Deloitte.

Centre for
Regulatory Strategy
Asia Pacific

Innovating Through Complexity

2025 Asia Pacific Financial Services Regulatory Outlook

Navigating the report

Cross-sector

Global regulatory landscape:

Our view of the economic and structural forces shaping the global regulatory landscape

Asia Pacific perspective:

Our top-down view of the regulatory outlook for the Asia Pacific financial services industry

In focus

In focus:

Our view of the outlook for AI, greenwashing, financial crime and virtual assets regulation across the Asia Pacific financial services industry

Click icon to navigate to the relevant section

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

As we look ahead into 2025, we see an outlook that is clouded by more uncertainty than usual, driven by a combination of politics, geopolitics, and economics.

Last year saw 3.7 billion voters going to the polls across 72 countries.[3] Political priorities from many of these elections are still emerging. However, what is already clear is that countries will prioritise economic growth, competitiveness and – given high and potentially rising geopolitical tensions – economic and cyber security.

Against this background, we expect changes to regulation and the overall regulatory and supervisory environment around the world, with the pace and extent varying by country. However, recognition that safeguarding financial stability, combating financial crime and responsibly integrating new technologies are increasingly intertwined with national security and economic self-interests, will likely shape the dialogue surrounding potential financial services (FS) deregulation.

In 2025, FS firms will need to be vigilant in the face of a demanding set of interrelated economic and geopolitical risks, and a financial system that is becoming increasingly complex through growing interconnections between FS intermediaries and non-bank financial institutions (NBFIs).

In our view, a successful strategy for FS firms in the year ahead will combine navigating the many immediate challenges they face and simultaneously looking beyond them to identify and pursue opportunities that emerge from new market value or areas of government focus.

Achieving this calls for a bold approach to prioritising strategic choices (even amidst uncertainties in regulation, government policy choices and profitability). For many FS firms, especially within Europe, sub-par price-to-book ratios may increase pressure to defer investment, and instead focus on reducing costs and returning earnings to shareholders. The key question is whether any firm – regardless of sector – can afford the opportunity cost of withholding internal investment.

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

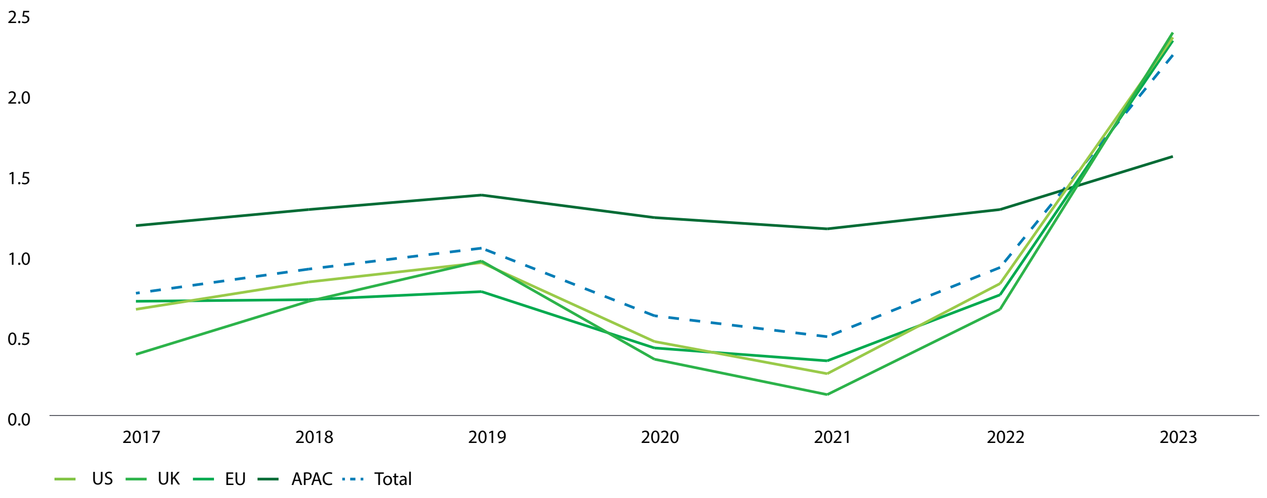
The economic outlook

In mid-2024, the International Monetary Fund (IMF) observed that the world's economy "appears to be on final approach to a soft landing".[4] However, while forecasters continue to see a soft landing as the baseline, the risks to global growth are on the downside, particularly because of macro-financial and economic uncertainties. Near-term global GDP growth is projected to hover around a "stable but underwhelming" 3%.[5] Advanced economies are projected to grow between 1.7% and 1.8% and Asia's developing economies at 4.5% until 2029.[6] However, the IMF cautions that alternative scenarios involving a permanent increase in trade tariffs could decrease global gross domestic product (GDP) by 0.8% in 2025 and 1.3% in 2026 relative to baseline projections.[7] Analysis by the European Central Bank (ECB) shows sharply rising trade policy uncertainty and elevated levels of economic policy uncertainty and geopolitical risk.[8]

Central banks have been cutting interest rates, but the future direction and pace of changes to benchmark rates will depend on a range of factors, including: what happens to inflation, including developments in trade and tariff policies, geopolitical tensions and changes in government policy priorities. At present, more than 2,500 industrial policy measures are in play (of which 71% are trade distorting).[9]

However, even if rates remain on a downward path, will this overcome negative perceptions of the economy?[10] Perhaps not, as the transmission lag observed while rates increased is equally relevant to easing. Higher mortgage rates will remain locked in for some time and many households will continue to feel financially squeezed.[11]

Figure 1: Cost of interest-bearing deposits for Global Systemically Important Banks (GSIBs)



Source: Deloitte analysis of GSIBs financial reports[10]

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

Fierce competition has so far sustained deposit costs across all regions (see Figure 1), and typically the change in deposit costs compared to the change in benchmark rates lags behind the percentage change in loan yields – in short, keeping interest expenses under control will be challenging and banks will be looking to boost fee income. However, pricing strategies will be particularly sensitive in jurisdictions that have implemented regulations to protect vulnerable customers and deliver fair value, especially where firms are required to evidence outcomes using customer-level data.

Unless consumer and business demand for credit can compensate for margin compression, broader funding strategies may need to be reconsidered. Offering more holistic products and services to transaction-focused customers may help to retain deposits in a competitive environment. But firms could also consider medium-term strategic acquisitions to preserve margin and loan growth, particularly those targets with a sticky retail deposit base but lacking a strong lending platform.

Fluctuations in benchmark interest rates will also require course corrections by (re)insurers. Interest rate uncertainties will keep life insurance firms on their toes for asset-liability and reinsurance management, especially as their direct and indirect exposure to illiquid assets has increased in the past years.[13] General insurers may face a challenging balancing act between offering competitive premiums, a potential stickiness in claims settlement costs, and rising "social inflation" pressures (particularly in the US and Australia).[14] Supervisory expectations on delivering fair value and servicing policyholders' needs will also increase in a number of regions.[15,16]

In 2024, barely a month has passed without a senior central banker or regulator making a cautionary statement about rising geopolitical risks. This is hardly surprising given that more than 50 global conflicts are taking place: the highest number since the Second World War.[17] Rising geopolitical tensions also spill over to the cyber environment, raising risks for the public and private sectors.[18] Maintaining resilient cybersecurity and financial crime prevention are two areas that we expect to be insulated from the politics of growth and competitiveness. This coincides with FS firms in many countries having to improve their operational resilience and the effectiveness of their third-party risk management approaches. While in some respects, improving cyber capabilities and operational resilience go hand-in-hand, they undoubtedly put additional strain on firms' technological change capabilities.

Evolution in the FS regulatory agenda?

The growth and competitiveness agenda

The subdued economic outlook raises questions about steps governments can take to support the growth and international competitiveness of their economies, particularly in the context of tight fiscal positions and limited manoeuvrability on taxation. This has inevitably put the spotlight on regulators, specifically their role in promoting growth and competitiveness, including removing regulatory barriers to product innovation and unlocking household savings.[19]

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

Regulators' starting position is invariably that safe and stable financial systems are better positioned to support the real economy.

At the global level, we see little appetite to review or change standards in the year ahead. The Basel Committee on Banking Supervision (BCBS), for example, has prioritised implementation of the final package of Basel III measures before considering new initiatives or revisions (such as on liquidity). The current political appetite within BCBS member jurisdictions for coordinated changes also appears to be low, and unilateral policy changes within jurisdictions – especially divergence from international standards – may increase fragmentation in the global FS policy landscape.

Meanwhile, a growing reluctance has emerged amongst some Basel member jurisdictions to implement in full the final Basel III standards that were agreed upon in 2017.[21] For example, the EU's implementation includes generous transitional allowances, some of which are likely to be extended by several years or incorporated into the end-state framework. Trading book reforms have also been delayed in several jurisdictions, and their ultimate adoption may be influenced by the direction US regulators choose to take under the new administration and any commitment to a re-proposal.

Appetite for risk is evidently growing in some jurisdictions, particularly the UK, where the government has directed prudential and conduct regulators to consider how they can enable "informed and responsible risk-taking" by regulated firms and their customers.[22,23]

While growth-enhancing regulatory changes and longer-term initiatives (e.g. the UK National Wealth Fund and the EU's Savings and Investments Union) aim to "crowd in" investment, the true test is market appetite. The success of a "growth alliance" between governments and the FS industry is likely to depend on shared risk participation. The availability of state guarantees, for example, may be key to determining the viability of financing the infrastructure and transition projects required for economic growth.

Economic security vs. sustainability: a balancing act?

The focus on growth has reduced the momentum around sustainability regulation and we expect this to continue. Moreover, in recent months, differences between individual countries' strategies for tackling

> *As the great financial crisis fades into the rearview mirror, it seems that competitiveness considerations have taken the wheel. However, just as guardrails on a motorway do not impede drivers but ensure they stay on the road, a robust regulatory framework sets safe boundaries for banks, enabling them to fulfil their role of lending to the real economy.*
>
> **Elizabeth McCaul, member of the European Central Bank Supervisory Board, November 2024[20]**

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

(or not) the sustainability transition have arguably become starker. This has made it harder for firms offering or managing sustainable investments to navigate an increasingly complex landscape. Firms will need to consider how to satisfy ongoing demand across countries that either a supportive or unsupportive policy environment, and adapt their communications, marketing and engagement strategies accordingly. That said, national and regional policy development persists – the Hong Kong Monetary Authority (HKMA), for example, has recently published "good practices" for climate risk management.[24,25]

Regardless of what happens in terms of global coordination, escalating financial costs, including claims, litigation and the extraterritorial reach of some jurisdictions', including the EU's, regulations, demand action.

Fixing the roof before it rains

Strong capital and funding metrics across the banking sector, while important, are not enough. Many supervisory issues remain unresolved. About two-thirds of large US banks are assessed as "less-than-satisfactory" by supervisors – a significant deterioration compared to five years ago. Most of these outstanding issues relate to governance and controls.[26] Similarly, the most recent ECB Supervisory Review and Evaluation Process (SREP) round found that while 71% of banks received the same overall score as the prior year, 14% had worsened, with scores for the lowest rated cohort driven by weaknesses in management, risk culture and internal controls.[27]

Data is the foundation for effective risk management. Yet a decade after the BCBS issued its BCBS 239 principles for risk data aggregation and reporting, very few global banks have achieved full compliance.[28] Supervisors are increasingly impatient with this slow progress. The ECB has led the charge for years and recently issued stricter guidance on risk data aggregation and reporting, signaling severe consequences if shortcomings persist;[29] European insurance supervisors have issued similar warnings about persistent data management shortcomings.[30]

Boards and executives should anticipate increased scrutiny and pressure to address long-standing weaknesses in these fundamental areas.[31] Supervisors will expect decisive action and a clearly articulated roadmap to address these critical areas, going beyond tactical fixes to deliver stable solutions.[32] A proactive approach on data, while necessary for regulatory compliance, also presents an opportunity to support the rollout of innovative technologies, including AI, for unlocking competitive advantages.

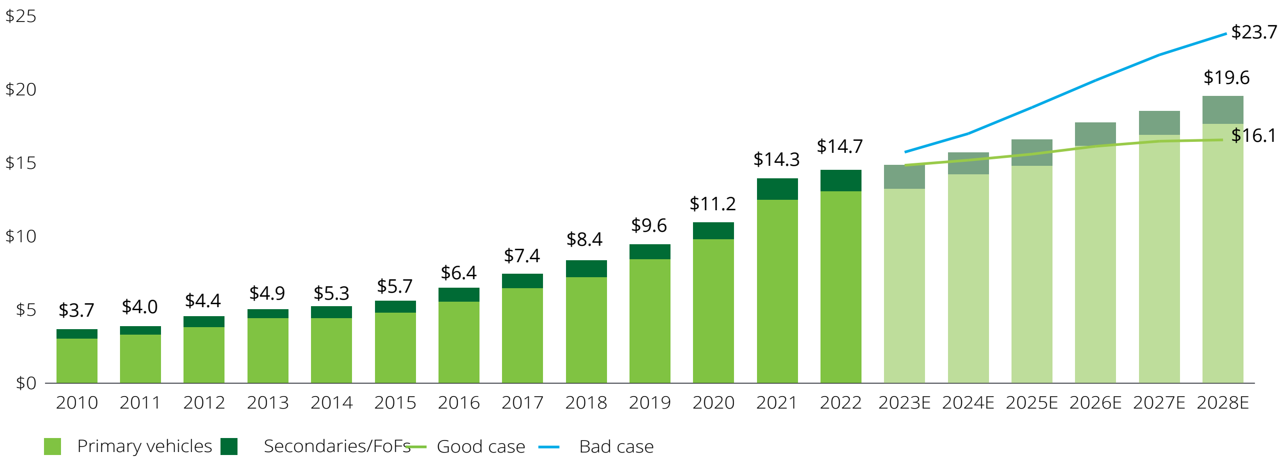
While insurance supervisors continue to focus on solvency and liquidity management, risk exposure is receiving increased attention in the context of underestimated perils, and policy wording that extends liability beyond the scope of what underwriters intend. This is particularly prevalent in the cyber insurance market, where a number of regulators (Australian Prudential Regulation Authority (APRA), Bermuda Monetary Authority (BMA), Autorité de Contrôle Prudentiel et de Résolution (ACPR), Prudential Regulation Authority (PRA)) have called for action to strengthen underwriting and risk management practices.[33,34,35]

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

Across the FS sector, anti-money laundering and the fight against financial crime more broadly will likely remain high on the agenda – the Japan Financial Services Agency (JFSA) 2024/25 strategic priorities make a direct link between financial crime and maintaining a resilient financial system.[36] The UK's Financial Conduct Authority (FCA) has called for urgent action in response to its recent assessment of a broad range of FS firms' financial crime policies, controls, and procedures. The review identified some widespread weaknesses in fundamentals – including discrepancies between registered and actual business activities; controls not keeping pace with business growth; failure to risk assess customers and activities; and inadequate resourcing and oversight of regulatory requirements.[37]

Figure 2: Historical assets under management and forecasts of private capital
In USD bn



Source: PitchBook Inc[39]
Note: the 2023-2028 bars represent the base-case forecast, the good case and bad case are inclusive of secondaries and fund of funds.

Private markets at the regulatory frontier

Global private assets are projected to reach USD 21 trillion by 2030 – a staggering 62% surge from their current size.[38] While this expansion helps unlock significant private investment to fuel economic growth, it also raises red flags for some supervisors and financial stability authorities. The increasing scale, interconnectedness, and opacity of private markets, coupled with concerns about some participants' resilience in stressed market conditions, are a stark reminder of the vulnerabilities of the pre-crisis global financial system.

Regulators are keeping a close eye on how this may precipitate risks for the FS sector. The Bank of England has completed its first system-wide exploratory scenario (SWES) exercise last year, examining the behaviours of banks and NBFIs under stressed conditions. While the results indicate resilience in certain markets, more work is to be done. In particular, the exercise highlighted misaligned expectations among participants, including NBFIs assuming greater access to repo financing than providers were willing to extend,

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

and discrepancies between banks' projections and initial margin requirements set by central clearing counterparties (CCPs). The exercise also revealed that the collective actions of participants exacerbated the initial shock of a stress scenario.

Similarly, APRA is gearing up to launch its inaugural financial system stress in 2025 (expected to draw inspiration from the Bank of England's SWES) further demonstrating a global regulatory focus on this issue.[40]

The BCBS and International Association of Insurance Supervisors (IAIS) are also paying attention to structural changes involving migration of risks from insurers' balance sheets to reinsurance firms connected with private equity investors. The BCBS has cautioned the untested resilience of private markets, where concentrations of investments in less liquid assets suggest greater vulnerability to stress than elsewhere.[41,42]

Slow progress on the agreement and implementation of global standards for NBFIs has meant that banks with the major NBFIs as their counterparties have borne the brunt of supervisory activity. Last year's PRA review into banks' private equity financing activities found sizable gaps in their risk management, highlighting an inability in some banks to aggregate data or grasp its significance for counterparty risk management.[43,44] ECB supervisors are also likely to hold firms to task against their 2023 guidance on counterparty credit risk governance and management.

Appetite for global policy changes may be diminished, but new BCBS guidelines for counterparty credit risk management reinforces this as an exceptional issue.[45] Supervisors will leave no stones unturned to maintain financial stability and we can expect a continued focus on stress testing undertaken by banks and insurers as a means to monitoring and mitigating contagion risks stemming from their exposures to private markets.

Operational resilience and technology

Critical third-party management remains a priority

Recent incidents related to information and communication technology (ICT) third party failures are stark reminders that disruptions of relatively small third-party providers can rapidly and simultaneously undermine the operational capabilities of global firms. FS firms should expect regulators' resolve to remain strong in addressing critical third-party management,[46] and having an eye toward a regulated firms ecosystem.

