. Ravi Menon, Managing Director, MAS, provided an update on job opportunities in financial services based on MAS' latest employment outlook survey, and spoke on job specialisation, specifically in the area of technology following a deep dive study MAS has undertaken. (Read more here)
- Mr. Ravi Menon, Managing Director, MAS, highlighted the need for foundational digital infrastructures to spur the growth of the digital economy, and spoke on the four foundational digital infrastructures - digital identity, authorisation and consent, payments interoperability, and data exchange. (Read more here)
- MAS has launched a report on the foundational digital infrastructure necessary for an inclusive digital economy and seamless cross-border transactions around the world. (Read more here)

Key Market Events

Building on the prior trend of recovery, the MAS continues to highlight its focus on climate risk and sustainability; development, innovation and the use of technology; and fostering financial and digital inclusion. Additionally, this quarter saw numerous nuanced updates to notices, guidelines, forms, and templates across the financial sector.

South Korea (1/2)

1 Improved securities lending system for retail investors

In order to improve retail investors' access to stock short selling, the Financial Services Commission (FSC) and financial investment businesses will begin to offer more opportunities for stock borrowing. A total of twenty-eight securities companies will provide securities lending services.

Improved securities lending system for retail investors

2 Household debt management plan

The Government announced a household debt management plan for 2021-2023 on 29 April 2021. The plan aims to:

- Manage the growth rate of gross household debt at stable levels for the mid to long-term; and
- Establish lending practices based on individual borrowers' repayment capability.

The measures include:

- Strengthening measures to manage gross household debt level;
- The introduction of debt service ratio (DSR) rules tailored to individual borrowers' debt servicing capabilities;
- Tightening oversight over non-bank loans and non-housing mortgages; and
- Enhancing financial access of first-time homebuyers to strengthen the housing ladder.

Household Debt Management Plan

3 Short selling to resume

In April, the FSC announced that stock short selling will resume for KOSPI 200 and KOSDAQ 150 stocks from 3 May 2021 after completing the following improvements to the system including:

1. Introduction of stronger monetary sanctions and criminal penalties;
2. Establishment of an illegal short selling detection system;
3. Expansion of short selling access and opportunities for retail investors; and
4. Overhaul of the market maker system to reduce market makers' share of short selling volume.

Short selling of certain stocks resumes

4 Enhanced investor protection for complex products

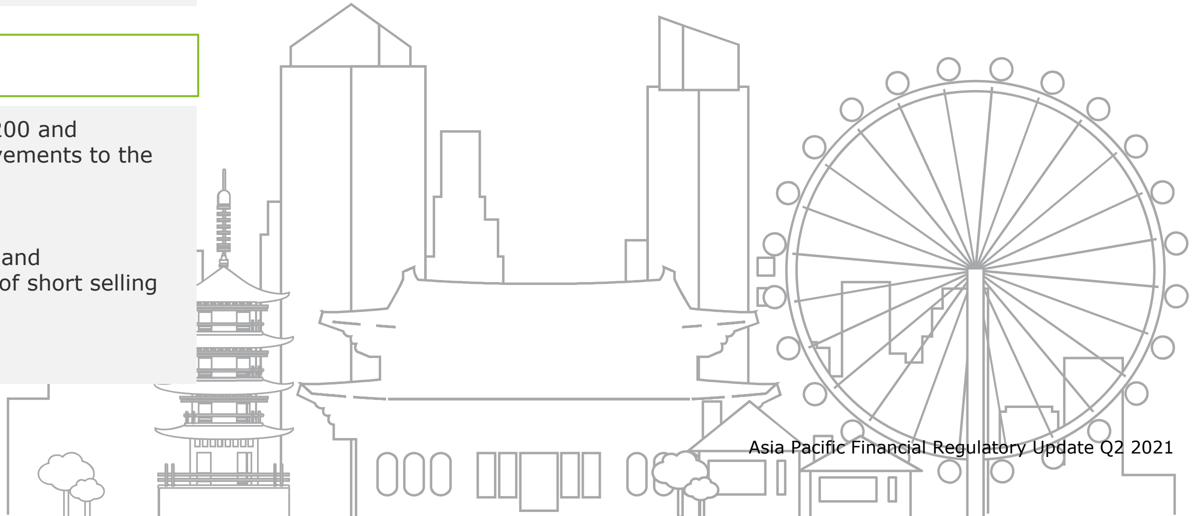
Financial institutions are now required to record the sales process when selling *"highly complex investment products"* and making sales to elderly investors (from 10 May 2021). In addition, a cooling-off period of two business days or more will be guaranteed for investors of highly complex investment products to allow them to make more prudent investment decisions. These investor protection measures have been included in the revised Enforcement Decree of the Financial Investment Services and Capital Markets Act which was passed in February this year.

