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CENTRE for REGULATORY STRATEGY ASIA PACIFIC

Asia Pacific Regulatory Update

June 2017

June saw an acceleration in the pace of financial services regulatory activity. Internationally, while there was still no agreement on final calibrations to the Basel III framework ("Basel IV"), supranational bodies were busy in the lead up to the G20 Summit releasing various consultations, guidance and reports. The financial stability risks posed by **FinTech**, compensation tools to address **misconduct**, financial disclosure related to **climate change** and stress testing of **central counterparties** were some of the issues that were covered and that will, in due course, influence regulatory thinking in our region.

In Asia Pacific, there is a continued focus on the themes of governance, supervision and technology, and individual reforms can be seen in this context. During the month, Hong Kong's SFC provided details of its **"front loaded" supervision**, and Thailand's central bank talked of the benefits of a pre-emptive, tech-enabled approach. In India, a new committee on **corporate governance** was established, while regulators in Hong Kong, Malaysia and Japan underscored the importance of good conduct, fair treatment of **customers** and positive **consumer outcomes**. Japan and Hong Kong turned their attention to ways to strengthen the **asset management** industry, while Australian fund managers were criticised for compliance deficiencies.

Following in the footsteps of Australia and Hong Kong, Singapore and New Zealand are consulting on regulatory approaches to **robo-advice**. Singapore entered into FinTech cooperation agreements with U.S. and Danish counterparts, and Australia did the same with regulators in Hong Kong, Japan and Malaysia. The Korean central bank expressed concern about the financial stability risks emanating from excessive **household debt**. Regulatory actions in mainland China continue to focus on controlling **high credit growth** and on **shadow banking** risks. Singapore's MAS and the Hong Kong's SFC released their annual reports, while New Zealand's Reserve Bank identified its priorities for the next three years.

More detail of these and other key international and regional regulatory developments during June can be found in the pages that follow.

International | Australia | China & Hong Kong | India | Indonesia
Japan | Korea | Malaysia | NZ | Singapore | Thailand

International

The Financial Stability Board (FSB) released guidance on **the use of compensation structures to address misconduct issues**, as a supplement to 2009's *Principles and Standards for Sound Compensation Practices*. The guidance covers: (i) governance of compensation and misconduct risk (increasing accountability of the board and senior management, and the use of risk management frameworks) (ii) effective alignment of compensation with misconduct risk (incorporating compliance with laws and regulations, and risk management within compensation plans); and (iii) supervision of compensation and misconduct risk (monitoring the effectiveness of compensation practices within member jurisdictions).

The International Organisation of Securities Commissions (IOSCO) meanwhile reported on members' approaches to **wholesale market conduct**. Key regulatory tools identified by ISOCO include industry information sharing on staff with a history of misconduct, protecting whistle-blowers and using market surveillance and data analytics to identify suspicious behaviour.

The FSB also issued a report on the **implications of FinTech on financial stability**, coming a month after its paper on the financial stability risks of FinTech credit markets. Ten areas are identified as warranting regulatory attention, with the following as priorities for international collaboration: (i) managing third-party service provider risk (ii) cyber security and (iii) monitoring macro-financial risks such as pro-cyclicality and greater market concentration.

The Task Force on Climate-related Financial Disclosures (established by the FSB) provided its final recommendations for **consistent, comparable, reliable, clear and efficient climate-related financial disclosures**. The recommendations apply to the financial-sector and are structured around four thematic areas: (i) governance (ii) strategy (actual and potential impacts of climate-related risks and opportunities on business, strategy, and financial planning) (iii) risk management (processes used to identify, assess, and manage risks); and (iv) metrics and targets.

A paper on **harmonising OTC derivatives data** was published for consultation by IOSCO and the Committee on Payment Markets Infrastructure (CPMI). The suite of guidance builds on a report released in January 2012 and identifies a third batch of critical data elements required to be reported to trade repositories.