European regulators are leading the way,[47] with the UK introducing a specific Critical Third Parties (CTP) framework and the EU's Digital Operational Resilience Act (DORA) regime setting high-level areas of focus for CTP management. Other jurisdictions are yet to implement formal regulations, but US regulators have issued collective guidance on third-party risk management (which is expected to remain a priority in 2025),[48] and others are likely to follow. The BCBS and the IAIS have also pushed for robust operational resilience frameworks beyond major jurisdictions, although cooperation on global standards is unlikely in the near term.[49]

Global regulatory landscape

Vigilance for the near term, but strategic transformation is key to unlocking future value

Unlocking the power of artificial intelligence (AI)

A recent global survey conducted by Deloitte revealed a strong appetite among executives for leveraging AI. Over half of those surveyed indicated a desire to harness generative AI to bolster productivity and growth, with 38% anticipating cost reductions as a direct result of efficiency gains.[50]

Even as firms explore AI's vast potential, they will need to navigate a fluid regulatory landscape, characterised by evolving frameworks, divergent supervisory expectations, and international fragmentation. However, data quality, model risk management, and governance of AI systems are likely to emerge as focal points for supervisors globally. The Hong Kong Securities and Futures Commission, for example, has emphasised these areas in its core principles for the use of generative AI language models.[51,52]

In the absence of other fully developed frameworks, the EU's new AI Act,[53] with its technology-specific approach, is emerging as the de facto benchmark. While many operational details will be elaborated upon over 2025-2026, the broader contours have already been signposted. Other jurisdictions have adopted technology-neutral stances for now, relying on existing, wider frameworks. In the UK, for example, the practical applications of AI will be captured by a combination of existing operational resilience,[54] CTPs and Consumer Duty frameworks –[55] to name the key ones. In the US, while federal regulation may shift under the new administration and Congress, national security has been a key consideration in executive action taken by the previous two administrations.[56,57] Bipartisan action by the House Financial Services Committee is underway to identify the advantages and risks of AI, and assess the effects of existing laws and regulations on its adoption.[58] The US Department of Treasury has also recently issued a request for information to examine the uses, opportunities, and risks of AI in the FS sector. The U.S. Securities and Exchange Commission has also announced that emerging technologies (including AI) will be a priority in this year's examinations.[59]

Clarity on crypto?

Crypto asset regulation remains fragmented. Regulators in Japan,[60] Singapore and HK SAR took early steps towards crypto-specific frameworks, and the EU's Markets in Crypto Assets Regulation (MiCAR) regime is being phased-in, but other jurisdictions – including the US and UK – have not yet adopted specific, comprehensive regimes. But that looks set to change. In the US, the incoming administration is expected to take a more favourable stance on cryptoassets.[61] Meanwhile, 2025 will see the UK flesh out the draft details of its own regime.

Crypto markets are experiencing a resurgence, reminiscent of the 2021 boom, with ETF launches and rising Bitcoin and Etherum prices. However, a clearer regulatory landscape in some jurisdictions makes this cycle different. Renewed market enthusiasm, coupled with a maturing regulatory landscape, may prompt FS firms to re-evaluate crypto offerings in 2025. Increasing interest and trading activity will put pressure on jurisdictions without comprehensive frameworks, including the US and UK, to catch up.

Global regulatory landscape

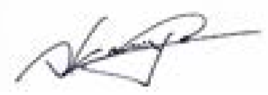
Vigilance for the near term, but strategic transformation is key to unlocking future value

Taking the longer view

The outlook for 2025 hangs in the balance of whether, and in what magnitude, conspicuous economic and geopolitical downside risks materialise. The permutations are numerous and difficult to predict – this demands vigilance. But the prospect of a growth alliance between the FS sector and governments has enormous potential, and unlocking the maximum value requires a joint commitment by FS firms and governments to medium-term strategic transformation.

Regardless of externalities – positive or negative – the need to address supervisory backlogs, particularly in risk management and data governance, is a certainty FS firms can pursue without remorse. Similarly, the integration of AI, while brimming with opportunity, requires a strategic and discerning approach. This means building robust risk management foundations today, while anticipating and adapting to the evolving regulatory landscape shaping AI's future.

FS firms that successfully synthesise strategic transformation with a commitment to enhance fundamental risk management and data governance capabilities look set to thrive in the years ahead – our view is that 2025 is the year to make it happen.



Seiji Kamiya
Centre for Regulatory Strategy
APAC

Irena Gecas-McCarthy
Centre for Regulatory Strategy
US

Suchitra Nair
Centre for Regulatory Strategy
EMEA

Asia Pacific perspective
In focus
Macroeconomic environment
AI regulation
Greenwashing
Financial crime
Virtual assets
Way ahead
Contacts
Contributors
Endnotes

Asia Pacific perspective

The regulatory outlook for the FS industry in the Asia Pacific (AP) region in 2025 reflects a complex and evolving landscape shaped by technological advancements, sustainability concerns, and geopolitical tensions.

The growing fragmentation of regulation, driven by divergence in regional priorities, will require FS firms to navigate an increasingly intricate environment, often involving multiple regulators and grappling with the extraterritorial impact of global rules on AI and sustainability standards. Geopolitical challenges, further intensified by varying speeds of AI adoption, add another layer of complexity. Meanwhile, the continued implementation of Basel III standards across the region underscores regulators' commitment to financial market stability, with heightened supervision aimed at protecting consumers and combating fraud. As governments increasingly prioritise economic growth, achieving a delicate balance between fostering growth and maintaining robust FS regulation will be a key focus in the year ahead.

Technological developments and risks

The FS industry is undergoing a significant transformation driven by rapid technological advancements, particularly relating to AI. AI is emerging as a hallmark technology of our era, offering substantial economic and societal benefits through enhanced speed, efficiency, and predictive capabilities. These advancements enable gains such as democratised access to finance, enhanced customer experiences, and improved financial crime and fraud detection. For instance, AI-powered chatbots and virtual assistants are revolutionising customer service, while machine learning algorithms are being used to detect and prevent fraudulent activities with greater accuracy.

However, AI also poses significant risks, including discrimination, bias, privacy, security, and misinformation. The potential for AI to perpetuate or even exacerbate existing biases is a critical concern. For example, if an AI system is trained on biased data, it may make unfair lending decisions or discriminate against certain groups of people, restricting their access to finance. Privacy concerns are also paramount, as the collection and analysis of vast amounts of personal data creates threats to data protection and consent. Security risks are equally significant, with the potential for AI systems to be hacked or manipulated, leading to financial losses, leaking of personal data and subsequent reputational damage.

Across AP, there is a broad consensus on the need for transparency, explainability, and accountability in the development, deployment, and ongoing management of AI systems. However, regulatory approaches vary across the region, with some jurisdictions proposing legally binding requirements, while others are opting for non-binding principles and regulatory sandboxes with the aim of fostering innovation. For example, Singapore has opted for voluntary guidelines including the *Model AI Governance Framework*, which provides practical guidance for organisations to deploy AI responsibly. Conversely, China has largely chosen to implement mandatory rules such as the *Provisional Administrative Measures of Generative Artificial Intelligence Service* released in July 2023.

Asia Pacific perspective

Sustainability and greenwashing risks

The AP region is continuing to experience more frequent extreme weather events, and most governments are accelerating their green transition efforts. Both physical and transition risks associated with climate change are expected to impact the profitability of FS firms. The spotlight on sustainable finance is intensifying in AP, with regulators insisting that FS firms incorporate environmental, social and governance (ESG) considerations into their decision-making frameworks. This shift presents new opportunities, such as the development of green bonds and sustainable investment products, but it also necessitates substantial adjustments in business methodologies and practices to align with evolving ESG expectations and standards including jurisdictional adoptions of the International Sustainability Standards Board's (ISSB) sustainability standards.

However, the growing regulatory emphasis on sustainability in AP has also given rise to the risk of greenwashing, where companies make misleading claims about the environmental benefits of their products or practices. Greenwashing can erode consumer trust and undermine the credibility of the sustainability movement. To combat this, regulators are tightening their scrutiny of ESG claims and implementing more rigorous disclosure requirements.

Asia Pacific perspective

Rising concerns of financial crime

The increasing sophistication of criminal activities and the rapid pace of technological change have made it more challenging for FS firms to prevent and detect financial crime. Money laundering remains a significant issue, with criminals using complex schemes to launder illicit funds through the financial system. The use of cryptocurrencies and other digital assets has further complicated efforts to combat money laundering, as these assets can be easily transferred across borders and are often difficult to trace.

Terrorist financing is a critical concern, with terrorist groups using various methods to fund their activities, including the exploitation of the financial system. FS firms must implement robust know-your-customer (KYC) and anti-money laundering (AML) procedures to identify and report suspicious transactions.

Cybercrime is also a growing threat, with cybercriminals targeting FS firms to steal sensitive data, disrupt operations, and extort money. In particular, the rise in ransomware attacks has highlighted the need for FS firms to enhance their cybersecurity measures and incident response capabilities - a key supervisory enforcement priority relating to operational resilience. Criminals are also leveraging technology to target unsuspecting consumers through online scams and fraud.

In response to these challenges, regulators are strengthening their AML and counter-terrorist financing (CTF) frameworks and collaborating with international bodies to share intelligence and best practices. For example, the Financial Action Task Force (FATF) has issued guidelines on the risks and measures to combat money laundering and terrorist financing in the digital asset sector. In the AP region, jurisdictions including Australia, Mainland China, Japan and Singapore have taken action to amend existing laws or create new laws to penalise online scams and the misuse of digital IDs.

Asia Pacific perspective

Continued implementation of operational resilience beyond the banking sector

While enhancements to operational resilience have made significant progress in the AP region, its implementation will continue to be a key focus for some AP jurisdictions, especially for the insurance sector. The draft application paper on *Operational Resilience Objectives and Toolkit* published by the International Association of Insurance Supervisors (IAIS) in August 2024 indicates that the growing complexity, interconnectedness, and technology dependence of insurers' operations could increase the likelihood and impact of operational disruptions.[62] In order to tackle operational weakness in the insurance sector, the IAIS has published several papers on cyber security, cyber breach case studies, and cyber risk frameworks. The IAIS' *2025-2029 Strategic Plan* also highlights operational resilience and cyber resilience as key themes.[63]

Operational resilience regulation in most jurisdictions covers both banks and insurers, such as the *Prudential Standard CPS 230 on Operational Risk Management* published by the Australian Prudential Regulation Authority (APRA).[64] However, in some jurisdictions separate requirements are being issued for insurers, often at a significantly later date to those of banks. A notable example of this is Hong Kong SAR, where operational resilience requirements for insurers are expected to be published by the Insurance Authority of Hong Kong in 2025. The introduction and implementation of requirements for the broader FS sector should help to bolster and enhance the overall resilience of the financial system.

Some jurisdictions such as Australia will be focused on preparing to meet implementation deadlines which will begin from July 2025 for significant financial institutions (SFIs).[65] While regions with more mature regulatory frameworks can expect an increased focus on enforcement, with IT resilience, cyber security, and third-party risk management (TPRM) all likely to be key areas of concern for AP supervisors.

Global regulatory landscape
Asia pacific perspective
In focus
Artificial intelligence and data
Payments and digital assets
Sustainable finance
Sector perspectives
Retail and commercial banking
Investment banking
Contacts
Contributors
Endnotes

Asia Pacific perspective

Increasing complexity in the regulatory landscape

The growing importance of highly politicised and broad, cross-industry issues such as sustainability, climate change, and technological advancements have resulted in FS firms being brought within scope of an increasing number of regulatory and supervisory bodies. We are also seeing a growing extraterritorial impact of regulations across the globe, especially from Europe where large AP FS firms may find themselves in scope of several European Union (EU) requirements such as the *AI Act, Corporate Sustainability Reporting Directive (CSRD)* and the *Digital Operational Resilience Act (DORA).* This growing regulatory reach coupled with a fragmentation in regional priorities, approaches, and implementation timeframes will create a significant challenge for FS firms, underscoring the necessity for robust investment in regulatory horizon scanning, compliance monitoring and analytical capabilities.

Adding to this complexity is the potential conflict emerging between the drive for technological advancements and the ESG agenda. While AI has the potential to enhance ESG compliance through for example data analytics and supply chain optimisation, it also presents several challenges. In addition to data privacy issues and the potential to perpetuate biases, AI demands substantial computing power, with generative AI systems consuming up to 33 times more energy per task than specialised software.[66] Concerns have also been raised about the working conditions of the AI data 'labelers' who train the models, many of whom are based in less developed regions and work long hours for low wages. These developments will need to be carefully monitored with goals relating to technological advancement carefully balanced against ESG considerations. FS firms will need to continue upskilling their existing workforce and bring in new talent with sufficient experience and knowledge in emerging topics to ensure organisations understand the associated risks and opportunities. This is crucial for the effective integration of these considerations into FS firms' risk management and compliance frameworks.

Asia Pacific perspective

On the other hand, we are also seeing a growing push for deregulation in some regions, with the focus on reducing unnecessary costs and restrictions created by overly burdensome and/ or ineffective regulation.[67] For example, in March 2024, New Zealand established the Ministry for Regulation with a mandate to improve the quality of regulation and ensure a properly functioning regulatory ecosystem that supports innovation.[68] This also coincides with the New Zealand Government's 2024-2025 financial services reform package aimed at streamlining FS industry regulation and removing unnecessary compliance costs.[69] While we are unlikely to see large scale deregulation across the entire AP FS industry any time soon, we may begin to see more pockets of regulatory reform emerge with the aim of right-sizing existing rules to improve financial market efficiency.

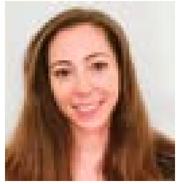
In summary, the FS industry must remain vigilant to key risks, including global economic uncertainties, existing vulnerabilities in the financial landscape, technological disruptions, sustainability challenges, and the rising threat of financial crime in the digital world. By closely monitoring economic trends, staying up to date on market dynamics, managing technology-related risks, enhancing geopolitical awareness, and implementing robust ESG and AML/CTF frameworks, FS firms can navigate the complexities of the AP region and position themselves for sustained success.

The *2025 ACRS Financial Services Regulatory Outlook* highlights the importance of a balanced approach to regulation, one that promotes innovation and growth while ensuring the stability and integrity of the financial system. As the region continues to evolve, the FS industry must adapt and innovate to meet the evolving needs of its stakeholders and contribute to the region's long-term success.


Sean Moore
Australia Co-lead
Centre for Regulatory Strategy
Asia Pacific


Nai Seng Wong
Southeast Asia Co-lead
Centre for Regulatory Strategy
Asia Pacific


Shinya Kobayashi
Japan Co-lead
Centre for Regulatory Strategy
Asia Pacific




Nicola Sergeant
Operations Lead
Centre for Regulatory Strategy
Asia Pacific

In focus

Macroeconomic environment

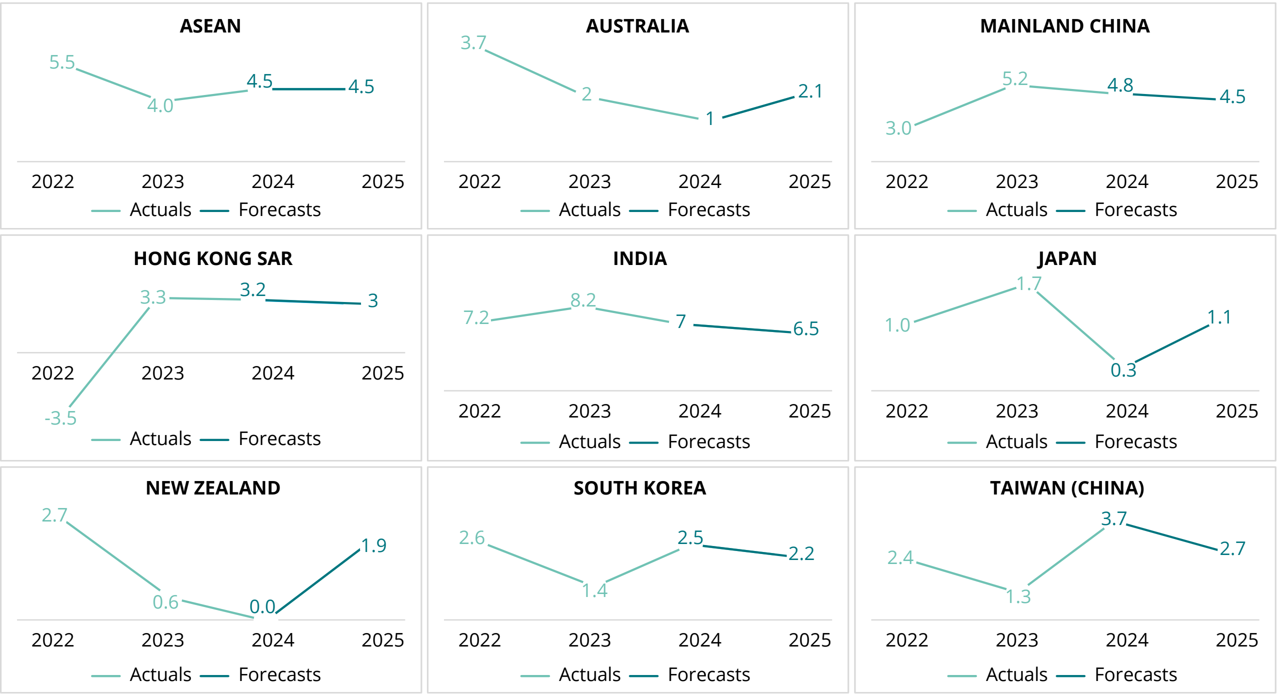
The AP region is growing steadily but with a slower pace

The AP region continues to exhibit a resilient growth trajectory, albeit at a slower pace compared to previous years, driven by a combination of internal and external factors.

Internally, the region faces a mixed picture of challenges such as subdued domestic demand, rising labor costs, and the need for structural reforms. Externally, uncertainties in major economies have introduced additional headwinds. Meanwhile, the global economic slowdown coupled with increased financial market volatility has dampened the growth momentum in the AP region.

Despite these challenges, the region remains a significant contributor to global economic growth. The IMF projects that the AP region will continue to outperform other regions, with an average growth rate of around 4.5% in 2025.[70] This growth is underpinned by the region's technological innovation, expanding export markets, and prudent monetary policies.

Figure 3 GDP growth projections for key AP economies



Source: International Monetary Fund, World Economic Outlook Database[71]

Macroeconomic environment

The AP region is growing steadily but with a slower pace

Key growth drivers in the region

The AP region's growth is driven by several key factors, which have helped it maintain a steady economic trajectory:

Domestic demand

Although consumer spending in some AP jurisdictions remains underwhelming, moderate growth has been observed in several others. In Japan, domestic private consumption, particularly in durable goods, increased in the first half of 2024, and the Bank of Japan (BOJ) anticipates that this increase in domestic demand will continue into 2025 and 2026.[72] Robust domestic private consumption is also a key supporting factor for stable economic growth in the Association of Southeast Asian Nations (ASEAN).[73] In India, moderating inflation especially in food is likely to contribute to private consumption in 2025.[74] Additionally, government and private sector investments in infrastructure, technology, and healthcare are contributing to economic growth. For instance, Mainland China's continued momentum on the Belt and Road Initiative (BRI) has spurred infrastructure development across the region, enhancing connectivity and trade.