Enhanced investor protection for complex products

5 Introduction of small-sum & short-term insurance business

In May, the FSC announced that the Government approved revisions to the Enforcement Decree of the Insurance Business Act at a cabinet meeting on 25 May 2021. The revisions aim to introduce a small-sum, short-term specialised insurance business with a variety of insurance coverage such as pet, leisure and travel insurance.

Introduction of small-scale & short-term insurance business



South Korea (2/2)

6 Strengthened oversight of virtual asset transactions

In May, the Government announced its plan to enhance supervision on virtual asset transactions. The measures introduced aim to strengthen efforts to prevent illegal transaction activities and improve transparency amid the growing market size of virtual assets. The revised Act on Reporting and Using Specified Financial Transaction Information provides a six-month grace period for current virtual asset service providers (VASPs) to register their business with the authority.

Strengthened oversight of virtual asset transactions

7 Approval of new digital financial institutions

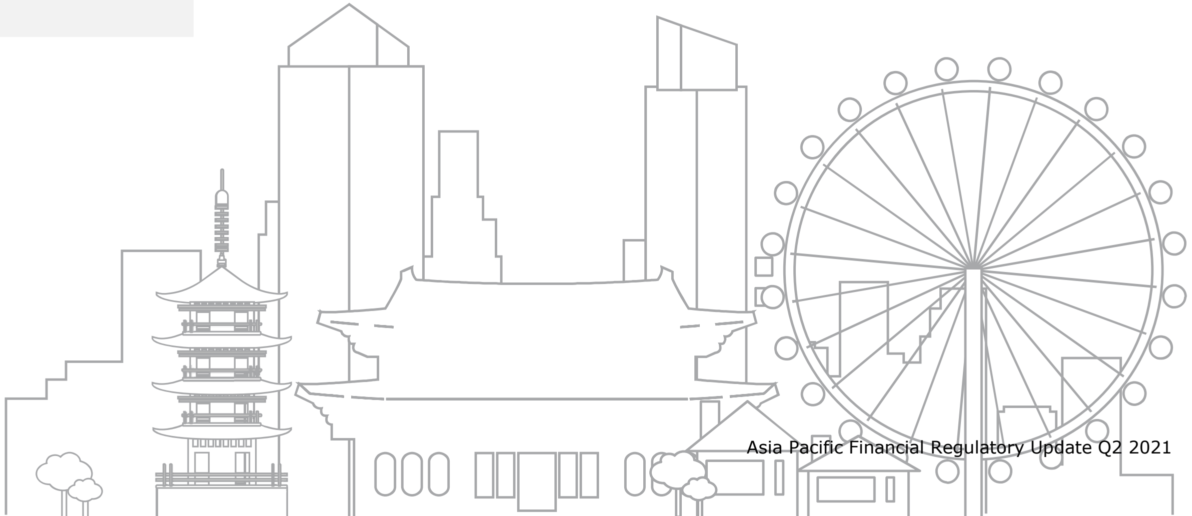
This quarter, the FSC approved the launch of two digital financial institutions:

1. The FSC decided to grant final approval for Toss Bank at its 11th regular meeting held on 9 June 2021. Toss Bank will begin its digital banking operation as soon as September this year after completing the necessary preparatory works. Toss Bank is the third digital bank that will be launched in Korea after K Bank and Kakao Bank which gained approval from the FSC in December 2016 and April 2017, respectively. (Read more here)

2. In the same meeting, the FSC also decided to grant preliminary approval for Kakao Pay's digital insurance business. This is the first time that the FSC has granted preliminary approval for a digital insurance business to a new entrant (non-insurer). (Read more here)

Key Market Events

The Bank of Korea (BOK) is planning to launch simulation studies of Central Bank Digital Currency (CBDC). The BOK has been conducting CBDC research since last year in preparation for changes in the future payment environment. The simulation study will be an experiment in CBDC manufacturing through to payments created in a virtual environment. Conversely, regulation of the cryptocurrency industry is expected to be strengthened in South Korea due to concerns regarding the risks posed by the high volatility of crypto and given the proliferation of cryptocurrency use in financial crime.



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Taiwan

1 Facilitate launch of new innovative boards

Following the launch of a Taiwan Innovation Board (TIB) and a Pioneer Stock Board (PSB) to assist innovative businesses in their efforts to raise funds on the capital markets, the Financial Supervisory Committee (FSC) amended a number of requirements under the *"Company Act"*. The amendments include:

- Provisions to accelerate innovative companies entering capital markets and reduce the resources (time and cost) required for preliminary procedures;
- Requirement to disclose the high-risk nature of innovative businesses and make it clear that only *"qualified investors"* can invest in them;
- Clearly defined rules around the issuance of new shares for innovative businesses in an initial public offering (IPO);
- Calculation methods for benchmark prices of emerging stocks on the PSB; and
- Rules prohibiting margin trading in PSB-listed companies (subject to review based on assessed market liquidity).

Launch of new innovative boards

2 Financial inclusion sandbox experiment

The FSC approved a joint application by ALPHA Robo-Advisor and SinoPac Securities to begin a one-year regulatory sandbox experiment for "*Robo Advisor service for implementing financial inclusion*". ALPHA Robo-Advisor and SinoPac Securities are the first team that has received approval to take part in the sandbox experiment in 2021. Under the experiment, ALPHA Robo-Advisor will use an automated system to provide investment advice based on the risk tolerance of individual investors; customers can then use the linked application programming interface (API) to buy foreign exchange-traded funds (ETFs) through SinoPac Securities.

Approval of regulatory sandbox experiment using technology to support financial inclusion

3 Micro-whole-life insurance

In order to increase the insurance coverage of Taiwan citizens, the FSC provided for higher insured amounts and broader coverage under micro-whole-life insurance by issuing an amended version of the Directions for Micro-Whole-Life Insurance, which entered into force on 1 July 2021.

FSC further increases protection provided by micro-whole-life insurance

4 Development of a standardised mobile identity verification process

There has been an increasing demand for fully remote account opening and transactions via mobile devices/ the internet etc. However, the current identity verification processes still primarily rely on physical credentials such as Citizen Digital Certificates, credit cards, and debit cards, and in situations where verification via physical identities is not possible, the types of accounts and transactions available is limited. Therefore, on 4 May 2021, the FSC launched the *"Financial FIDO Alliance"* which includes representative from the Joint Credit Information Center (JCIC), the Financial Information Service Co., Ltd. (FISC) and several financial institutions. The *"Financial FIDO Alliance"* will support acceleration of the development of a standardised mobile identity verification mechanism for financial services firms in Taiwan.

"Financial FIDO Alliance" formally established to accelerate security and convenience of digital financial service

5 Memorandum of Understanding (MOU)

The FSC and Texas Department of Banking recently signed an MOU that includes provisions governing such matters as information sharing, assistance with on-site examinations, cooperation in the supervision of cross-border establishments, and establishment by the two sides of a supervisory college. Now that the MOU has been signed, it will serve as the basis for stronger supervisory cooperation between the two sides.