IOSCO and CPMI also issued draft guidance on **supervisory stress tests (SST) for central counterparties (CCPs).** The steps authorities would likely follow when designing and running a multi-CCP SST are broadly identified as: (i) setting the purpose and exercise specifications (e.g. scope and frequency) (ii) establishing governance arrangements (e.g. roles and responsibilities, information sharing) (iii) developing stress scenarios (e.g. identifying risk exposures, sources and factors) (iv) data collection and protection (v) aggregating results and developing analytical metrics and (iv) determining the use of results and disclosure.

A Basel Committee on Banking Supervision (BCBS) report on the design and implementation of the **counter cyclical capital buffer** (CCyB) indicates that four jurisdictions - Hong Kong, Norway, Sweden and the United Kingdom - have implemented non-zero CCyBs.

The BCBS is consulting on an **alternative to the standardised approach to calculating market risk capital requirements**. This simplified approach to the current sensitivities-based method would be available only to banks that meet certain criteria, and is subject to supervisory approval.

The International Association of Insurance Supervisors (IAIS) released consultations on **revisions to several Insurance Core Principles (ICP),** namely, ICP 1 (Objectives, Powers and Responsibilities of the Supervisor), ICP 2 (Supervisor), ICP 13 (Reinsurance and Other Forms of Risk Transfer), ICP 18 (Intermediaries) and ICP 19 (Conduct of Business). Feedback is also being sought by the IAIS on an Application Paper dealing with **product oversight in inclusive insurance**.

Australia

The Australian Securities and Investments Commission (ASIC) released an instrument that **limits life insurance commissions** and requires amounts to be **repaid if the policy is cancelled within two years** of origination. These requirements will commence on 1 January 2018.

ASIC has found that **funds management firms are falling short of fulfilling their legal obligations** in regards managing conflicts of interest, reporting breaches, appropriateness of rewards and incentives, and facilitating whistleblowing. The regulator has similarly assessed compliance with asset holding requirements in funds management and custodial services as poor. Firms are being required to undertake corrective action to address the regulator's concerns.

A consultation paper on **managing conflicts of interest** and handling material, non-public information for AFS licensees who provide **sell-side research** was released by ASIC. The paper provides specific guidance on managing conflicts during each key stage of a capital raising transaction, general guidelines for identifying and handling of material, non-public information, and appropriate structures and funding of research teams.

Tone from the top, accountability, effective communication and challenge, and appropriate recruitment, training and rewards were identified by ASIC's Chairman as **driving positive culture**. The Chairman further discussed projects where the regulator is considering whether stated values are focused on delivering **good consumer outcomes** and on supporting **strong compliance**, and how these values are embedded in policies and processes, as well as translated in to actual behaviour on the ground.

The Deputy Chairman of ASIC meanwhile articulated **enhancements that the regulator would like added to its toolkit**, such as extending product governance obligations and intervention powers to the full range of products available to consumers (e.g. credit), as well as to the remuneration linked to a product.

Treasury released for comment draft legislation that will require administrators of significant **financial benchmarks to obtain a benchmark administrator license and comply** with a number of new regulatory requirements.

The ASIC Enforcement Review Taskforce is consulting on the regulator's search warrant powers, licensing powers and industry codes. Measures proposed in relation to **industry codes** include having **ASIC approve content and governance arrangements** for certain codes, requiring entities engaging in activities covered by an approved code to subscribe to that code (e.g. make this a condition on their licence) and making approved codes binding on and **enforceable against subscribers** via contractual arrangements with a monitoring body.

The **ASIC industry funding model passed into law,** including regulations that set out the formulas and methodology for calculating sector and subsector levy.

ASIC signed bi-lateral co-operation **agreements on FinTech innovation** with the Hong Kong Securities and Future Commission, the Japan Financial Services Agency, and the Malaysia Security Commission.

We see technology has a critical driver of the future shape of the financial system. We are very keen to see investment in new technology by financial firms – both newcomers and existing players - because it has the potential to achieve multiple objectives, by offering considerable benefit to the soundness, the efficiency and the competitiveness of the financial system

Wayne Byres
APRA Chairman

Mainland China & Hong Kong SAR

The People's Bank of China discussed its strategy for **advancing technology in the country's domestic financial industry**, with plans including the development of blockchain and artificial intelligence, enhancing the use of FinTech for regulatory activity and improving the financial network security system.