Export growth

The competitive manufacturing foundation and diverse export markets in the AP region have bolstered its resilience amidst global economic uncertainties. An upturn in demand in some sectors is expected to further fortify export performance. For example, the stimulus package in Mainland China is anticipated to help drive steel exports from Australia[75] and the rapid expansion of the AI sector has led to a notable surge in semiconductor exports across various AP jurisdictions, particularly in South Korea and Taiwan (China).[76]

Technological innovation

The adoption of digital technology is driving productivity gains and creating new business opportunities. For example, jurisdictions including Singapore and Mainland China are allocating significant resources into areas such as fintech, e-commerce, and AI. Additionally, increased investment in research and development (R&D) is fostering innovation and enhancing the region's competitive edge, with Japan and South Korea at the forefront of advanced manufacturing and robotics. Flourishing digital technology could expand access to finance for a wider group of customers, facilitating individual spending, with innovative business models such as peer to peer lending, under appropriate regulatory guardrails, also supplement traditional financial services and provide additional credit for economic activities.

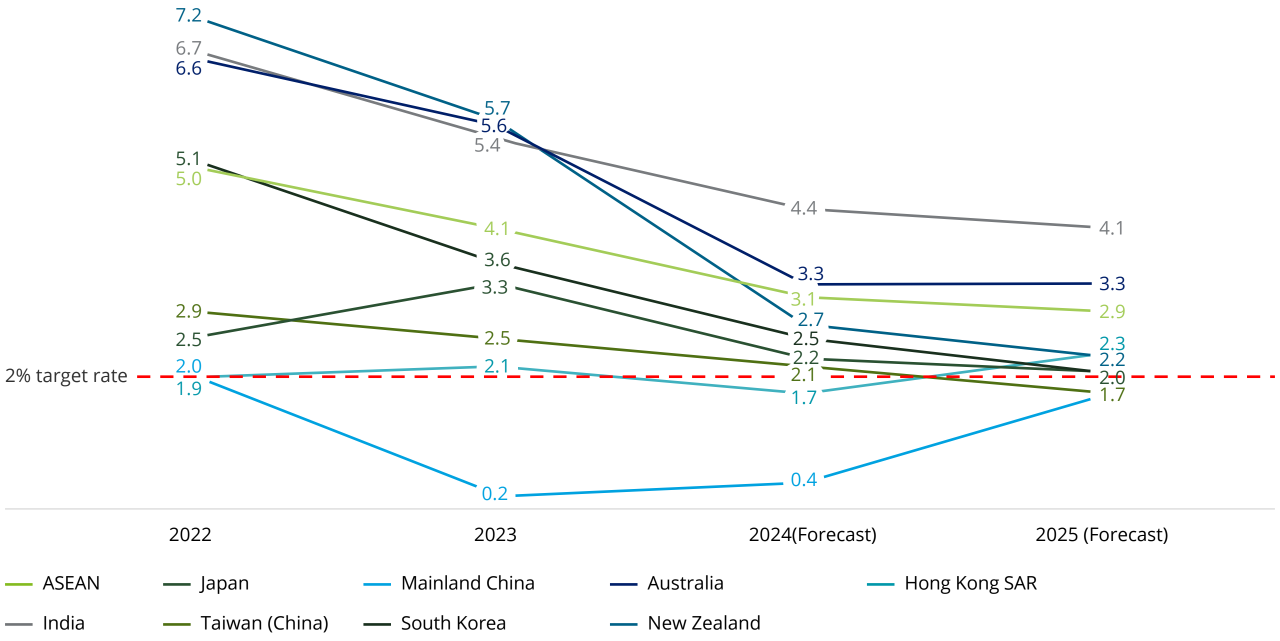
Easing inflationary pressure

Prices have stabilised in many jurisdictions across the AP region over the course of 2024. Inflation in the ASEAN+3 region eased in 2024 but is projected to increase slightly in 2025 due to strengthening growth in some member jurisdictions and various supply side factors.[77] Japan's projection of inflation for fiscal year 2025 and 2026 will be around the target rate of 2%.[78] Similarly, India's projected inflation for 2025 will likely move towards the Reserve Bank of India's target rate of 4%. Australia is also expected to return sustainably to an inflation rate of 2.5% by the end of 2026.[79]

Macroeconomic environment

The AP region is growing steadily but with a slower pace

Figure 4 Inflation movements of key AP jurisdictions
Asia pacific inflation rate



Source: International Monetary Fund, World Economic Outlook Database[80]

Key risks for the FS industry in AP

While the AP region is poised for continued growth, the FS industry faces several key risks that could undermine its performance:

Uncertain global economic outlook

From an economic policy perspective, the anticipated easing of monetary policy in major economies, such as the United States, poses uncertainties for the AP region. From a geopolitical perspective, ongoing tensions between global powers present significant risks to AP jurisdictions reliant on robust trade ties. Tariffs and trade barriers can disrupt supply chains and reduce trade volumes, affecting the region's export-dependent economies.[81] Geopolitical alignment can also affect capital flows and investment, further impacting the growth prospects of the region.

Macroeconomic environment

The AP region is growing steadily but with a slower pace

Existing vulnerabilities in the FS industry
Current vulnerabilities in the financial landscape are underscored by events such as the banking turmoil of 2023, which highlighted an increasing susceptibility to, and speed of bank runs in the digital age. This emphasised the imperative for enhanced risk management and supervisory practices. Rumours on social media can quickly erode consumer confidence, potentially triggering and accelerating bank runs due to easy online access to accounts. Similarly, in the insurance sector, the ability for policyholders to modify policies online raises liquidity risk concerns from heightened surrender risk.[82] FS firms across all sectors must ensure they have robust reputational risk frameworks in place, including social media monitoring and risk mitigation strategies as well as fast and effective crisis communication mechanisms. Continued implementation of Basel III also remains important for addressing liquidity and credit risks in the banking sector and bolstering consumer and counterparty confidence in the financial system.[83]

Moreover, global regulators and standard setters such as the Financial Stability Board (FSB) have directed their attention towards strengthening the resilience of the non-bank financial institutions (NBFI) sector. As the NBFI sector continues to expand rapidly, forthcoming policy recommendations are poised to address critical aspects of financial stability risks, with a specific focus on issues like leverage.[84] In particular, the growth in the private credit market has raised regulators' concerns over systemic risk. In the AP region, private credit assets have experienced a thirtyfold growth over the past two decades.[85] Systemic risk in private credit is still largely considered contained given its relatively small size compared to banks and other NBFIs in the region. This perception is due to the lower liquidity mismatch risks these funds face, their limited use of bank credit lines, and the reduced contagion risk to other financial institutions in the region.[86] Nevertheless, as the global private credit market continues to grow in 2025 and beyond, continuous monitoring of the evolving risk landscape in the AP region remains paramount, particularly across regions with faster than average growth.

Macroeconomic environment

The AP region is growing steadily but with a slower pace

Continued technological disruption
The FS industry is encountering substantial technological disruptions creating both opportunities and risks. The advent of fintech companies and the adoption of AI continues to reshape traditional financial services, prompting FS firms to adapt by implementing new technologies and fresh business models to retain competitiveness in the evolving environment. Simultaneously, the widespread use of digital technologies across the FS industry has escalated cybersecurity risks, demanding increased vigilance and investment in robust cybersecurity measures. Safeguarding sensitive financial data and systems from cyber threats has become imperative, urging financial institutions to prioritise cybersecurity as a crucial element of their operational resilience and risk management strategies.

The use of AI has also raised concerns around discrimination, human autonomy, and scams, amongst others. Innovative financial products have the potential to boost economic growth and give more people access to finance. However, they also pose risks to customers, particularly those experiencing vulnerability, who may be more susceptible to financial exploitation or mismanagement. This calls for carefully crafted guidelines from regulators and the implementation of robust controls and risk management frameworks by financial institutions.[87]

Climate-related risks and ESG
Given the increase in extreme weather events across the AP region and governments' continued momentum in the green transition, both physical and transition risks will weigh on the profitability of FS firms. The increased frequency of natural catastrophes worldwide poses significant uncertainty in the assessment of physical risks. Given that different geographical locations are experiencing varying degrees of climate change impact, the physical risk landscape remains divergent. For large global FS firms operating in multiple territories, this variance is likely to result in an overall increase in physical risk exposure. Similarly, transition risk varies across regions, depending on the green transition agenda set by individual governments. Although the priority given to green transition can fluctuate with shifting political priorities, large multinational corporations are still likely to be subject to strict transition plans in one or more of the jurisdictions in which they operate. The spotlight on sustainable finance is also intensifying, as investors and regulators are progressively insisting that FS firms incorporate ESG considerations into their decision-making frameworks. While this shift can unveil new prospects, it also necessitates substantial adjustments to business models, processes, and practices to align with evolving ESG expectations and standards.

Macroeconomic environment

The AP region is growing steadily but with a slower pace

In summary, the AP region's steady but slower growth trajectory underscores the resilience of its economies amidst a complex global landscape. While challenges such as rising labour costs and external economic uncertainties persist, the region's large domestic markets, export competitiveness, and prudent monetary policies continue to drive its economic performance. The adoption of digital technologies and the easing of inflationary pressures further bolster the region's growth prospects. However, the FS industry must remain vigilant to key risks, including global economic uncertainties, existing vulnerabilities in the financial landscape, technological disruptions, and climate-related risks. Prioritising risk exposures significant to the firm will be vital. By closely monitoring economic trends, staying well-informed of market dynamics, managing technology-related risks, and enhancing geopolitical awareness, FS firms can navigate the complexities of the AP region and position themselves for sustained success.

Macroeconomic environment

The AP region is growing steadily but with a slower pace

What FS firms need to pay attention to

To navigate the complex macroeconomic environment of the AP region, key considerations for AP clients are the following:

1. **Monitor economic trends and policy developments**
   Economic conditions in the region can significantly impact credit quality and therefore asset allocation strategy and should be closely monitored. It is essential to monitor GDP growth rates and economic indicators to understand the overall health of the economy to make informed investment and business decisions. FS firms should stay informed about the monetary policy decisions of central banks within and beyond the AP region, especially the interest rate decisions from the U.S. Federal Reserve and stay vigilant for potential market reactions including on regional exchange rates. Policy support for key sectors, such as Mainland China's support for the property sector, should also be considered when assessing credit risk.

2. **Stay attuned to market dynamics**
   Understanding consumer behaviour and preferences is crucial, as they can drive demand for products and services. For instance, the growing middle class in emerging markets presents significant opportunities for consumer-oriented businesses. Additionally, customers are increasingly interested in AI-powered products, while private investors are showing a growing interest in crypto assets. These trends are likely to have a substantial impact on the FS market and FS firms, necessitating strategic adaptation to remain competitive.

3. **Carefully manage technology-related risks when embracing innovation**
   FS firms should embrace digital technologies to enhance efficiency and competitiveness. This can include adopting a digital customer interface to enhance the user experience and incorporating AI solutions along the value chain. At the same time, risks associated with technology such as data breaches, cyber-attacks, and potential biases in AI applications should be incorporated into risk appetite and management frameworks. Further, it is essential that robust governance and controls underpin all AI systems in use.

4. **Enhance geopolitical awareness**
   FS firms should stay informed about regional conflicts and geopolitical tensions, as they can create uncertainty and affect business operations. Firms should regularly assess the potential risks and develop contingency plans to mitigate any adverse impacts. Additionally, they need to monitor political developments in key markets to understand the potential impact on economic conditions and business opportunities. Engagement with local stakeholders and policymakers would be key to gain insights and ensure that business strategies are aligned with the evolving political landscape.

AI regulation

The financial services industry is undergoing a significant transformation, driven by the rapid advancement of technology.

AI is emerging as the hallmark technology of our era, with the potential to provide substantial economic and societal benefits.

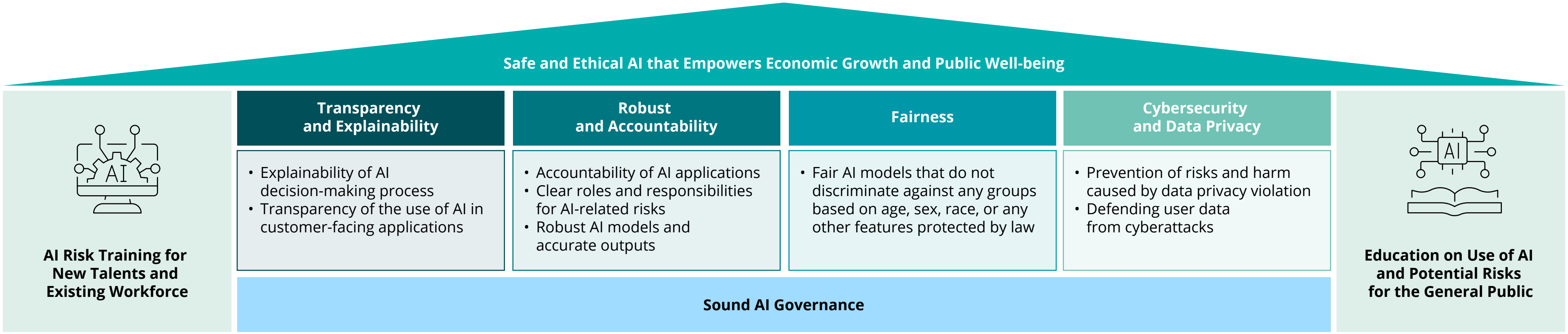
The prospective gains from AI include enhanced speed, efficiency, and strengthened predictive and analytical capabilities. These advancements are enabling and accelerating democratised access to finance by offering low-cost tailored advice and investment portfolios. They are also enhancing the customer experience through AI-powered chatbots and virtual assistants that provide round-the-clock support. AI is being utilised across a diverse range of internal use cases including to enhance financial crime and fraud detection, bolster risk management and modelling capabilities, and support strategic decision making. Nevertheless, AI also poses significant potential risks relating to discrimination and bias, privacy, security, misinformation, and manipulation, among others.

Across AP there is broad consensus on the need to address the risks posed by AI with most authorities specifically emphasising the importance of transparency, explainability, and accountability, along with human oversight in the development, deployment, and ongoing management of AI systems. Nevertheless, divergence remains on regulatory approach as AP regulators grapple with the challenge of balancing citizen protection and national security alongside the drive to promote innovation across key industries. Whilst some AP regions have enacted specific laws targeted at AI related risks, many have so far opted for non-binding frameworks and standards supplemented by regulatory sandboxes with the view that 'hard' regulation may hinder growth, and to allow time to monitor AI developments before introducing formal regulations. However, given the highly regulated nature of the FS industry, we are seeing a lack of clear regulatory guidelines across several regions as a potential hindrance to innovation, with many firms so far taking a cautious approach to AI adoption due to uncertainty around future regulatory and supervisory expectations.

In this respect, there appears to be some growing recognition amongst authorities of the need for stronger regulatory oversight. Jurisdictions across AP are beginning to act, focusing on pressing issues such as transparency, accountability, fairness, and data privacy, which will constitute the foundation for ensuring safe and ethical development of AI. Below we highlight significant developments in these areas and explore their potential impact on AP clients that are adopting or planning to adopt AI applications in their value chain.

AI regulation

Figure 5 Building blocks of safe and ethical use of AI in AP



Divided approaches in AP

Across AP we are beginning to see an uptick in regions proposing or considering legally binding AI regulations. Most authorities are adopting a risk-based approach with mandatory requirements that either focus solely on AI classified as 'high-risk' or impose stricter obligations on these systems. For example, the Australian Government has recently consulted on a proposal for ten mandatory guardrails for 'high-risk' settings and general-purpose AI models.[88] The guardrails would apply throughout the AI lifecycle to both developers and deployers and aims to categorise AI systems based on their context of use and capabilities.

The proposal emphasises the importance of mandating preventative measures to address harms before they occur, particularly those relating to human rights, health and safety, biased outcomes, legal and defamation risks, or systemic and societal risks. It also considers the possibility of prohibiting certain activities identified as carrying 'unacceptable risks.' The ten mandatory guardrails focus on transparency, accountability, testing, risk management, and enforcement. Further, the importance of coordination between regulatory regimes is emphasised and significant references are made to both the EU AI Act and Canada's proposed *Artificial Intelligence Data Act (AIDA)* throughout the document. The details of the approach are yet to be finalised, including whether the government will adopt a whole-economy approach such as an AI-specific Act, establish an overarching framework to adapt existing regulation, or integrate the guardrails into existing sector-specific laws.

This follows similar proposals for risk-based regulation of AI from other regions including Vietnam and Thailand. In Vietnam, the regulation would be part of a broader 'Digital Technology Industry Law', with AI being regulated on the basis of falling into one of two risk categories, specifically 'high-risk' and 'non-high-risk'. The proposed rules include a ban on certain AI systems, such as those

AI regulation

that manipulate or discriminate against individuals based on biometric data or social behaviour, enable mass surveillance through facial recognition, or monitor and analyse human emotions in professional or academic environments.[89] Thailand's approach, influenced by the EU AI Act, proposes three categories of AI risk: unacceptable, high, and limited with registration, risk management and controls mandated for 'high' risk AI and transparency requirements for technologies deemed to be 'low' risk.[90]

Mainland China is responding quickly to AI-related risks. Since 2021, a number of measures and guidelines have been introduced, including the *Personal Information Protection Law* (2021), *Internet Information service Algorithmic Recommendation Management Provisions* (2021), *Administrative Provisions on Deep Synthesis of Internet-based Information Services* (2023) and the *Trial Measures for Ethical Review of Science and Technology Activities* (2023). These measures address key concerns regarding the use of AI while encouraging innovation. *The Provisional Administrative Measures of Generative Artificial Intelligence Service* (the "Provisional Measures") released in July 2023 takes a comprehensive approach by covering online safety, competition, and AI-related risks. Among these risks, some are of significant relevance for the FS industry, include unlawful use and storage of personal data, discrimination based on sex, age, occupation, or other features protected by law, as well as bias and inaccuracy introduced by low-quality data.[91] Following the publication of the Provisional Measures, the Chinese government plans to strengthen AI regulation through further legislation. The *2024 Legislative Work Plan of the State Council* indicated that a Draft Artificial Intelligence Law will be submitted to the Standing Committee of the National People's Congress for deliberation. These developments together establish a comprehensive, rules-based AI regulation framework in Mainland China.

South Korea's equivalent of an 'AI Act' is also currently under legislative review. Although the proposed law's primary aim is to foster and facilitate the growth of South Korea's AI industry, if enacted, it would likely impose notification obligations and safety requirements for AI deemed high risk.