FSC signs memorandum of understanding (MOU) with Texas Department of Banking

Thailand

1 Blockchain technology for banking services

The Bank of Thailand (BOT) recognises the importance and opportunities of Blockchain technology to increase service efficiency as well as develop financial innovations in Thailand's financial systems. Therefore, the BOT has issued guidelines for business operators in the financial sector to take advantage of such technology.

Blockchain technology for banking services

2 Capital market supervision

The Office of the Securities and Exchange Commission, Thailand (SEC Thailand) is seeking public comments on the proposed amendment of the Securities and Exchange Act B.E. 2535, the Derivatives Act B.E. 2546, the Trust for Transactions in Capital Market Act B.E. 2550, and the Emergency Decree on Digital Asset Businesses B.E. 2561 to facilitate digital capital market, increase efficiency of capital market supervision, and foster fundraising and business related to the capital market. The key proposed revisions cover the following issues:

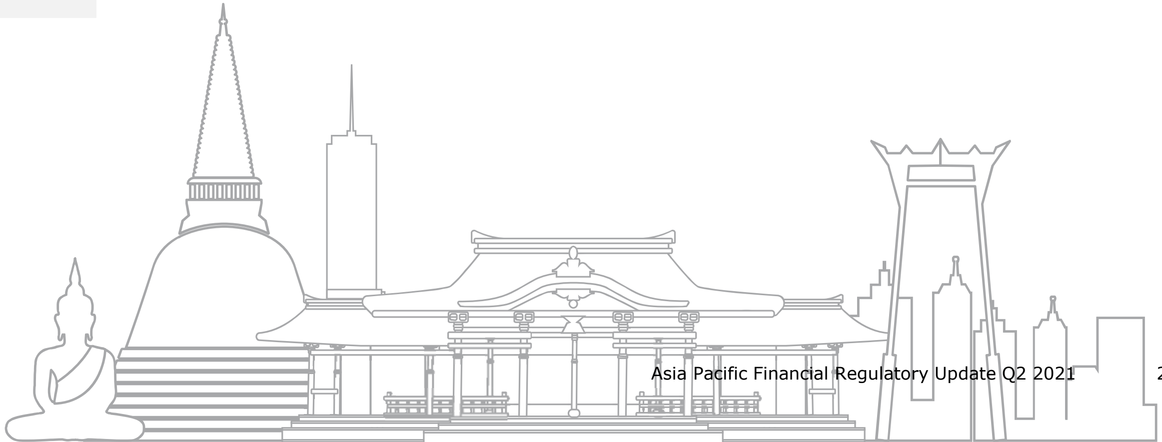
- Facilitation of digital capital market;
- Supervision of securities and derivatives business operators;
- Supervision of secondary market including institutions related to securities and derivatives businesses;
- Fundraising and supervision of auditors, audit firms, including other professionals in the capital market; and
- Efficiency of law enforcement and revision of punishment provisions.

Capital market supervision

Key Market Events

In April, the BOT published a paper on *"The Way Forward for Retail Central Bank Digital Currencies in Thailand".* The paper sets out the BOT's concerns regarding the potential systemic risks posed by privately-issued digital currency; and the key benefits of CBDC for Thailand including the development of a digital form of central bank money that is safe, reliable and accessible by the public, and to support inclusion and financial innovation in the digital era. The BOT also highlighted three primary risks of retail CBDC including disintermediation of financial intermediaries; exacerbation of bank runs especially in times of financial crises; and the need to uphold high security standards in order to ensure the public's trust and confidence in the CBDC system. Finally, the BOT identifies *"three main capacities which would be crucial for successful CBDC implementation, namely 1) user accessibility, 2) digital infrastructure, and 3) legal and regulatory frameworks."* The BOT also said that it "*will prioritize capacity building*" and "*focus on the research and development of a retail CBDC"* throughout 2021-2022.

In June, SEC Thailand banned digital asset exchanges from trading meme- or fan-based tokens, non-fungible tokens and exchange-issued tokens. The ban is expected to affect tokens like Dogecoin as well as tokenised arts and collectibles.



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