The China Banking Regulatory Commission has reportedly told banks to review their exposure to certain local companies because of **concerns about their use of high-interest financial products** which may pose systemic risks at home. The regulator has also called on all financial institutions to **improve inclusive financing** to encourage lending to small and micro firms, the agricultural sector and poverty relief work.

The Hong Kong Monetary Authority (HKMA) has said it expects all AIs who operate as private banks or who have dedicated **private banking** units to **follow the Treat Customers Fairly Charter**. The charter's five principles can be summarised as: (i) design products and services to meet the needs of customers (ii) clearly explain key features, risks and terms (including fees, commissions or charges) (iii) marketing materials and customer information should be accurate, understandable and not misleading (iv) customers should be provided with reasonable channels to submit claims, make complaints and seek redress, and there should be no unreasonable barriers to switching (v) financial institutions should promote financial education/literacy.

Amendments to AML/CTF legislation are being proposed by the HKMA. These include relaxing the beneficial ownership threshold from "not less than 10%" to "more than 25%", allowing more flexibility in verifying customer identity, and permitting reliance on client due diligence carried out by certain third parties.

The HKMA announced that **local implementation of the Minimum Capital Requirements for Market Risk** (issued by the BCBS on 14 January 2016) will be no earlier than 1 January 2020. The regulator plans to consult on the standardised approach later this year and on internal models in spring 2018.

It was decided that Delta One Warrants and products traded and cleared through certain prescribed markets and clearing houses will be **exempt from the definition "OTC derivative product"**.

Hong Kong's Securities and Futures Commission (SFC) released its Annual Report, which not only provides a look-back on regulatory activities in the past year, but outlines supervisory plans and priorities going forward. The SFC says it will adopt **"front loaded" "real time" "pre-emptive" supervision**, involving proactive identification of risks, thematic reviews, early intervention, and enhanced transparency. A more holistic enforcement approach is also to be embraced and the regulator's "**risk data strategy**" will involve benchmarking to global regulatory standards, analysing social media information, and adopting new technologies. **Cyber security,** greater connectivity and **integration with mainland China**, anchoring Hong Kong as "a competitive international **equity fund raising** centre", and establishing the region as "Asia's leading **asset management centre"** are identified in the report as key priorities for the SFC going forward.

A circular on **competence requirements for existing licensed persons intending to provide asset management** services was issued by the SFC. Some of the matters that the regulator said it will consider in determining corporate competency are business and governance structure, compliance and internal control systems, and qualified personnel for risk management. The circular also provides detail on the factors be taken into account when assessing technical skills, regulatory knowledge and industry experience of RO applicants.

The SFC launched a consultation on the legal and **regulatory requirements for the open-ended fund company (OFC) structure**. Rules on formation, key operators, ongoing maintenance, termination and winding-up are included. The OFC regime is one of the SFC's initiatives "to develop Hong Kong as a full-service international **asset management** centre" and is expected to come into operation in 2018.

Our most pressing need is to keep ahead of and facilitate the rapid changes which are affecting the financial industry, whether this is about technological transformation or greater cross-boundary market connectivity between the Hong Kong and mainland China markets.

Securities and Futures Commission of Hong Kong Annual Report 2016-2017

India

The formation of a **Committee on Corporate Governance** was announced. The Committee will make recommendations to The Securities and Exchange Board of India (SEBI) on issues such as independence and active participation of independent directors, related party transactions, accounting and auditing practices and disclosure and transparency.

SEBI is consulting on **easing access for foreign portfolio investors** (FPIs). Proposals include rationalising the fit and proper criteria, simplifying the broad based requirement, removing pre-approval requirements for change in local custodian/DDP, and permitting appropriately regulated banks to invest on their own behalf and also on behalf of their clients.