Additionally, Japan is considering the introduction of a 'hard' AI law with a possible proposal for a Japan 'AI Act' expected in 2025. This follows the release of a rough draft in February 2024 which suggested legally binding governance requirements for frontier AI models, obligations for designated AI developers, and the need to establish safety systems for AI development.[92] However, the scope of the requirements is expected to be limited and Japan has so far taken a cautious approach to AI regulation. Instead, it has introduced non-binding sector-agnostic principles and guidelines, such as the Ministry of Internal Affairs and Communications (MIC) and the Ministry of Economy, Trade, and Industry (METI) *AI Guidelines for Business Ver 1.0* published in April 2024.[93] The guidelines classify AI-related businesses into three categories: AI Developers, AI Providers, and AI Business Users, and outline basic principles for each to consider during the training and deployment of AI systems. Further, under its G7 presidency in 2023, Japan also introduced the Hiroshima AI Process, including non-binding AI Principles and a Code of Practice. This Process encourages firms to adopt practices such as risk mitigation throughout AI lifecycle, transparency in system capabilities, responsible information sharing, robust governance, and content authentication.[94]

Overall, there have been some delays to the development of AI legislation, as well as to the legislative process across several regions. Many of the proposed rules have a narrow focus on

AI regulation

specific capabilities and use cases of AI, and often leave applications of the requirement open to interpretation. Therefore, even where mandatory requirements have been proposed, there is discrepancy regarding the extent to which these are rules-based or principle-based, and in some cases, regulators are opting for a combination of both.

Some AP jurisdictions have published non-binding principles for the ethical use of AI but have yet to announce more stringent regulation or legislation. One reason for this approach is to leave more room for innovation. For example, the Financial Services and the Treasury Bureau (FSTB) of Hong Kong SAR issued a *Policy Statement on the Responsible Application of Artificial Intelligence in the Financial Market* in October 2024, announcing that the Hong Kong SAR will adopt a 'dual track' approach, promoting AI adoption while addressing potential challenges such as cybersecurity, data privacy, and intellectual property rights. The policy statement encourages financial services firms to formulate AI governance strategies and manage risks arising from six areas, including data privacy, bias, transparency, financial stability, AI recourse availability, fraud, and job displacement.[95] Although the policy statement indicates that the government will work with regulators on an AI supervisory framework, whether that will take the form of 'hard' regulation remains to be determined. This approach aligns with the overall direction the Hong Kong regulators take on encouraging technology developments in the FS industry, as well as its principles-based supervisory practice. Other examples include Singapore and India. Singapore's MAS is among the first AP financial regulators to introduce ethical AI principles, *the Principles to Promote Fairness, Ethics, Accountability and Transparency (FEAT) in the Use of Artificial Intelligence and Data Analytics*.[96] Together with other high-level AI governance frameworks introduced by the Singapore government, including the *Model AI Governance Framework*, issued in 2019, Singapore aims to manage AI-risk while leaving ample room for innovation. Conversely, India is taking a more "wait and see" approach to regulation, having thus far issued two comparatively light touch papers: *National Strategy for Artificial Intelligence* published in 2018 and *Principles for Responsible AI* published in 2021.[97,98,99]

Looking to 2025 and beyond, while it is unlikely that laws as extensive as the EU AI Act will be introduced in the short- to mid-term, we expect to see a continued but gradual move towards greater regulation and supervisory oversight of AI across AP, with the possibility of timelines accelerating in response to any significant AI risk events. We are also likely to see ongoing variance in the approaches taken to AI regulation and supervision across the region. Multinational firms will need to closely track developments and continually assess which of their current and planned AI systems and models are likely to fall under proposed AI rules across AP and what this will mean for their business.

AI regulation

Key trends to watch in 2025

Overall, we expect the AI landscape to experience a shift towards increased regulatory and supervisory scrutiny in 2025, regardless of the approach taken. This evolution is primarily driven by a growing emphasis on safeguarding the public from numerous potential risks associated with AI technologies and ensuring national security.

1. **Growing need for regulatory oversight**

   Key areas of concern include protecting individuals from fraudulent activities, biases in decision-making processes, discriminatory practices, and manipulative tactics. The capability of Generative AI (GenAI) to generate content like text, video, and images gives the impression that it possesses internal comprehension and genuine intelligence across diverse subjects, prompting users to depend on its outputs for decision-making. In the FS industry, GenAI can be leveraged to generate research-based reports for customers, create predictive trading algorithms, and conduct synthetic data generation when dealing with missing data. Nonetheless, GenAI's responses rely on predictions rather than a genuine understanding of the topic, meaning that its replies may not always be consistent or accurate. Inappropriate use of GenAI could therefore expose FS firms to a range of risks. As AI continues to permeate various aspects of society, appropriate regulatory oversight is crucial to ensure the responsible and ethical deployment of AI systems.

   FS firms should expect heightened regulatory and legal risks that accompany any misconduct related to the use of AI. Instances of misuse, abuse, or unethical practices involving AI technologies are expected to face stricter penalties and consequences. Regulators and lawmakers are likely to adopt a proactive stance in monitoring and addressing such issues to uphold the integrity and trustworthiness of AI applications across industries, including in FS.

   Within the FS industry, AI is set to play a pivotal role in driving innovation and efficiency as an integral component of the economy, improving the affordability, accessibility, and quality of financial services. However, this transformation comes with an equivalent responsibility to prioritise consumer interests and protection.

   Moreover, the focus on data and model governance is anticipated to intensify into 2025 and beyond, with a particular emphasis on transparency, fairness, and privacy. FS firms deploying AI systems will be required to demonstrate clear visibility into their data sources, modelling methodologies, and decision-making algorithms. Ensuring fairness in AI outcomes, guarding against bias in data inputs, and upholding the privacy rights of individuals will all be paramount in the design and implementation of AI solutions.

AI regulation

2. **Extraterritorial reach and data sovereignty**
   Additionally, FS firms should also understand the extraterritorial impact of the EU AI Act, which applies to all AI systems impacting EU citizens regardless of the headquarter of the AI application provider. The Act's primary legislation is already in effect. However, 2025 is expected to see a significant influx of guidance and secondary legislation from the EU AI Office, newly established AI Act National Competent Authorities (NCAs), and European Standards Organisations (ESOs), which are responsible for setting the technical standards necessary to implement the Act. Additionally, the financial services related European Supervisory Authorities (ESAs) and national sector regulators may introduce measures specifically tailored to the FS industry. These upcoming developments will require financial institutions to adopt flexible compliance strategies and maintain vigilant oversight of regulatory changes. More broadly, AP firms operating within the EU market have three strategic options: they can adopt the EU AI Act as their global standard, develop EU-specific solutions (requiring robust controls and segregation of systems), or restrict the use of high-risk AI systems within their organisation.[100]

   As global regulators continue to strengthen data privacy and cybersecurity laws and regulations, FS firms adopting AI applications should also be aware of the increasing importance of data sovereignty. Setting a data strategy that considers data location, data storage and transfer, data access controls, and third-party vendor location will be vital to their overall AI strategy.

3. **Appropriate regulation as an innovation enabler**
   The highly regulated nature of the FS industry and its significant responsibility to the socio-economic landscape have led many FS firms to adopt a cautious approach towards AI. In recent years, the emphasis by financial regulators on operational resilience, consumer protection, and data privacy has heightened the perceived legal and reputational risks associated with AI implementation. Against this backdrop, some AP FS firms have been conservative in their adoption of AI, due to uncertainty regarding the future path of regulatory and supervisory expectations. The introduction and expansion of regulatory sandboxes across the region could help encourage firms to develop and implement AI systems within their operations. Regulatory sandboxes have seen considerable success in jurisdictions such as Hong Kong SAR and Singapore and have built a bridge of trust between regulators and innovative businesses, providing a relatively free environment for experimentation. Beyond regulatory sandboxes, clear and proportional regulatory rules underpinned by guiding principles can provide FS firms with the confidence to innovate safely. These rules ensure the necessary guidance and guardrails are in place and reduce uncertainty around supervisory expectations.

AI regulation

Key considerations for FS firms

1. Establish an AI risk appetite and governance framework that is consistent with the firm's overarching risk appetite and risk management approach. Clarify roles and responsibilities of the board and senior management in key action items including setting data strategy and model approval processes.

2. Understand and identify which AI technologies and applications are likely to be considered 'high-risk' from either a regulatory or reputational risk perspective. For example, those utilised in certain trading activities, the provision of advice to consumers, access to credit, and claims management as well as in internal HR processes such as hiring, promotion and pay decisions. 'High-risk' applications should be subject to the most stringent testing, governance, and controls.

3. Provide customers with more transparency regarding the use of AI, including notifying customers when AI is deployed in a particular activity and provide easy to understand information on how AI makes decisions that impact customers.

AI regulation

4. In the model lifecycle, consider the following key elements:

   - Prior to constructing the model, conduct a thorough analysis of the business context and ensure a close alignment between the model methodology and the business requirements. Any divergence between the business needs and the model utilised could introduce inaccuracies and biases.
   - Throughout the stages of data collection and processing, ensure that the gathered data is representative and balanced across all customer groups. Moreover, verify that the data collected avoids biases or stereotypes. When handling missing data, select methodologies with care to prevent the introduction of biases. All activities related to the collection, storage, and transmission of customer data must adhere to pertinent laws and regulations.
   - In the phase of model development, clearly define the objectives and scope of the model in accordance with the business context. The model should be explainable, and the validation and testing datasets should be inclusive, balanced, and regularly updated.
   - As the model progresses to the testing and deployment stage, evaluate its performance in meeting relevant business requirements. Output accuracy should be consistent with risk appetite and commensurate with pre-agreed thresholds for errors. The team responsible for model deployment and management should comprehend both the strengths and limitations of the model. End users should receive comprehensive training, and the model development and validation processes should be thoroughly documented.
   - Post-release of the model, engage in continuous monitoring to align with evolving business needs. Gather feedback from users to enhance the model's performance and ongoing effectiveness. For most models this will require ongoing or periodic review and testing to ensure it is still operating as intended.
   - Keep an updated and accurate AI model inventory including those used in the software, solutions and services provided by third parties. FS firms adapting AI technology should keep a well-documented inventory of AI models used, including the application/ use case for AI models, model assumptions, model methodology, technology employed, data sources, history of validation or any model changes. By managing an updated and clear inventory, the firm can ensure regulatory compliance, enhance transparency, and strengthen efficiency when adopting new models or making changes to existing ones.

Greenwashing

Greenwashing is the act of making sustainability-related claims or statements to consumers, investors and other market participants that do not accurately or transparently reflect the sustainability attributes of a company, entity, financial product, or service.

Greenwashing can arise throughout the lifecycle of financial products and services, such as their design, delivery, marketing, sales, or ongoing management, as well as across the broader sustainable finance value chain.

At the entity level, potential greenwashing risks include promoting sustainability initiatives while concealing involvement in non-sustainable activities, such as asserting progress in decarbonising lending activities while maintaining investments in oil companies. Other examples include unsubstantiated net-zero commitments lacking a credible transition plan and overstated ESG governance efforts related to executive competence, credentials, compensation, and organisational culture. Reliance on inaccurate third-party data and inadequate or misleading sustainability ratings further compound greenwashing risk.

Across the AP region, greenwashing continues to be an area of focus as regulators issue rules and guidelines to increase the transparency and reliability of sustainability data and ratings, holding companies accountable for ensuring their sustainability claims can be substantiated.

Some jurisdictions have maintained a strong focus on enhancing regulations while others are taking enforcement actions to tackle the issue of greenwashing directly. For example, Australian supervisors continue to prioritise greenwashing as a critical area for regulatory enforcement. This commitment is reflected in the Australian Securities & Investments Commission (ASIC)'s 2025 enforcement priorities.[101] ASIC has also made 47 regulatory interventions to address greenwashing misconduct over the 15 months leading up to 30 June 2024, with actions targeted at insufficient ESG disclosures, inconsistencies between disclosed ESG policies and actual investments, and unsupported or vague sustainability claims.[102] Mitigating greenwashing risks through active enforcement is a core tenet of ASIC's consumer protection efforts and so far, ASIC is the only AP regulator to publicly announce an annual review of greenwashing enforcement actions.[103]

Japan's FSA has also been active in this space. In March 2023, the guidelines for Financial Instruments Business Operators, etc. were updated to clarify supervisory expectations regarding ESG Investment Trusts.[104] Under the requirements, funds that do not meet relevant ESG standards are not allowed to use ESG terminology. The FSA further requires ESG funds to disclose key ESG factors, their role in the investment process, associated risks and limitations, and methods for measuring and targeting environmental or social impacts in their investment strategies.

Greenwashing

Further, Mainland Chinese financial and environmental authorities, including the People's Bank of China (PBOC), Ministry of Ecology and Environment, National Financial Regulatory Administration (NFRA), and the China Securities Regulatory Commission (CSRC), held a symposium on green finance services in May 2024. The meeting concluded with a focus on improving accuracy in directing green finance, enhancing information disclosure, preventing "greenwashing", and ensuring support for energy conservation while facilitating the low-carbon transformation of high-carbon industries.[105] This represents a rare public announcement of measures to curb the risks associated with greenwashing by Chinese regulators and indicates that it may be a regulatory consideration going forward.

Examples of leading practices of comprehensive greenwashing legislation in other jurisdictions around the world include:

1. The EU introducing proposed legislation for a directive on green claims in March 2023. The directive includes requirements for companies to substantiate, communicate, and validate their environmental claims using scientifically sound, consistent, and verifiable methods. Additionally, sustainability claims based exclusively on carbon offsetting schemes are prohibited. Potential penalties for non-compliance include suspension from public procurement tenders as well as significant fines. The proposal, which was adopted by the European Parliament and Council in 2024, is now in the "Interinstitutional negotiations" (trialogue) stage.[106] Under the current proposal, in-scope companies will have two years to comply with the requirements once it comes into force, putting the earliest implementation deadline from 2027.[107]

2. The UK Financial Conduct Authority (FCA) implemented the "anti-greenwashing rule" which came into effective 31 May 2024. The Rule introduces clear requirements for in-scope firms with regards to the labelling of products and services with environmental or broader social sustainability features.[108] Any claims made by a firm are expected to be accurate, complete, capable of being substantiated, and presented in an easy-to-understand format which enables comparison across products and services. The requirements apply broadly across a firm's communications with UK clients on its products or services, including non-financial promotions (e.g., reports or newsletters), and promotions for third parties. Further, the supplementary guidance highlights that sustainability-related references may appear in statements, strategies, targets, policies, or visuals for retail or professional clients.[109]

Greenwashing

Although few AP jurisdictions have introduced specific greenwashing legislation, most FS regulatory and supervisory frameworks across the region impose strict conduct requirements on regulated firms to ensure their communications are fair, transparent, and not misleading. Within the AP FS industry, supervisory scrutiny of and action against Greenwashing are likely to become an increasing focus for AP regulators over the coming years, especially as sustainability data availability and quality improves.

ESG data and ratings providers

One key area of development in the AP region regarding greenwashing has been the regulatory focus on establishing standards for ESG ratings and data providers. In recent years, issuers have increasingly relied on ESG data providers to supply evidence to substantiate their sustainability linked claims for financial products. ESG ratings and data providers are at present not regulated entities and have not been subject to regulatory scrutiny in relation to the services they provide. Some regulators across AP and globally have begun to address this through the creation of guidelines which will seek to improve the reliability, transparency, and interoperability of ESG ratings and data. The International Organisation of Securities Commissions' (IOSCO) established recommendations for good practices for such providers and have held a significant role in assisting certain AP regulators in drafting jurisdiction-specific guidance:

1. In October 2024, the Hong Kong SFC announced a voluntary code of conduct (VCoC) created by the Hong Kong ESG Ratings and Data Products Providers VCoC Working Group (VCWG).[110]

2. In December 2023, Singapore's MAS published its *Code of Conduct for Providers of Environmental, Social, and Governance ("ESG") Rating and Data Products*.[111] The code of conduct is applied to ESG ratings and data product providers on a "Comply or Explain" basis.

3. In December 2022, the JFSA released the finalised *Code of Conduct for ESG Evaluation and Data Providers*.[112] The code of conduct is voluntary for in scope Japanese firms.

There are significant greenwashing risks associated with making sustainability claims about products and services based on faulty data. Some AP regulators are seeking to mitigate such risks by establishing guiding principles to encourage data and ratings providers to improve the quality and reliability of their products. Whilst the codes of conduct established by the major AP financial centres are not all regulatory obligations, the creation of such voluntary guiding principles signifies a positive step towards tackling greenwashing risks associated with sustainability-related claims based on inaccurate ESG data. The establishment of further codes of conduct in line with the IOSCO guidelines in other AP jurisdictions is a potential development looking forward. AP firms will need to consider the value of integrating compliance with a code of conduct as a factor in their third-party service provider due diligence framework when considering the use of an ESG rating and data service provider.

Sustainability disclosures

Overall, the AP region has largely been focussing recent regulatory efforts on the development and implementation of corporate sustainability disclosure requirements, and we expect this to remain a priority topic in 2025. ESG reporting and disclosure rules seek to provide investors with transparent and reliable data on companies' sustainability efforts, enabling informed investment decisions that foster genuine sustainability, consequently discouraging and exposing

Greenwashing

greenwashing.[113] Sustainability disclosure standards are therefore key method AP regulators are using to ensure that good quality sustainability related data is produced by firms within their purview. By enhancing sustainability disclosures, regulators will seek to improve accountability and transparency around a firm's ESG activities and ensure firms allocate the requisite resources and attention to the sustainability-related data they produce.

This is a vital factor in ensuring that the proper processes are in place to prevent greenwashing practices. However, it is worth noting that as the proportionality principle and materiality thresholds have been incorporated in most sustainability disclosure requirements, some small- to mid-sized corporations are not in-scope to disclosure sustainability-related information, making greenwashing risks higher for these firms.

The introduction of the ISSB's S1 and S2 standards in June 2023 is the latest example of global standards being introduced for sustainability disclosure and reporting.[114,115] AP regulators have taken differing approaches to adopting international standards.

1. Australia has passed legislation to implement a set of disclosure standards aligned with the ISSB standards, and the timeline for implementation of the standards has been set.[116]
2. Hong Kong SAR has a set of standards already in place which align with ISSB IFRS S2.[117]
3. India have mandated ESG disclosures as part of the Business Responsibility and Sustainability Report (BRSR) since 2023. This is not aligned with the ISSB standards but is compatible with other reporting frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).[118]
4. Japan has a set of standards in place which are aligned with the Task Force on Climate Related Financial Disclosures (TCFD). Further, the recently established Sustainability Disclosure Board of Japan (SSBJ) is currently developing a set of standards which are largely associated with the ISSB standards. The SSBJ standards are expected to be finalised in March 2025.[119]
5. Mainland China is in the process of creating a unified national system of sustainability disclosure standards by 2030, aiming to align with ISSB sustainability reporting standards.[120]
6. Singapore has a set of standards in place which are TCFD aligned, and there is an ongoing consultation regarding alignment with the ISSB standards.[121]

Greenwashing

As highlighted, many AP regions currently or will in future align their disclosure requirements with TCFD or ISSB standards. However, differences remain in the detailed content and methodology requirements, implementation timelines, and the scope of entities covered, with most regions prioritising climate over broader ESG considerations.

The most stringent mandatory requirements have largely been limited to large or listed companies, and not all regions have yet incorporated explicit third-party assurance requirements. With timeframes for implementation stretching into 2030 and beyond, it may still be some time before there are sufficiently detailed, evidenced, and comparable sustainability disclosures across the AP region.

Figure 6 APAC disclosure requirements - illustrative examples

1. **New Zealand**
   Financial Markets Authority (FMA) enforced standards in force from FY 2023
2. **Malaysia**
   Bursa Malaysia (BM) reporting requirements begin 2024
3. **Taiwan (China)**
   Financial Supervisory Commission (Taiwan) (FSC Taiwan) reporting requirements begin FY 2027
4. **Japan**
   JFSA has proposed the introduction of mandatory disclosure from 2027
5. **Mainland China**
   Standards expected to be finalised by 2030
6. **Hong Kong SAR**
   Stock Exchange of Hong Kong (HKEX) standards are already in force
7. **India**
   Business Responsibility and Sustainability Report (BRSR) already mandated by the Securities and Exchange Board of India (SEBI)
8. **Singapore**
   Singapore Stock Exchange (SGX) standards are already in force
9. **Australia**
   Australian Sustainability Reporting Standards (ASRS) effective from January 2025

Greenwashing

While there is some variance in the format and composition of sustainability-related disclosure requirements, AP regulators are seeking to ensure firms produce high quality sustainability-related data. However, the divergence in approaches and timeframes across the region creates challenges for multinational firms in meeting requirements. It also impacts those relying on sustainability data from companies within their value chain to qualify ESG investments and substantiate their own ESG-related claims.

Further, as highlighted in our recent report, Global Sustainability Reporting Standards – Strategic Insights for Asia Pacific Corporations, large AP FS firms will need to comply with the more stringent requirements set-out in the EU CSRD. A particular requirement of note is double materiality, which places an onus on in-scope companies to report the impacts of their operations on the environment and society (impact materiality), in addition to how sustainability issues impact their business (financial materiality).[122] This dual perspective requires a broader dataset and more in-depth analysis than other reporting requirements. Therefore, firms within AP not directly in scope of CSRD, but captured within the supply chain of reporting companies, will also likely face increased scrutiny on their sustainability practices. Specifically, the quality of their data will face heightened oversight and whether firms can substantiate their ESG claims.

Sustainability taxonomies

Sustainable finance and green taxonomies can play a vital role in combating greenwashing by clearly defining and categorising ESG related economic activities. However, both globally and within AP, there is variance over their objectives, scope, approach, and definitions.[123] This creates potential uncertainty for investors and lenders and poses a significant challenge for multinational firms in terms of interoperability and consistency across regions.

The EU Taxonomy is a notable example of a mandatory green taxonomy. It provides a classification system for environmentally sustainable economic activities and includes detailed criteria for six environmental objectives.[124] The objectives cover (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. Additionally, the principle of causing no significant harm mandates that to be classified as sustainable, an activity targeting one or more of the six objectives must not significantly damage any other Taxonomy objectives. The EU Taxonomy is one of the first examples of a mandatory green taxonomy, the broad scope of the EU's regulatory oversight over European jurisdictions and firms operating in such jurisdictions exemplifies its importance.

In AP, most taxonomies are voluntary and lack the EU's mandatory disclosure requirements, bringing into question their effectiveness in addressing greenwashing risk. There are also several cases of notable divergence across AP taxonomies, including for example in their treatment of fossil fuels and transitional finance.[125]

Greenwashing

Overall, a move towards a more harmonised approach to green taxonomies across the AP region that is aligned with international standards would help to ensure consistency, transparency, and reduced greenwashing risk. However, given the contrasting regional priorities relating to ESG considerations, this is an area where we are unlikely to see significant progress in 2025. Multinational firms will therefore need to be vigilant and ensure that they closely track and understand the differences in classifications used across their operating regions to ensure their products, services and claims are aligned to the appropriate local taxonomy rules and guidelines.

Renewed focus on due diligence

In addition to strengthening laws and regulations to combat greenwashing, regulators and supervisors in AP are likely to reemphasise the importance of due diligence. This renewed importance is driven by the need to ensure that FS firms' claims about the environmental benefits of their products are accurate and substantiated. This includes requiring FS firms to implement robust due diligence processes which cover the entire lifecycle of green and sustainable products, from initial product approval to post-offering monitoring. These processes could include detailed assessments of clients' environmental credentials, the use of third-party certifications and diverse data sources, and regular reviews to ensure ongoing compliance. The aim is to reduce the risk of greenwashing and to promote transparency and accountability in the market, thereby enhancing the credibility of green finance initiatives.

Looking to 2025 and beyond, the challenge for AP firms will be allocating the required resources and expertise to ensure sustainability disclosure requirements are met across different AP jurisdictions. Having high-quality and well-resourced staff and functions with sufficient sustainability expertise to support disclosure efforts will be a key feature of AP firms' efforts to mitigate greenwashing risks. Regulators across AP will likely look to refine and enhance their sustainability disclosure standards and international standard setters such as the ISSB are already aiming to create more industry-specific sets of disclosure standards.[126] This means that AP firms will need to closely monitor the development of sustainability disclosure standards to ensure that they continue to meet regulatory requirements going forward.

Greenwashing

Key considerations for FS firms

While the number of AP regions adopting "greenwashing" specific legislation has been limited, regulators are actively seeking to address this issue by focussing on ensuring the availability of high-quality sustainability data, including through mandatory sustainability disclosure requirements. A key objective of sustainability disclosures is to prevent greenwashing by enhancing transparency and accountability regarding the sustainability claims and activities within covered firms.

As the number of firms required to meet disclosure requirements and data quality continues to increase and improve, greenwashing will become easier to spot and prove. We are therefore also likely to see increased supervisory enforcement across the AP region over the coming years.

AP firms should consider the following actions:

1. Monitor the development of greenwashing regulatory initiatives across relevant jurisdictions. AP firms will need to assess the allocation of resources related to greenwashing regulatory requirements in response to geopolitical changes, which may have an impact on the adoption and implementation of greenwashing and wider sustainability-related regulations.

2. Review and validate sustainability communications, claims, products, and services to ensure they are consistent with pre-existing conduct requirements, have been subject to appropriate due diligence, and are regularly reassessed to reflect any changes in circumstances.

3. Put in place robust controls, including a pre-approval mechanism for sustainability claims and statements, as well as a centralised system to track claims made across the organisation, supported by evidence to substantiate them. ESG considerations should be integrated into the new product development (NPD) processes and pre-trade clearance requirements. Strong mechanisms must also be in place to ensure the proper segregation of ESG-related assets and funding.

Greenwashing

4. Establish robust governance structures and training programs focused on greenwashing to align internal controls with regulatory requirements. Ensuring that greenwashing is a topic which is regularly addressed from the boardroom to the wider firm will help embed the right organisational culture, helping to mitigate greenwashing risks.

5. Ensure there is appropriate accountability and oversight within the organisation. Firms should avoid overreliance on external ESG ratings, conduct thorough due diligence on third-party data, and frequently review and update data sources. Where employed, firms should have a thorough understanding of the methodologies, coverage, and any limitations of external ratings and data providers.

6. Sustainability disclosure standards vary significantly across the region, and several regulators and policymakers have signalled plans for further refinement. In response, AP firms should allocate adequate resources to regulatory horizon scanning and impact analysis. Firms must stay current with evolving regulatory obligations and develop data collection and reporting systems that are suitably flexible and agile to adapt to new guidance. Any greenwashing risks identified in the disclosure process should be swiftly addressed throughout the organisation.

Financial crime

Financial crime, including money laundering, the financing of terrorism, as well as fraud and scams, poses significant threats to the integrity of financial sectors and the wider economy.

In June 2024, the Financial Action Task Force (FATF), along with the International Criminal Police Organization (INTERPOL) and the United Nations Office on Drugs and Crime (UNODC), issued a call to action urging FATF Member States to intensify efforts targeting the profits generated by transnational organised criminal networks.[127] Another rising concern is online scams and fraud. Use of digital technology since the COVID-19 pandemic has led to a rapid increase in the number of online scams in the AP region. According to the World Economic Forum, cybercrime increased by 82% from 2021 to 2022.[128] As cybercriminals continue to evolve and utilise increasingly sophisticated technology to perpetrate crimes, regulation must respond accordingly. Financial crime will likely continue to remain a significant part of the AP regulatory and supervisory agenda.

AML / CTF regulation updates

One of the key focus areas of the AML/CTF regulatory agenda will be the inclusion of regulations relating to emerging technologies such as virtual assets and digital payments technology, demonstrating that some AP regulators are seeking to modernise their AML/CTF regulatory approach to adapt to the rapidly changing financial ecosystem. For example, Hong Kong SAR has sought to enhance the AML/CTF regulatory regime, including:

1. AML/CTF Guidelines for Virtual Asset Service Providers (VASPs), a new regime for mitigating AML risk for crypto and digital assets firms.[129]

2. HKMA and the FSTB published a consultation paper proposing a regulatory framework for fiat-referenced stablecoin issuers.[130] This includes AML/CTF requirements that stablecoin issuers must adopt, emphasising a risk-based approach to mitigate and manage AML risks. Conclusions from the consultation were published in July 2024.[131]

3. The HKMA has also initiated a strategy named "Fintech 2025," which aims for the complete digitalisation of financial institutions by 2025. This includes the adoption of regulatory technology (Regtech) to combat money laundering and fraud in the digital era.[132]

Australia has taken a similar approach to Hong Kong SAR by updating AML/CTF regulations to encompass advancements in technology. In September 2024, the AML/CTF Amendment Bill 2024 was introduced into Parliament,[133] with the purpose of: expanding the scope of entities and services subject to the regulations, modernising the regulation of virtual assets and payments technology, along with simplifying and clarifying the AML/CTF regime. The bill passed Parliament in November 2024 with changes expected to come into effect in 2026. Under the new regime, firms in the real estate, precious metal and stones, and professional service industries may now also be included within the scope of AML/CTF requirements.[134]

Financial crime

The MAS in Singapore published its annual Money Laundering National Risk Assessment in October 2024.[135] The key money laundering threats identified were fraud, organised crime, corruption, tax crimes, and trade-based money laundering. Notably, MAS identified digital payment token services providers and payment institutions as two of the higher money laundering risk sectors. The focus on regulating emerging financial technologies is further demonstrated by MAS's proposed regulatory approach for Digital Token Service Providers of which AML/CTF requirements are a significant part.[136] Additionally we expect FATF to conduct a Mutual Evaluation of Singapore in 2025, which will include an in-depth country report analysing the implementation and effectiveness of measures to combat money laundering and terrorist financing.[137]

In Japan, the JFSA has already introduced specific regulatory guidelines which require countermeasures against terrorist financing and money laundering for Crypto-Asset Exchange Service Providers.[138] The commitment to counteract money laundering and terrorist financing through virtual assets was reaffirmed in 2024 through the Japan Ministry of Finance's National AML/CTF/CPF Action Plan (FY 2024-26).[139] The Action Plan details the national approach to AML/CTF regime development, including a specific section on enhancing AML/CTF requirements for financial institutions and virtual asset service providers. This Plan highlights Japan's commitment to implementing AML/CTF regulations and supervision for virtual assets and in non-traditional areas of finance, underscoring the nation's priority to integrate emerging financial technologies into its AML/CTF regulatory framework.

Other AP regulators have made amendments and enhancements to their AML/CTF regimes on more conventional topics:

1. **New Zealand** - In April 2024, the Department of Internal Affairs (DIA), the Financial Markets Authority (FMA), the Reserve Bank of New Zealand (RBNZ), and the AML/ CTF Supervisors have published new and updated guidelines on customer due diligence (CDD) and beneficial ownership under the *AML Act*.[140] The Beneficial Ownership Guidelines have been substantially rewritten to expressly include persons with ultimate ownership or control of the customer, and to narrow coverage of persons on whose behalf transactions are conducted.

2. **Malaysia** - Malaysian regulators have demonstrated a commitment to introducing new AML/CTF regulations and amendments to existing requirements. BNM released a policy document In February 2024 detailing the updated obligations of institutions in relation to the existing Malaysian *AML Act*.[141] SCM released a set of guidelines with a similar purpose in June 2024.[142]

3. **Mainland China** – In November 2024, the National People's Congress (NPC) Standing Committee passed the revised *Anti-Money Laundering Law of the People's Republic of China*.[143] This is the first significant update since the AML law was initially introduced.

Financial crime

Fraud and scams

In 2024, AP regulators have dedicated substantial resources to addressing fraud and scams as a key area of financial crime risk, indicating that consumer protection is a high regulatory priority. This momentum will likely continue into 2025, with consumer-focused scam prevention remaining an area of focus in various AP jurisdictions. The increasing use of technology to perpetrate scams and fraud will pose continuing challenges for AP regulators who are increasingly focussing on equipping consumers with the knowledge to identify and avoid them. Consumer-focused scam prevention will continue to be a key theme in 2025 in various AP jurisdictions.

Australia - *The Scams Prevention Framework Bill 2024*, tabled in the Australian Parliament on 7 November 2024 and presently under consideration in the House of Representatives, represents a significant step in Australia's efforts to combat fraudulent activities.[144] Spearheaded by the Australian Competition and Consumer Commission (ACCC) and the ASIC, this proposed legislation aims to introduce a comprehensive framework for preventing and addressing scams. If enacted, the Bill would institute principles-based obligations concerning the prevention, detection, reporting, disruption, and response to scam-related activities. This proactive approach underscores the commitment of Australian regulators to enhance consumer protection, promote financial integrity, and combat the proliferation of scams in the financial ecosystem.

Hong Kong SAR – The Hong Kong SFC in their *2023/24 Annual Report* stated that tackling investment scams will be a major priority going forward. With the rise of new investment tools, scams and suspicious activities have increased. The SFC announced their intention to maintain market integrity through public warnings about fraud and dubious investment products through social media and alert lists. Additional resources are focused on raising awareness of online and virtual asset-related fraud, with enhanced collaboration and intelligence sharing between the SFC and the Hong Kong Police Force to monitor illegal activities.[145] The HKMA and Hong Kong Association of Banks (HKAB) also launched the Anti-Scam Consumer Protection Charter 2.0 in April 2024. The Charter assists the public in guarding against credit card scams and other digital frauds by committing participating institutions to convey anti-scam information and refrain from communications with customers which might be easily replicated by scammers.[146] Tackling scams is a clear regulatory priority in Hong Kong SAR with the major financial regulators allocating significant resources and attention to ensuring consumer safety.

Indonesia - OJK released regulations on the Implementation of Anti-Fraud Strategies for Financial Services Institutions.[147] Features of the regulations include fraud, corruption, misuse of assets, fraudulent financial statements, and the leaking of confidential information.

New Zealand – New Zealand enhanced efforts to combat scams and other unregulated investment activity. Dissemination of social media warnings, releasing case studies to aid the public in identifying scams and intelligence sharing are all methods announced by the New Zealand FMA to counteract scammers and protect consumers.[148]

Singapore – According to the MAS's 2024 National Risk Assessment (NRA), numerous money laundering cases have been linked to fraud, especially cyber-enabled fraud.[149] Singapore previously collaborated with INTERPOL and the Egmont Group to develop the Report on Illicit Financial Flows from Cyber-Enabled Fraud issued by FATF, which publishes an effective approach to the

Financial crime

threat of fraud to the financial ecosystem.[150] Looking forward, Singapore looks set to continue tackling the issue of fraud as a high-priority area.

Taiwan (China) - The FSC announced a special law to combat fraud, focusing on the illicit use of finance, telecommunications, and networks to commit fraudulent activities.[151] The law will combine enhanced fraud prevention measures with increased criminal penalties.

Across jurisdictions, FS firms are being held accountable for playing an active role in preventing and mitigating scams aimed at consumers. Banks, exchanges, and other financial services firms should seek to educate and assist clients and consumers in identifying scams and fraudulent activity. At the same time, AP regulators have also been highly proactive in introducing processes and frameworks to ensure fraud and scam risks are being properly managed and mitigated by FS firms.

Enforcement priorities

Financial Crime is an area where we continue to see strong enforcement actions across AP. Many AP regulators announced their enforcement priorities for the coming year.

1. **Australia** - ASIC released their 2024 enforcement priorities in September 2024, which include: Enforcement action targeting poor distribution of financial products, high-cost and predatory lending practices to consumers and small businesses, misconduct resulting in the systematic erosion of superannuation balances, and enforcement action targeting gatekeepers facilitating misconduct.[152]

2. **Singapore** - In September 2023, the MAS issued its 4th *Enforcement Report*, detailing actions taken against financial institutions and individuals for market abuse, financial services misconduct, and money laundering related offences.[153] The MAS releases an *Enforcement Report* every 18 months.

3. **Hong Kong SAR** – The Hong Kong SFC in their 2023/2024 Annual Report cite maintaining market resilience and combatting market misconduct as their first strategic priority.[154] The SFC will seek to prevent market manipulation and insider trading, including ramp and dump scams. They are also seeking to utilise new technology to aid their enforcement capacity and collaborate with other regulators and law enforcement agencies where appropriate, including from Mainland China.

4. **India** – SEBI in their Annual Report 2023-24 outlined the importance of market surveillance and the inspection of market participants in their supervisory approach.[155]

5. **New Zealand** – The FMA in their *Annual Report 2023/24* noted their intention to continue the use of enforcement tools to address and deter misconduct, as well as enhancing relationships with local and international regulatory bodies to combat financial crime.[156]

Whilst regulators across AP are prioritising different aspects of financial crime, there is a consistent emphasis on the need for strong regulatory enforcement as a key tool for maintaining financial market stability and mitigating risks associated with financial crime. AP firms should monitor the enforcement actions of regional regulators to understand the current trends perpetrators of financial crime are following. This will enable them to effectively review their internal controls to ensure compliance with regulatory obligations.

Financial crime

Key considerations for FS firms

Financial crime remains at the forefront of regulators' focus into 2025. The enduring threat of financial criminal activity to the stability of financial markets, currencies, and economies, as well as the impact on consumers will necessitate ongoing enhancements to regulatory standards and oversight. FS firms should consider the following actions:

1. Strengthen internal AML/CTF controls and procedures in line with the latest regulatory updates and implement robust CDD processes to identify and mitigate money laundering and terrorism financing risks. Conduct regular risk assessments to stay ahead of emerging threats and ensure compliance with regulatory requirements.