In addition to the FPI consultation mentioned above, the Board of SEBI approved proposals to: (i) **extend relaxations from preferential issue requirement** to new investors acquiring shares in distressed companies (ii) provide an **exemption from open offer obligations** for acquisitions made pursuant to resolution plans approved by NCLT (iii) **extend the lock-in-relaxation** to category II alternative investment funds (iv) **levy a fee** of US$1000 on each **offshore derivative instrument** (ODI) subscriber and prohibit ODIs from being issued against derivatives (except for hedging purposes) (v) consult on the need **to review the derivatives market framework**, including product suitability.

SEBI issued a circular advising that equity shares classified as **'Group I security' will be eligible for margin trading facility** and providing initial margin requirements for same. The regulator also issued guidelines on **product design and risk management frameworks for trading in options on commodity futures**. Matters covered in the guidelines include settlement method, exercise style, minimum strikes, trading hours, position limits, margining model, margining at client level, and risks pertaining to options that devolve into futures on expiry.

The Insurance Regulatory Development Authority of India has decided to **defer implementation of Ind AS for two years**, meaning it will now take effect in 2020-21. However, the requirement to submit Proforma Ind AS financial statements on a quarterly basis will continue to be as directed under circular IRDA/F&A/CIR/ACTS/ 262/12/2016.

The Reserve Bank of India (RBI) decided to **reduce the statutory liquidity ratio** from 20.5% to 20% of NDTL and **also the risk-weight on certain categories of housing loans** (along with the standard asset provisioning rate on such loans). The regulator further advised of revisions to rules on maturity period, all-in-cost ceiling and recognized investors **for issuance of rupee denominated bonds overseas** and that,

The RBI announced that, starting 1 August 2017, the **LEI system** will be phased in for all participants in the OTC markets for rupee interest rate derivatives, foreign currency derivatives and credit derivatives in India.

The scope of the RBIs **Banking Ombudsman Scheme 2006 was widened** to include, *inter alia*, deficiencies arising out of sale of insurance, mutual fund and other third party investment products by banks.

It was reported that the Indian government has made the use of **Aadhar identity cards mandatory** for opening bank accounts and conducting financial transactions of INR 50,000 or more.

Indonesia

A **Fintech Advisory Forum** was launched by the Financial Services Authority (OJK) to facilitate discussion on the latest FinTech issues and to aid coordination and communication between stakeholders. The regulator also released a circular mandating **IT risk management** principles for banks.

The OJK published a circular on Risk-Based Minimum Tabarru' Fund and Tanahud Fund and Risk-Based **Minimum Capital for Insurance Companies and Reinsurance Companies Applying the Sharia Principles**, which includes calculation guidelines.

The OJK plans to release regulations **requiring financial conglomerates to have holding companies**. The aim of the regulations is to facilitate consolidation and control activities, improve shareholder monitoring, smooth the way for better coordination of risk management, governance and integrated capitalization implementation, and enhance the OJK's supervision of financial conglomerates

> Unless Japanese financial institutions seriously set about enhancing their fundamental asset management capability, they will not only continue to fall short of being the best players on the global stage but also fail to fulfil the responsibility they owe to investors.

Nobuchika Mori
JFSA Commissioner

Japan

Japan's Financial Services Agency (JFSA) published a speech by Commissioner Mori in which he discussed **ways to strengthen Japan's asset management industry.** The Commissioner said there was a trend within the industry to seek "their own benefits with little regard for customers' interests" and noted that only 1% of publicly-offered stock investment funds were found by a JFSA working group to be fit for investment through instalment-type Nippon Individual Savings Account. Mr Mori said that to "change the status quo of the industry in Japan" the JFSA had issued the *Principles for Customer-Oriented Business Conduct*, which cover matters such as managing conflicts of interest, fee disclosure, and accessible provision of critical information. He further stated that all financial institutions in Japan were expected to "develop, publish and implement effective measures in line with the principles" and that managers should "seriously consider" what their institutions should do to "**enhance the capabilities** to fulfil duties from the perspective of **a customer-first approach and by taking actions**".

The JFSA proposed draft amendments to *Ministry of Finance Regulatory Notice No. 48/1996* to apply **a new standard mortality table** as the calculation basis for the standard policy reserve. The regulator also issued amendments to regulations regarding BCBS **Pillar III disclosure requirements**, to align with revisions to the international standards. Procedures for **Foreign Account Management Institutions**, such as how to apply for the designation and ongoing notification requirements were also released.