2. Embrace and invest in Regtech solutions to enhance monitoring, detection, and reporting of suspicious activities. AI-enabled technology can improve fraud detection capabilities and enhance compliance processes. It is imperative that firms stay ahead of criminals in technological sophistication and understanding.

3. Continue to provide comprehensive training to employees on AML/CTF regulations, fraud detection, and reporting procedures. This can raise awareness among staff about emerging financial crime trends and the importance of vigilance in identifying suspicious transactions. It is particularly important that firms raise awareness across the organisation of new and emerging risks relating to digital assets, broader digitisation, and the advancement of technology.

Financial crime

4. Ensure a culture of compliance and ethical conduct across all levels of the organisation by ensuring the right 'tone from the top'.
5. Foster active collaboration with regulatory authorities, sharing information on potential financial crime threats and suspicious activities. Establish strong partnerships with law enforcement agencies to facilitate the investigation and prosecution of financial criminals.
6. Invest in educating consumers in relation to fraud and scam risks, providing information and tools to allow consumers to better identify and report such criminal activity and to better protect themselves from identity theft.
7. Strengthen coordination and collaboration across the organisation's Cyber Security, Technology, and AI departments to ensure a deep understanding of technology capabilities and how these might be employed by criminals.
8. Stay informed about updates to AML/CTF regulations and guidelines in the jurisdictions where the firm operates. Conduct regular reviews of internal policies and procedures to ensure alignment with regulatory requirements and industry standards.
9. Implement robust fraud prevention measures, including customer verification processes and transaction monitoring systems. Educate customers about common fraud schemes and provide guidance on how customers can protect themselves from scams. FS firms should also collaborate with industry stakeholders and regulatory bodies to share information and best practices in combating financial fraud.

Virtual assets

The integration of Virtual Assets (VAs) into the mainstream financial services ecosystem has posed significant regulatory challenges for financial authorities across the AP region and beyond.

In the 2023 ACRS Financial Services Regulatory Outlook, we presented the regulatory landscape of digital assets in the AP region.[157] As VAs continue to gain prominence, regulators are grappling with how to incorporate these assets into existing licensing regimes or whether to create new and bespoke frameworks. This year's ACRS Financial Services Regulatory Outlook provides an update on the current focus of regulation, highlighting the key developments and challenges faced by FIs.

Virtual assets regulation updates

Most global and AP regions have some form of pre-existing licensing regime for firms operating within their financial market. However, these requirements were originally designed for traditional FS firms, products, and services. The advent of VAs entering the mainstream financial services ecosystem has posed challenges for regulators regarding whether to incorporate VAs into existing licensing regimes, and in cases of these assets being incorporated, AP regulators have taken highly varied approaches.

For example, regulators in Hong Kong SAR and Singapore have both been highly active in ensuring that VAs are subject to a licensing regime but are taking diverging approaches. The SFC in Hong Kong introduced a licensing regime for Virtual Asset Trading Platforms (VATPs) which commenced in June 2023.[158] In-scope trading platforms are required to attain two existing licenses under the existing Securities and Futures Ordinance (SFO) regime (type 1 and type 7) for providing trading services in security tokens, as well as a new form of license under the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* (AMLO) for providing trading services in non-security tokens.[159] As of December 2024, the SFC has granted 7 VATPs licenses with a significantly more awaiting approval.[160,161] Going forward, the SFC announced in December 2024 that it has issued four additional VATP licenses. Additionally, a consultative panel will be established in early 2025 for VATP license holders to ensure the SFC can shape future policy with their input in mind.[162] Hong Kong SAR will also look to expand their virtual asset licensing regime, with Acting Secretary for Financial Services and the Treasury, Mr. Joseph Chan, suggesting that a specific licensing regime for virtual asset custodian service providers will be introduced in 2025.[163] Hong Kong SAR's establishment of licensing requirements for Virtual Asset Service Providers (VASP) will continue to develop in the near future. Firms engaging in VA-related trading activities will need to consider risks associated with dealing with non-licensed entities in Hong Kong SAR. The prospect of the introduction of a virtual asset custodian license requirement will also impact a number of different financial firms going forward, ranging from large

Virtual assets

banks to small fintech platforms. Applying sufficient resources to understanding and complying with the licensing regime will be a key challenge for in-scope AP firms in 2025.

In Singapore, brokering and exchange services conducted in relation to digital payment tokens (DPTs) are currently regulated under the *Payment Services Act* ("PS Act").[164] The scope of firms required to be licensed under this regime was expanded in April 2024 to include VA-related transmission and custodial services.[165] Firms engaging in regulated activities such as dealing in capital markets products (including digital tokens) are also required to hold a Capital Markets Services (CMS) licence under the *Securities and Futures Act 2001 (SFA)*.[166] Singapore has thus taken a different approach to Hong Kong SAR in the licensing of VAs: where Hong Kong SAR has sought to implement new specific license types to encompass VA-related firms, Singapore has expanded the scope of their existing capital markets licensing regime to include VA service providers.

A major development in Singapore was the release of a consultation by MAS in October 2024 on the new regulatory approach to digital token service providers conducting services outside of Singapore under the *Financial Services and Markets Act* (FSMA).[167] MAS is also expanding its licensing regime from an internal scope to include those Singapore firms which are conducting VA-related activities outside of the jurisdiction.

Australia requires digital currency exchange providers to register with the Australian Transaction Reports and Analysis Centre (AUSTRAC), and registration includes a number of AML/CTF and record keeping requirements.[168] A key recent development in VA licensing in Australia has been the release of a consultation paper by ASIC in December 2024 which focuses on clarifying the status of VA service providers within the existing capital markets licensing regime.[169] Australia is taking a similar approach to Singapore regarding VA licensing by expanding the scope of existing licensing regimes, rather than introducing a specific new license as seen in Hong Kong SAR.

Other jurisdictions have taken a diverse range of approaches to VA-related licensing and registration:

1. **Japan** – was one of the first AP jurisdictions to impose a VA-related licensing regime for Crypto Asset Exchange Services (CAES), and CAES providers (CAESPs) following the introduction of the Payment Services Act (PSA) in April 2017, the JFSA is responsible for oversight of the licensing regime.[170] The JFSA mandates license holders to participate in a strict record keeping, reporting, and AML/CTF regime. Additionally, the JFSA is assessing current virtual assets regulatory regime and is aiming to propose a bill to amend existing laws in 2026. As part of the assessment, the JFSA is considering treating virtual currencies as securities, potentially leading to stricter regulation including information disclosure on virtual assets.[171]

2. **India** – at present has no formal VA licensing requirement. However, the Financial Intelligence Unit – India (FIU-IND) released a set of guidelines which became effective in March 2023 obligating VA service providers to register with the FIU-IND and meet a series of AML/CTF obligations.[172]

3. **New Zealand** – all firms providing financial services are required to register on the Financial Service Providers Register (FSPR), and VA service providers are in scope of this requirement.[173] VA service providers also fall within the scope of the New Zealand AML/CTF regime. Oversight of their AML/CTF compliance obligations is divided

Virtual assets

between the FMA and the Department of Internal Affairs (DIA) depending on the type of activity the company conducts.[174] There is no formal licensing requirement at present.

4. **South Korea** - In 2020, the South Korean government revised its existing laws to expand mandatory AML/CTF requirements to all exchanges in the country. Additionally, firms were required to obtain a license from the Financial Services Commission (FSC)'s Financial Intelligence Unit (KoFIU) by the end of September 2021.[175] The FSC also released further guidance that foreign VA service providers conducting business in Korea are obliged to register with the KoFIU.[176]

5. **Thailand** – has a well-established VA licensing regime which was formed in 2018 following an Emergency Decree. It divides VA businesses into three categories: digital asset exchanges, digital asset brokers, and digital asset dealers.[177] Such business are obligated to apply for a license through the Thailand Securities and Exchange Commission (SEC) and the Ministry of Finance.

Licensing regimes are a fundamental tool for financial regulators to fulfill their mandate of overseeing the financial system, protecting consumers, and maintaining economic stability. The implementation of VA licensing regimes in certain jurisdictions provide the foundations upon which to bring VAs within the remit of regulation. It will also enable FS regulators to establish standards of conduct, risk management, and disclosure to achieve their aim of consumer protection and financial system stability. Many of the features of the VA licensing regimes in AP have significant crossover with conventional financial services licensing regimes. These include AML/CTF, KYC, and risk management standards which license holders are obligated to meet. Enhanced features of VA licensing regimes relate to topics such as cyber security, technical infrastructure, reserve capital adequacy, and custody of assets. Due to the unique risk profile that VA products and services bring, regulators are seeking to mitigate these threats through elevated compliance requirements.

VA-related licensing is a relatively modern regulatory trend, however, high-profile failures of major firms such as FTX have helped to demonstrate the need for greater regulatory oversight. Licensing is often a critical first step which regulators employ to bring new entities under their remit and enables the development and enforcement of other requirements. As the size of the VA market continues to grow, so too will the risk to individuals and the broader financial system. Therefore, we expect to see continued regulatory focus in this area.

The MAS in Singapore in 2023 finalised their regulatory framework for Stablecoins without a specific licensing requirement.[178] Some jurisdictions have proposed licensing requirements relating to fiat-backed Stablecoins. The Hong Kong government published a Stablecoins Bill introducing a licensing regime in December 2024, and the first reading of the bill in the Hong Kong Legislative Council took place later that month.[179] The regime looks set to be fully implemented in early 2025, and followed a joint consultation between the FSTB and the HKMA on a proposed Fiat-referenced Stablecoin Regulatory Regime.[180] Under the regime, those issuing or marketing a Fiat-referenced Stablecoin in Hong Kong SAR will be obligated to hold the

Virtual assets

requisite license. In addition to conventional features of holding a financial services license in Hong Kong SAR, such as proper governance structures, adequate risk management controls, and audit requirements, licensees under the regime will have additional licensing requirements unique to the risks associated with stablecoin issuance.

Licensees under the Hong Kong Fiat-referenced Stablecoin Regulatory Regime will have to meet a series of additional regulatory obligations. Some of the key features include:

1. Always holding reserve assets of an equal value to that of the Stablecoins in circulation, and such reserve assets being appropriately liquid as to meet redemption requests.
2. An appropriate method of segregating such reserve assets in a trust arrangement.
3. Ensuring that no interest is paid by issuers to Stablecoin holders.
4. Disclosing requirements relating to the number of Stablecoins in circulation.

Australia has also taken steps to implement licensing requirements on Stablecoin issuers. ASIC released a consultation paper in December 2024 which proposes that Australian Dollar (AUD) fiat-referenced Stablecoins constitute a financial product in the form of a non-cash payment facility (NCPF), and thus issuers of such products require an Australian Financial Services (AFS) license.[181] This interpretation may also require those trading such products as well as exchanges to hold this license. The consultation period ends in February 2025, and we expect ASIC to make further progress on this issue in the following months. The implementation of an AFS license upon Stablecoin issuers, as well as potentially those counterparties involved in the trading and distribution of such products, would require them to meet the regulatory obligations associated with being a licensee. These include having appropriate compliance and risk management controls, making the appropriate product disclosures to clients, ensuring staff are suitably trained, maintaining proper records, and undergoing regular audits.

Hong Kong SAR and Australia represent examples of varying approaches adopted across AP regarding the regulation of digital assets such as Stablecoins. Hong Kong regulators seek to expand a specific license type to meet the unique risk profile associated with fiat-referenced Stablecoins with unique regulatory requirements. Meanwhile, Australian regulators have sought to bring fiat-referenced Stablecoins in line with the existing licensing regime, treating them as a conventional financial product.

As highlighted above, many regions are focusing on licensing requirements for digital asset intermediaries, bringing exchanges and custodians within scope of regulatory supervision. There is also a strong focus on ensuring digital assets are subject to mandatory AML/ CTF requirements. The regulation of Stablecoins is also becoming a more prominent feature of regulatory agendas, and we expect the focus on consumer protection and the marketing of digital assets to continue to face scrutiny over the course of 2025.

Virtual assets

Figure 7 Selected key regulatory requirements for digital assets in Australia, Hong Kong SAR, Japan and Singapore

	Financial Crime	Technology and Cyber Risks	Marketing and Customer Disclosures	Safeguarding of Assets	Market Integrity
Australia	• Digital asset exchange providers must register with AUSTRAC and abide by the AML/CTF programme.	• ASIC introduced enhanced information security requirements for digital asset custodians in December 2024. The requirements stipulate that a firm must have robust cyber and physical security practices for its operations.	• Australian Consumer Law prohibits the use of misleading and deceptive conduct to market digital assets. • Digital asset custodians are obligated to explain to retail investors in their Product Disclosure Statement (PDS) their role as custodian clearly and encourage understanding of the relationship.	• Segregated accounts required only for financial products. • Digital Asset custodians are obligated to place Australian held digital assets in trust. • ASIC provides guidelines which govern the content of a custody agreement between a custodian and an asset holder.	• Market abuse prohibited for financial products.
Hong Kong SAR	• Security token service providers and stablecoin arrangements that qualify as stored value facilities are subject to AML/CTF measures. • All VATPs are required to apply for a license from the SFC. ▲ Firms supplying digital asset custodian services will be subject to licensing requirements from 2025.	• HK SFC-licensed entities are subject to technology and cybersecurity requirements.	• Digital asset derivatives and funds can be offered only to professional investors, except for a limited suite of products traded on regulated exchanges and authorised by HK SFC for offer to retail customers. Individual investors are subject to mandatory suitability assessments to assess their knowledge of such products.	• Segregated accounts required for security tokens. • Licensing regime for VATPs allows for HK SFC to impose requirements on segregation of client assets. • Stablecoin issuers must maintain sufficient reserve assets to back the value of the stablecoins issued. These reserves should be readily accessible and liquid.	• Market abuse prohibited for security tokens. • VATPs are obliged to implement controls to prevent, detect and report market abusive activities.
Japan	• JFSA works closely with two self-regulatory organisations – JSTA and JVCEA – to apply AML/CTF measures to security tokens and other crypto assets. Firms must report suspicious transactions to the JFSA and the Japan Financial Intelligence Center (JAFIC).	• Crypto asset exchanges must maintain at least 95% of their customers' crypto assets in 'cold wallets'. Crypto assets maintained in 'hot wallets' must be matched by 'Redemption Guarantee Crypto Assets' maintained by the exchange.	• Crypto asset exchange service providers must provide information on contract details and fees and explain the volatile nature of crypto assets to customer.	• Segregated accounts required for all digital assets. • Stablecoin issuers are required to ensure redemption at par. Only banks, fund transfer service providers and trust companies may issue stablecoins. The latter two must hold reserve assets for their stablecoin liabilities.	• Market abuse prohibited for security tokens. • Payment Services Act prohibits unfair acts, which is intended to deter market abuse.
Singapore	• All security token and digital payment token service providers are subject to AML/ CTF standards. • Financial Services and Markets Act requires all other digital asset service providers established in Singapore to be regulated and subject to AML/CTF controls. ▲ Singapore is expanding their licensing regime from an internal scope to include those Singapore firms which are conducting VA-related activities outside of the jurisdiction. Such firms will be subject to the Financial Services and Markets Act AML/CTF standards.	• A systemic stablecoin arrangement can be classified as a designated payment system and be subject to more stringent operational resilience and cybersecurity requirements aligned with the Principles for Financial Market Infrastructures.	• Guidelines to discourage marketing of digital payment token services to the public. • Guidelines on additional safeguards for retail customers, including assessing whether they have sufficient knowledge of risks and gauging their suitability for such products.	• Segregated accounts required for security tokens. • Digital payment token service providers must maintain segregated accounts, performing daily reconciliation of all customer assets is required. • Issuers must maintain minimum base capital and liquid assets to reduce the risk of insolvency and enable an orderly wind-down of business if necessary.	• Market abuse prohibited for security tokens. • Proposal to require digital asset service providers to implement controls to prevent, detect and report market abusive activities.

● Current Regulation
▲ Proposed Regulation / Consultation

Virtual assets

Challenges for FS firms:

1. High regulatory burden of holding licenses in multiple jurisdictions:
   Holding licenses in multiple jurisdictions can significantly increase the regulatory burden on firms. Each jurisdiction may have its own set of compliance requirements, reporting obligations, and fees. Managing and maintaining compliance with multiple licensing regimes can be complex, time-consuming, and costly for firms, especially smaller businesses with limited resources. The need to navigate diverse regulatory frameworks and ensure consistent adherence to each jurisdiction's rules poses a considerable challenge.

2. Tailoring internal compliance and risk management controls for multiple regulatory requirements:
   FS firms operating across multiple jurisdictions must tailor their internal compliance and risk management controls to align with the regulatory requirements of each licensing regime. This involves implementing robust processes and systems to monitor and report on compliance activities, address regulatory changes, and mitigate risks effectively across different jurisdictions. Ensuring consistency in compliance practices while accommodating varying regulatory standards poses a significant operational challenge for firms.

3. Clarity on the scope of licensing regimes across jurisdictions:
   The scope of licensing regimes can vary between jurisdictions, leading to uncertainties for firms operating internationally. Some firms may find themselves subject to licensing requirements in one jurisdiction while being exempt in another, creating ambiguity and complexity in determining compliance obligations. Navigating the differences in scope across licensing regimes requires a thorough understanding of regulatory nuances and may result in compliance challenges for firms with a global presence.

4. Uncertainty associated with the evolution of licensing regimes:
   The stability of licensing regimes can be unpredictable, with the potential for regulatory changes, additional licensing conditions, or the introduction of new license types in the future. Firms must stay well-informed of evolving regulatory landscapes and anticipate changes in licensing requirements to adapt their compliance strategies proactively. The dynamic nature of regulatory frameworks poses challenges for firms in terms of planning, resource allocation, and maintaining compliance readiness in the face of regulatory uncertainties.

Virtual assets

Key considerations for FS firms:

1. FS firms should ensure they have a thorough understanding of VAs and evaluate the impacts of cryptocurrencies and digital assets on their existing strategies and products, along with identifying the potential strategic and regulatory risks associated with them. Perform regular risk assessments to identify and mitigate potential risks such as market volatility, cybersecurity threats, and regulatory compliance.
2. Develop and implement robust internal controls to manage risks, including AML/CTF measures, record-keeping, and reporting requirements.
3. Continue to develop expertise in DAs by investing in in-house capabilities and partnering with external experts to keep pace with and drive innovation in technology and business models.
4. Actively engage with regulators to monitor and influence ongoing regulatory developments. Collaborate with authorities to develop practical solutions to address risk concerns, such as incorporating certain technical features in the design of digital assets and promoting global convergence of regulatory regimes.
5. Continuously monitor and evaluate the evolving regulatory landscape relating to DAs across relevant jurisdictions and ensure compliance with emerging regulatory requirements.

Way ahead

Looking ahead, the regulatory landscape in the AP region is poised for continued vigilance and adaptability in the face of evolving technological advancements, particularly in the realm of AI and digital technologies. AP regulators are committed to overseeing the ethical and responsible use of these technologies, ensuring that they serve the best interests of customers while upholding principles of fairness and transparency. With an unwavering focus on consumer protection, regulators and supervisors will persist in their efforts to safeguard consumer interests, combat financial malpractice, and enhance the supervision of retail investors in digital assets.

The imperative to prevent bias and discrimination in AI applications and foster greater access to finance remains central to regulatory agendas. Furthermore, as regulators intensify their efforts to combat greenwashing practices, the adoption of harmonised sustainability disclosure standards, such as those set forth by the ISSB, will bolster transparency and accountability in the financial sector and mitigate the risks of deceptive environmental claims.

By embracing forward-thinking regulatory strategies and collaborative initiatives, the AP financial market will continue to navigate emerging challenges and opportunities, fostering a more resilient and sustainable financial ecosystem for the benefit of all stakeholders in the region. By adapting to the evolving requirements set forth by multiple regulators and fostering collaborations with regulatory bodies across diverse domains, FS firms operating in the AP region will navigate the uncertain currents of 2025 with resilience and stability.

Contacts

Seiji Kamiya
Executive Sponsor
Asia Pacific Regulatory & Financial Risk Lead
seiji.kamiya@tohmatsu.co.jp

Yuki Kuboshima
ACRS Steering Committee
Partner, AP Consulting Growth Leader
ykuboshima@tohmatsu.co.jp

Tony Wood
ACRS Steering Committee
Partner, AP Banking & Capital Markets Leader
tonywood@deloitte.com.hk

Ye Fang
ACRS Steering Committee
Partner, China SR&T FS Industry Lead
yefang@deloitte.com.cn

Kiyotaka Sasaki
ACRS Steering Committee
Japan Senior Advisor
kiyotaka.sasaki@tohmatsu.co.jp

Sean Moore
Australia Co-lead
Partner, Risk Advisory
semoore@deloitte.com.au

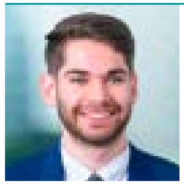
Nai Seng Wong
SEA Co-lead
Partner, SEA Regulatory Strategy Lead
nawong@deloitte.com

Shinya Kobayashi
Japan Co-lead
Managing Director,
Japan SR&T Insurance Sector Lead
shinya.kobayashi@tohmatsu.co.jp

Nicola Sergeant
Director
ACRS Operations Lead
Japan
nicola.sergeant@tohmatsu.co.jp

Contributors

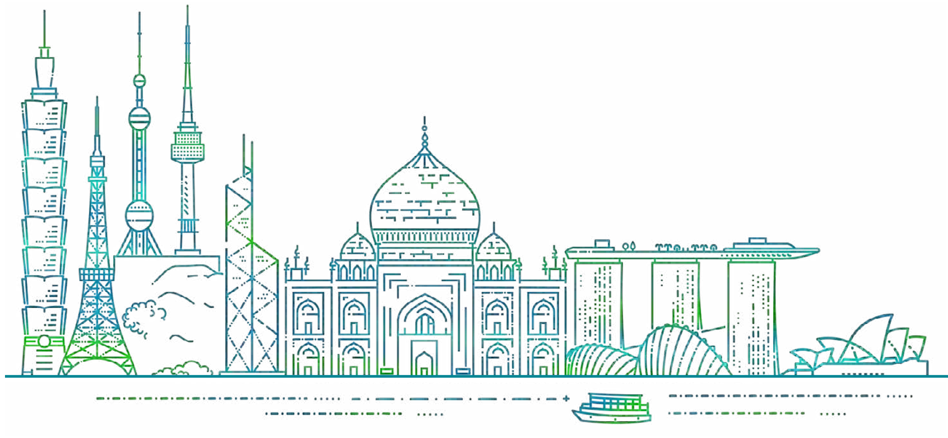
Ningxin Su
Associate Director
Hong Kong SAR
nsu@deloitte.com.hk



Andrew Neilson
Manager
Australia
aneilson@deloitte.com.au

Rhys Belcher
Senior Consultant
Hong Kong SAR
Jobelcher@deloitte.com.hk

Shoya Kusuda
Senior Staff
Japan
shoya.kusuda@tohmatsu.co.jp



Endnotes

1. United Nations Development Programme, A 'super year' for elections, consulted on 6 December 2024, available at: https://www.undp.org/super-year-elections

2. World Bank, Global Economic Prospects - June 2024; available at: https://openknowledge.worldbank.org/server/api/core/bitstreams/62a41ee3-b385-4f87-bd8b-1f413ef3e73d/content

3. IMF, World Economic Outlook, October 2024: Policy Pivot, Rising Threats; available at : https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024

4. Ibid 5

5. Ibid 5

6. ECB, Financial Stability Review, May 2024, available at: https://www.ecb.europa.eu/press/financial-stability-publications/fsr/html/ecb.fsr202405~7f212449c8.en.html

7. CEPR, The return of industrial policy in data, January 2024; available at: https://cepr.org/voxeu/columns/return-industrial-policy-data#:~:text=Globally%2C%20over%202%2C500%20industrial%20policy,for%2048%25%20of%20the%20measures.

8. Last July, the Sahm rule indicator was triggered when the three-month moving average of the unemployment rate was 0.53 percentage points higher than its low since July 2023. The Sahm Rule is an indicator that signals the early stages of a recession. More information available at: https://fred.stlouisfed.org/release?rid=456#:~:text=The%20Sahm%20Rule%20identifies%20signals,during%20the%20previous%2012%20months.

9. https://www2.deloitte.com/us/en/insights/economy/spotlight housing-market-trends-struggle-affordability-stagnation.html

10. Deloitte analysis based on information available in 2023 annual reports of all GSIBs – information on the list GSIBs available at: FSB, 2023 List of Global Systemically Important Banks (G-SIBs), November 2023, available at: https://www.fsb.org/2023/11/2023-list-of-global-systemically-important-banks-g-sibs; all GSIBs financial disclosures are available in the investors relations section of their websites. Data was accessed on 18 October 2024.

11. BCBS, Shifting landscapes: life insurance and financial stability, September 2024; available at: https://www.bis.org/publ/qtrpdf/r_qt2409b.pdf

12. Social inflation refers to the increase in insurance claim driven by a combination of legal and societal factors, distinct from traditional economic inflation (e.g., increase in frequency and costs of litigation); more available at: https://www.insuranceinsiderus.com/article/2dolp97lsouvz3hie9mgw/industry-wide/social-inflation-in-2024-at-the-h1-mark-trends-have-only-worsened

13. For example, in September 2024, the Insurance Regulatory Authority of India issued a Master Circular on policyholder protection to increase product suitability to customers and policyholder information. The UK's FCA launched market reviews in the General Insurance market and is actively targeting low-value insurance products. In Ireland, the new Consumer Protection Code will also heavily focus on FS customer outcomes.

14. IAIS, Strategic-Plan-2025-2029, November 2024; available at: https://www.iaisweb.org/uploads/2024/10/Strategic-Plan-2025-2029.pdf

15. Klaas Knot: Geopolitics and economics - a high-traffic intersection; Claudia Buch: Global rifts and financial shifts - supervising banks in an era of geopolitical instability

16. Vision of Humanity, Global Peace Index - Highest number of countries engaged in conflict since World War II, June 2024, https://www.visionofhumanity.org/highest-number-of-countries-engaged-in-conflict-since-world-war-ii/

17. https://www.imf.org/en/Blogs/Articles/2024/04/09/rising-cyber-threats-pose-serious-concerns-for-financial-stability

18. FCA, speech by Nikhil Rathi: "Growth: Mission Possible" October 2024, available at: https://www.fca.org.uk/news/speeches/growth-mission-possible

19. ECB, Speech by Elizabeth McCaul, Member of the Supervisory Board of the ECB: "Fading crises, shifting priorities: a supervisory perspective on the regulatory cycle", October 2024; available at: https://www.bankingsupervision.europa.eu/press/speeches/date/2024/html/ssm.sp241025~370063d218.en.html

20. Ibid

21. HMT, Recommendation Letter for the Financial Conduct Authority, November 2024, available at: https://assets.publishing.service.gov.uk/media/673712ee12f25d73081271e8/CX_Letter_-_Recommendations_for_the_Financial_Conduct_Authority__FCA__-_Nikhil_Rathi_14112024.pdf

22. HMT, Recommendation Letter for the Prudential Regulation Committee, November 2024, available at: https://assets.publishing.service.gov.uk/media/673713fe12f25d73081271eb/CX_Letter_-_Recommendations_for_the_Prudential_Regulation_Committee_-_Andrew_Bailey_14112024.pdf

23. Honk Kong Monetary Authority Good practices on climate-related risk governance, August 2024; available at: https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20240822e1.pdf

24. HKMA, Annex: Good practices on climate-related risk governance, available at https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20240822e1a1.pdf

25. Fed, Federal Reserve Supervision and Regulation Report, November 2024, available at: https://www.federalreserve.gov/publications/2024-november-supervision-and-regulation-report.html

26. ECB, Aggregate result of SREP, 2023, available at: https://www.bankingsupervision.europa.eu/banking/srep/2023/html/ssm.srep202312_aggregatedresults2023.en.html#:~:text=All%20data%20shown%20throughout%20the,%25%20improve%20(Chart%202)

27. Bis, Progress in adopting the Principles for effective risk data aggregation and risk reporting, November 2023; available at: https://www.bis.org/bcbs/publ/d559.pdf; ECB, Guide on effective risk data aggregation and risk reporting, May 2024, Available at: https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.supervisory_guides240503_riskreporting.en.pdf

28. ECB, Guide on effective risk data aggregation and risk reporting, May 2024, available at: https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.supervisory_guides240503_riskreporting.en.pdf

Endnotes

29. Central Bank of Ireland, Data Ethics Within Insurance, August 2023; available at: https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/communications/data-ethics-within-insurance.pdf?sfvrsn=54219f1d_4 ;ACPR, Synthèse de l'enquête déclarative de 2022 sur la gestion des données alimentant les calculs prudentiels des organismes d'assurance; February 2023, available at: https://acpr.banque-france.fr/synthese-de-lenquete-declarative-de-2022-sur-la-gestion-des-donnees-alimentant-les-calculs

30. Deloitte ACRS, Regulatory management as strategy Perspectives on regulatory remediation, October 2024, available at: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Advisory/us-advisory-regulatory-management-as-strategy-october-2024.

31. Deloitte, ACRS, BCBS 239 Progress Report: Significant work still needs to be done for full compliance, February 2024; available at: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Advisory/us-advisory-bcbs-239-progress-report-february-2024.pdf

32. BMA, Bermuda Cyber Underwriting Report, September 2024, available at: https://www.bma.bm/publications/bma-surveys

33. APRA, Supervision Priorities, February 2023, available at: https://www.apra.gov.au/sites/default/files/2023-02/Information%20paper%20APRA%27s%20Supervision%20Priorities%20-%20February%202023.pdf

34. NAIC, Cyber insurance report, October 2024; available at, https://content.naic.org/sites/default/files/cmte-h-cyber-wg-2024-cyber-ins-report.pdf

35. FSA, Strategic Priorities: July 2024 - June 2025, July 2024, available at: https://www.fsa.go.jp/en/news/2024/20240913/20240913_summary.pdf

36. FCA, FCA warns firms over anti-money laundering failings, March 2024, available at: https://www.fca.org.uk/news/news-stories/fca-warns-firms-over-anti-money-laundering-failings

37. Carne, Private capital markets – the growth story is set to expand, July 2024, available at: https://www.carnegroup.com/latest-thinking/private-capital-markets-the-growth-story-is-set-to-expand

38. Pitchbook, Historical AUM and forecasts of private capital, accessed on : 19 April 2024, available at: https://pitchbook.com/newsletter/toward-20-trillion-in-private-capital-aum

39. The Bank of England's system-wide exploratory scenario exercise final report | Bank of England

40. APRA, APRA Corporate Plan 2024-25, 2024; available at, https://www.apra.gov.au/apra-corporate-plan-2024-25

41. IAIS, Global Insurance Market Report 2023, December 2023; available at: https://www.iaisweb.org/uploads/2023/12/Global-Insurance-Market-Report-2023.pdf

42. Bis, Shifting landscapes: life insurance and financial stability, September 2024; available at: https://www.bis.org/publ/qtrpdf/r_qt2409b.pdf

43. PRA, Thematic review of private equity related financing activities, April 2024, available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2024/thematic-review-of-private-equity-related-financing-activities.pdf.

44. Rebecca Jackson (PRA) Private equity financing, April 2024; available at: https://www.bankofengland.co.uk/speech/2024/april/rebecca-jackson-speech-uk-finance-on-private-equity-focused-thematic-review.

45. BCBS, Guidelines for counterparty credit risk management, April 2024; available at: https://www.bis.org/bcbs/publ/d574.pdf.

46. Board of Governors of the Federal Reserve System, FDIC, Office of the Comptroller of the Currency, Joint Statement on Banks' Arrangements with Third Parties to Deliver Bank Deposit, July 2024, https://www.fdic.gov/system/files/2024-07/joint-statement-on-third-party-deposit-products_0.pdf ; Federal Register, Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses, July 2024, https://www.federalregister.gov/documents/2024/07/31/2024-16838/request-for-information-on-bank-fintech-arrangements-involving-banking-products-and-services.

47. Out of the 947 registers that passed the data integration checks and were analysed, 6.5% successfully passed all data quality checks, while 50% of the remaining registers failed less than five data quality checks. " – source: ESAs, Key findings from the 2024 ESAs Dry Run exercise, December 2024, available at: https://www.esma.europa.eu/sites/default/files/2024-12/ESA_2024_35_DORA_Dry_Run_exercise_summary_report.pdf

48. Under the Bank Service Company Act, third-party contractors who undertake authorized bank services may be subject to regulation and examination by federal banking agencies as if such services were performed by the depository institution itself. See 12 USC § 1867.

49. IAIS, Public consultation on the draft Application Paper on Operational Resilience Objectives [and Toolkit]; August 2024, available at: https://www.iaisweb.org/2024/08/public-consultation-on-the-draft-application-paper-on-operational-resilience-objectives-and-toolkit/ ; Bis, Principles for the sound management of third-party risk, available at: https://www.bis.org/bcbs/publ/d577.pdf.

50. Deloitte, Deloitte's State of Generative AI in the Enterprise Q3 report, August 2024, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consulting/us-state-of-gen-ai-q3.pdf

51. Federal Register, Quality Control Standards for Automated Valuation Models, October 2024, available at: https://www.federalregister.gov/documents/2024/08/07/2024-16197/quality-

Endnotes

52. HK SFC, Circular to licensed corporations - Use of generative AI language models, November 2024, available at: https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/intermediaries/supervision/doc?refNo=24EC55.

53. European Commission, Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence, June 2024, available at: https://eur-lex.europa.eu/eli/reg/2024/1689/oj

54. PRA, Operational Resilience, accessed on December 15 2024, available at: https://www.bankofengland.co.uk/prudential-regulation/prudential-and-resolution-policy-index/banking/operational-resilience.

55. PRA, PS16/24 – Operational resilience: Critical third parties to the UK financial sector, November 2024, available at: https://www.bankofengland.co.uk/prudential-regulation/publication/2024/november/operational-resilience-critical-third-parties-to-the-uk-financial-sector-policy-statement

56. US White House, Artificial Intelligence for the American People, accessed on 15 December 2024, available at: https://trumpwhitehouse.archives.gov/ai/

57. White House, Fact Sheet: Key AI Accomplishments in the Year Since the Biden-Harris Administration's Landmark Executive Order, October 2024, available at: https://www.whitehouse.gov/briefing-room/statements-releases/2024/10/30/fact-sheet-key-ai-accomplishments-in-the-year-since-the-biden-harris-administrations-landmark-executive-order/

58. US Treasury Department, Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector, June 2024, available at: https://home.treasury.gov/news/press-releases/jy2393 ; US Financial Services Committee McHenry, Waters Lead Bipartisan Efforts Highlighting the Impact of AI on the Financial Services and Housing Industries, December 2024, available at: https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409418.

59. US SEC, Examination Priorities FY25, June 2024, available at: https://www.sec.gov/files/2025-exam-priorities.pdf

60. Financial Services Agency Japan, Regulating the crypto assets landscape in Japan, 2017, available at: https://www.fsa.go.jp/en/news/2022/20221207/01.pdf

61. S&P, Digital Assets Brief: Crypto's Trump Card, November 2024, available at: https://www.spglobal.com/ratings/en/research/articles/241120-digital-assets-brief-crypto-s-trump-card-13333462

62. International Association of Insurance Supervisors, Draft Application Paper on Operational Resilience Objectives, August 2024, Issues Paper on Insurance Sector Operational Resilience

63. International Association of Insurance Supervisors, Strategic Plan 2025 – 2029, January 2025, Strategic-Plan-2025-2029.pdf

64. Australian Prudential Regulation Authority, Prudential Standard CPS 230 Operational Risk Management, Prudential Standard CPS 230 Operational Risk Management - clean

65. APRA, APRA finalises cross-industry guidance on operational resilience, June 2024, APRA finalises cross-industry guidance on operational resilience | APRA

66. World Economic Forum, AI and energy: Will AI help reduce emissions or increase demand? Here's what to know, July 2024, AI and energy: Will AI reduce emissions or increase demand? | World Economic Forum

67. New Zealand Government, Red Tape Tip Line goes live, November 2024, https://www.beehive.govt.nz/release/red-tape-tipline-goes-live

68. New Zealand Government – Ministry for Regulation, Our Role, December 2024, Our role | Ministry for Regulation

69. New Zealand Government – Ministry of Business, Innovation & Employment, 2024-25 financial services reforms, January 2025, 2024-25 financial services reforms | Ministry of Business, Innovation & Employment

70. International Monetary Fund, World Economic Outlook: Policy Pivot, Rising Threats, October 2024, World Economic Outlook, October 2024: Policy Pivot, Rising Threats

71. Source: International Monetary Fund, World Economic Outlook Database, https://www.imf.org/en/Publications/WEO/weo-database/2024/October/select-country-group

72. Bank of Japan, Outlook for Economic Activities and Prices, October 2024, Outlook for Economic Activity and Prices (October 2024)

73. ASEAN+3 Macroeconomic Research Office, Quarterly Update of the ASEAN+3 Regional Economic Outlook, October 2024, https://amro-asia.org/wp-content/uploads/2024/10/AREO-2024-October-Update_Final.pdf

74. Deloitte Global Economics Research Center, Indian Economic Outlook, October 2024, India economic outlook | Deloitte Insights

75. Reserve Bank of Australia, Statement on Monetary Policy, November 2024, https://www.rba.gov.au/publications/smp/2024/nov/pdf/statement-on-monetary-policy-2024-11.pdf

76. ASEAN+3 Macroeconomic Research Office, Quarterly Update of the ASEAN+3 Regional Economic Outlook, October 2024, https://amro-asia.org/wp-content/uploads/2024/10/AREO-2024-October-Update_Final.pdf

77. ASEAN+3 Macroeconomic Research Office, Quarterly Update of the ASEAN+3 Regional Economic Outlook, October 2024, https://amro-asia.org/wp-content/uploads/2024/10/AREO-2024-October-Update_Final.pdf[1]

78. Bank of Japan, Outlook for Economic Activities and Prices, October 2024, Outlook for Economic Activity and Prices (October 2024)

79. Reserve Bank of Australia, Statement on Monetary Policy, November 2024, https://www.rba.gov.au/publications/smp/2024/nov/pdf/statement-on-monetary-policy-2024-11.pdf

80. Source: International Monetary Fund, World Economic Outlook Database, https://www.imf.org/en/Publications/WEO/weo-database/2024/October/select-country-group

81. Bank for International Settlements, Deconstructing global trade: the role of geopolitical alignment, September 2024, Deconstructing global trade: the role of geopolitical alignment

Endnotes

82. IAIS, Global Insurance Market Report (GIMR), December 2024, Global-Insurance-Market-Report-2024.pdf
83. Financial Stability Board, FSB Chair's Letter to the G20 Leaders, November 2024, FSB Chair's letter to G20 Leaders: November 2024
84. Financial Stability Board, FSB Chair's Letter to the G20 Leaders, November 2024, FSB Chair's letter to G20 Leaders: November 2024
85. HKMA, The Financial Stability Implications of Private Credit Sector in Asia-Pacific, April 2024, The financial stability implications of the private credit sector in Asia-Pacific
86. HKMA, The Financial Stability Implications of Private Credit Sector in Asia-Pacific, April 2024, The financial stability implications of the private credit sector in Asia-Pacific
87. International Association of Insurance Supervisors, Global Insurance Market Report (GIMAR), December 2024, Global-Insurance-Market-Report-2024.pdf
88. Australian Department of Industry, Science, and Resources, Proposals Paper: Safe and Responsible AI in Australia, September 2024, proposals_paper_for_introducing_mandatory_guardrails_for_ai_in_high_risk_settings.pdf
89. Ministry of Information and Communications, Draft dossier of the Law on Digital Technology Industry, July 2024, https://mic.gov.vn/van-ban-phap-luat/du-thao/2199.html
90. Ministry of Digital Economy and Society and Office of the National Digital Economy and Society Commission, Draft Service Business that Use AI Regulation, 202210-draft-service-business-that-use-ai-regulation-hearing-chula-onde.pdf
91. Central Government of PRC, The Provisional Administrative Measures of Generative Artificial Intelligence Service, July 2023, https://www.gov.cn/zhengce/zhengceku/202307/content_6891752.html
92. WG Volunteers on the Evolution and Implementation of AI of the Liberal Democratic Party, 責任あるAIの推進のための 法的ガバナンスに関する素案, February 2024, 65d41b304bf0992d09793b08.pdf
93. Ministry of Internal Affairs and Communications & Ministry of Economy, Trade and Industry, AI Guidelines for Business Ver1.0, April 2024, 000943087.pdf
94. Ministry of Internal Affairs and Communications, Hiroshima AI Process, Hiroshima AI Process
95. Financial Services and the Treasury Bureau, Policy Statement on Responsible Application of Artificial Intelligence in the Financial Market, October 2024, P2024102800154_475819_1_1730083937115.pdf
96. MAS, Principles to Promote Fairness, Ethics, Accountability and Transparency (FEAT) in the Use of Artificial Intelligence and Data Analytics in Singapore's Financial Sector, November 2018, Principles to Promote Fairness, Ethics, Accountability and Transparency (FEAT) in the Use of Artificial Intelligence and Data Analytics in Singapore's Financial Sector
97. MAS, Artificial Intelligence (AI) Model Risk Management, December 2024, Artificial Intelligence (AI) Model Risk Management
98. MAS, Smart Nation & Digital Government Office, National Artificial Intelligence Strategy, November 2019, national-ai-strategy.pdf
99. MAS, Principles to Promote Fairness, Ethics, Accountability and Transparency (FEAT) in the Use of Artificial Intelligence and Data Analytics in Singapore's Financial Sector, November 2018, FEAT Principles Final.pdf
100. ECRS, Financial Markets Regulatory Outlook 2025, January 2025, Regulatory Outlook 2025 | Deloitte UK
101. ASIC, ASIC announces new enforcement priorities with a focus on cost of living pressures, 14 November 2024, 24-252MR ASIC announces new enforcement priorities with a focus on cost of living pressures | ASIC
102. ASIC, ASIC's Interventions on Greenwashing Misconduct: 2023-2024, August 2024, Report REP 791 ASIC's interventions on greenwashing misconduct: 2023–2024
103. ASIC, ASIC continues action on misleading claims to deter greenwashing misconduct, 23 August 2024, 24-185MR ASIC continues action on misleading claims to deter greenwashing misconduct | ASIC
104. JFSA, Response to the FSA's Consulation on the Proposed Amendment of the Comprehensive Supervisory Guidelines for Financial Instruments Business Operators, etc. regarding ESG Investment Trusts, March 2023, https://www.fsa.go.jp/en/news/2023/20230331/20230331.html
105. The People's Bank of China, The People's Bank of China, the Ministry of Ecology and Environment, the State Administration of Financial Supervision and the China Securities Regulatory Commission jointly held a forum on green financial services for the construction of a beautiful China, 11 May 2024, 中国人民银行 生态环境部 金融监管总局 中国证监会联合召开绿色金融服务美丽中国建设工作座谈会
106. European Parliament, 'Green claims' directive - Protecting consumers from greenwashing, 11 October 2024, 'Green claims' directive: Protecting consumers from greenwashing | Think Tank | European Parliament
107. European Commission, Proposal for a Directive on substantiation and communication of explicit environmental claims (Green Claims Directive), March 2023, Proposal for a Directive on green claims - European Commission
108. FCA, PS23/16: Sustainability Disclosure Requirements (SDR) and investment labels, 28 November 2023, PS23/16: Sustainability Disclosure Requirements (SDR) and investment labels | FCA
109. Financial Conduct Authority, Finalised non-handbook guidance on the Aiti-Greenwashing Rule, April 2024, FG24/3: Finalised non handbook guidance on the Anti Greenwashing Rule
110. IMCA, Hong Kong Code of Conduct for ESG Ratings and Data Products Providers, October 2024, ICMA-Hong-Kong-Code-of-Conduct-for-ESG-Ratings-and-Data-Products-Providers-ENGLISH-version-October-2024-031024.pdf

Endnotes

111. ICMA, Singapore Code of Conduct for ESG Rating and Data Product Providers, December 2023, annex-c-code-of-conduct-for-esg-rating-and-data-product-providers.pdf

112. JFSA, The Code of Conduct for ESG Evaluation and Data Providers, December 2022, 02.pdf

113. ACRS, Global Sustainability Reporting Standards - Strategic Insights for Asia Pacific Corporations, November 2024, Global Sustainability Reporting Standards | Deloitte China

114. ISSB, IFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information, June 2023, IFRS - IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

115. ISSB, IFRS S2 Climate-related Disclosures, June 2023, IFRS - IFRS S2 Climate-related Disclosures

116. ASIC, Sustainability reporting, Sustainability reporting | ASIC

117. HKEX, Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework, April 2024, cp202304cc.pdf

118. SEBI, Business Responsibility and Sustainability Reporting by listed entities, April 2021, 1619067265752_1.pdf

119. 3 JFSA, Results of Comment on the Proposed Amendment to the Cabinet Office Ordinance on Disclosure of Corporate Details, January 2023, 「企業内容等の開示に関する内閣府令」等の一部改正（案）に対するパブリックコメントの結果等の公表について：金融庁

120. Ministry of Finance, Basic Principles for Enterprise Sustainability Disclosure (consultation), May 2024, P020240527389900277139.pdf

121. SGX, Sustainability Reporting, Sustainability Reporting - Singapore Exchange (SGX)

122. European Union, Corporate Sustainability Reporting Directive (CSRD), December 2022, Corporate sustainability reporting - European Commission

123. Deloitte, Harnessing taxonomies to help deliver sustainable development - Paper 1: Leveraging the potential of sustainability taxonomies and avoiding the pitfalls, July 2024, Global Sustainability Taxonomies | Deloitte Global

124. European Union, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance), June 2020, Regulation - 2020/852 - EN - taxonomy regulation - EUR-Lex

125. IEEFA, Sustainable Finance in Asia: A Comparative Study of National Taxonomies, October 2024, IEEFA_Sustainable Finance in Asia Taxonomies Oct2024.pdf

126. ISSB, Feedback Statement – Consultation on Agenda Priorities, June 2024, agenda-consultation-feedback-statement-june-2024.pdf

127. FATF, Trade-Based Money Laundering, 23 June 2024, Microsoft Word - C1CD7B51.DOC

128. World Economic Forum, How is Southeast Aisa Tackling cyberattacks on the underbanked? October 2024, Southeast Asia is tackling cyberattacks on the underbanked | World Economic Forum

129. HKMA, Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers), June 2023, AML-Guideline-for-LCs-and-SFC-licensed-VASPs_Eng_1-Jun-2023.pdf

130. HKMA, Consultation on legislative proposal to implement regulatory regime for stablecoin issuers and announcement on introduction of sandbox arrangement, 27 December 2023, Hong Kong Monetary Authority - Consultation on legislative proposal to implement regulatory regime for stablecoin issuers and announcement on introduction of sandbox arrangement

131. HKMA, Consultation conclusions for legislative proposal to implement regulatory regime for stablecoin issuers in Hong Kong released, 17 July 2024, Hong Kong Monetary Authority - Consultation conclusions for legislative proposal to implement regulatory regime for stablecoin issuers in Hong Kong released

132. HKMA, Fintech 2025 – Our Fintech Vision, 8 June 2021, Fintech 2025

133. AUSTRAC, AML/CTF Amendment Bill introduced in Parliament, September 2024, AML/CTF Amendment Bill introduced in Parliament | AUSTRAC

134. AUSTRAC, Legislation to strengthen Australia's anti-money laundering and counter-terrorism financing regime has passed Parliament, November 2024, Legislation to strengthen Australia's anti-money laundering and counter-terrorism financing regime has passed Parliament | AUSTRAC

135. MAS, Money Laundering National Risk Assessment, October 2024, Money Laundering National Risk Assessment

136. MAS, Consultation Paper on Proposed Regulatory Approach, Regulations and Notices for Digital Token Service Providers issued under the Financial Services and Markets Act 2022, October 2024,

137. FATF, Global Assessment Calendar, Assessments

138. JFSA, Guideline for Supervision of Crypto-Asset Exchange Service Providers, June 2021, e016.pdf

139. Japan Ministry of Finance, National AML/CFT/CPF Action Plan (FY2024-26), April 2024, National_AML_CFT_CPF_Action_Plan_FY2024-26.pdf

140. FMA, Enhanced Customer Due Diligence Guideline, April 2024, AMLCFT-enhanced-customer-due-diligence-guideline.pdf

Endnotes

141. BNM, Anti-Mohey Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Financial Institutions (AML/CFT/CPF and TFS for Fis), February 2024, Policy Document on Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Financial Institutions

142. SCM, Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Reporting Institutions in the Capital Market (Guidelines), June 2024, Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Reporting Institutions in the Capital Market

143. NPC Standing Committee, Anti-Money Laundering Law of the People's Republic of China, November 2024, http://www.npc.gov.cn/npc/c2/c30834/202411/t20241108_440857.html

144. Parliament of Australia, Scams Prevention Framework Bill 2024, November 2024,

145. SFC, Annual Report 2023/24, June 2024, SFC Annual Report 2023-24

146. HKMA, Anti-Scam Consumer Protection Charter 2.0, April 2024, Hong Kong Monetary Authority - Anti-Scam Consumer Protection Charter 2.0

147. OJK, Implementation of Anti-Fraud Strategy for Financial Services Institutions, July 2024, POJK 12 Tahun 2024 Penerapan Strategi Anti Fraud bagi Lembaga Jasa Keuangan.pdf

148. FMA, Ripoata-ā-Tau Annual Report 2023/24, October 2024, Financial Markets Authority Annual Report 2023/24

149. MAS, Money Laundering National Risk Assessment, October 2024, Money Laundering National Risk Assessment

150. FATF, Illicit Financial Flows from Cyber-Enabled Fraud, November 2023, Illicit-financial-flows-cyber-enabled-fraud.pdf.coredownload.inline.pdf

151. FSC (Taiwan), 打擊詐欺犯罪專法，遏止不當利用金融, May 2024, 新聞稿-打擊詐欺犯罪專法，遏止不當利用金融-金融監督管理委員會全球資訊網

152. ASIC, ASIC enforcement and regulatory update, September 2024, Report REP 794 ASIC enforcement and regulatory update

153. MAS, MAS Enforcement Report 2022/2023, September 2023, MAS Enforcement Report 2022/2023

154. SFC, Annual Report 2023/24, June 2024, SFC Annual Report 2023-24

155. SEBI, Annual Report 2023-24, August 2024, SEBI | Annual Report 2023-24

156. FMA, Ripoata-ā-Tau Annual Report 2023/24, October 2024, Financial Markets Authority Annual Report 2023/24

157. ACRS, 2023 Asia Pacific Financial Services Regulatory Outlook, January 2023, 2023 Asia Pacific Financial Services Regulatory Outlook | Deloitte Japan | Financial Services Industry

158. SFC, Circular on implementation of new licensing regime for virtual asset trading platforms, May 2023, Circular on implementation of new licensing regime for virtual asset trading platforms | Securities & Futures Commission of Hong Kong

159. SFC, Virtual asset trading platform operators, Virtual asset trading platform operators | Securities & Futures Commission of Hong Kong

160. SFC, Lists of virtual asset trading platforms, Lists of virtual asset trading platforms | Securities & Futures Commission of Hong Kong

161. SFC, SFC licenses virtual asset trading platforms under swift licensing process, December 2024, SFC licenses virtual asset trading platforms under swift licensing process | Securities & Futures Commission of Hong Kong

162. SFC, SFC sets out vision to foster a vibrant fintech ecosystem in Hong Kong, October 2024, SFC sets out vision to foster a vibrant fintech ecosystem in Hong Kong | Securities & Futures Commission of Hong Kong

163. Hong Kong Legislative Committee, Press Release - LCQ15: Policy on digital assets, December 2024, LCQ15: Policy on digital assets

164. MAS, Payment Services Act 2019, April 2019, Payment Services Act 2019

165. MAS, MAS Expands Scope of Regulated Payment Services; Introduces User Protection Requirements for Digital Payment Token Service Providers, April 2024, MAS Expands Scope of Regulated Payment Services; Introduces User Protection Requirements for Digital Payment Token Service Providers

166. MAS, Capital Markets Services (CMS) Licence, Capital Markets Services (CMS) Licence

167. MAS, Consultation Paper on Proposed Regulatory Approach, Regulations, Notices and Guidelines for Digital Token Service Providers issued under the Financial Services and Markets Act 2022, October 2024, Consultation Paper on Proposed Regulatory Approach, Regulations, Notices and Guidelines for Digital Token Service Providers issued under the Financial Services and Markets Act 2022

168. AUSTRAC, Digital currency (cryptocurrency), Digital currency (cryptocurrency) | AUSTRAC

169. ASIC, Consultation Paper 381 - Updates to INFO 225: Digital assets: Financial products and services, December 2024, Consultation Paper CP 381 Updates to INFO 225: Digital assets: Financial products and services

170. Japan National Diet, Payment Services Act, April 2017, Payment Services Act - English - Japanese Law Translation

171. NIKKEI, The Financial Services Agency considers treating virtual currencies as securities, paving the way for ETF approval, February 2025, HYPERLINK "https://www.nikkei.com/article/DGXZQOUB05DTK0V00C25A2000000/"仮想通貨、有価証券に準ずる開示規制に金融庁検討 - 日本経済新聞)

172. Financial Intelligence Unit – India, AML & CFT Guidelines For Reporting Entities Providing Services Related To Virtual Digital Assets, March 2023, AMLCFTguidelines10032023.pdf

Endnotes

173. FMA, Crypto asset service providers, March 2021, Crypto asset service providers | Financial Markets Authority

174. DIA, Factsheet - Virtual Asset Service Providers, August 2023, Virtual-Asset-Service-Providers-Fact-Sheet-1.pdf

175. National Assembly of the Republic of Korea, Act on Reporting and Using Specified Financial Transaction Information, March 2021, Statutes of the Republic of Korea

176. KoFIU, The KoFIU notifies foreign VASPs of their obligation to register, August 2021, Press Release] KoFIU

177. SEC, Emergency Decree on Digital Asset Businesses B.E. 2561 (2018), May 2018, HouseStyl

178. MAS, MAS Finalises Stablecoin Regulatory Framework, August 2023, MAS Finalises Stablecoin Regulatory Framework

179. Hong Kong Legislative Council, Stablecoins Bill, December 2024, The Government of the Hong Kong Special Administrative Region Gazette

180. FSTB, Legislative Proposal to Implement the Regulatory Regime for Stablecoin Issuers in Hong Kong – Consultation Paper, December 2023, Stablecoin_consultation_paper.pdf

181. ASIC, CP 381 Updates to INFO 225: Digital assets: Financial products and services, December 2024, CP 381 Updates to INFO 225: Digital assets: Financial products and services | ASIC

Endnotes

Centre for Regulatory Strategy Asia Pacific

The Deloitte Centre for Regulatory Strategy is a powerful resource of information and insight, designed to assist financial institutions manage the complexity and convergence of rapidly increasing new regulation.

With regional hubs in the Americas, Asia Pacific and EMEA, the Centre combines the strength of Deloitte's regional and international network of experienced risk, regulatory, and industry professionals – including a deep roster of former regulators, industry specialists, and business advisers – with a rich understanding of the impact of regulations on business models and strategy.