On the theme of innovation and technology, the JFSA proposed regulations regarding **virtual currency exchange service providers** and announced it had completed a cooperation framework with ASIC to promote **innovation in financial services**, including mechanisms for referral of innovative FinTech businesses and for information sharing between the regulators. The regulator also established the "**Study Group on Online Trading in the Age of FinTech**" with FinTech Association Japan and the Japan Association of New Economy. The group will discuss and study various issues regarding online trading in the age of FinTech.

Korea

The Financial Services Commission (FSC) named Shinhan Financial Group, Hana Financial Group, KB Financial Group, NH Financial Group and Woori Bank as Korea's **domestic systemically important banks (D-SIBs) for 2018**.

The FSC is proposing amendments to the *Financial Investment Services and Capital Markets Act* to allow for the provision of a **simplified prospectus** and to make **securities issuers liable for damages** for false or misleading statements in small public offerings, as well as **credit rating agencies liable for damages** for defective ratings. The regulator also consulted on lowering the **credit card merchant fees** for small businesses with annual sales of KRW 500 million or less.

The Bank of Korea (BoK) released its **Payment and Settlement Systems Report 2016**, in which future policy and projects were identified as including (i) extend and enhance payment and settlement systems (e.g. complete next-generation BOKWire+ by 2020) (ii) bring domestic oversight framework in line with international standards (e.g. on cyber resilience for financial market infrastructures) (iii) expand statistics on the use of new types of electronic payment services (iv) respond to ongoing digital innovation (e.g. launching a pilot project for inter-bank funds transfer system based on distributed ledger technology).

BoK also reported that Governor Lee Juyeol held a financial council meeting with a number of bank presidents where it was agreed that attention should be given to financial stability risks, including the build-up of household debt, and that domestic banks should continue efforts to improve profitability. The Governor reiterated the importance of easing the "**sharply rising household debt**" in a speech commemorating the Bank's 67th anniversary. It was also reported that the BoK and the Financial Supervisory Service will inspect loan books of several top lenders amid ongoing concerns about level of household debt.

Malaysia

Bank Negara Malaysia (BNM) Governor Muhammad bin Ibrahim said the recently introduced **Principles for a Fair and Effective Financial Market** "should be universally applied, internalised and practiced by all parties that transact in the Malaysian financial market" and "must be demonstrated consistently in the daily conduct of market participants". The fives principles deal with (i) professionalism and integrity (ii) transparency and accountability (iii) a competitive environment, free from collusive, fraudulent and manipulative activities (iv) good internal governance and due diligence, supported by robust internal surveillance and reporting mechanisms; and (v) compliance with prevailing rules, regulations and market codes.

BNM is consulting on draft **regulations setting operational requirements for rahn contracts (collateral)**. Matters covered include governance and oversight, structuring, risk management, business and market conduct, financial disclosure, and the salient features and optional practices of a valid Shariah contract.

BNM also issued a policy setting out the **requirements for life insurers and family takaful operators to offer pure protection products through direct distribution channels.** The policy covers general requirements for direct distribution channels, product suitability and disclosure, operational requirements on customer support and electronic payment facilities, and specifications for pure protection products.

The Securities Commission Malaysia (SCM) announced amendments to its regulatory framework to make **clearing for securities and derivatives a new regulated activity**. The framework will be phased in, starting with the derivatives market. The regulator also entered into an agreement with ASIC to promote **innovation in financial services** in their respective markets.

The financial imbalances in major EMEs have accumulated further, driven by greater household and corporate debt leverage in these economies. Financial institutions have been seeking high-risk, high-return investments, in response to their worsening profitability … In Korea, household debt … poses a major risk to financial stability.

Lee Juyeol,
Governor, Bank of Korea

New Zealand

The Reserve Bank of New Zealand (RBNZ) released its *Statement of Intent* for 2017-2020, which identifies the Bank's **strategic priorities and work programme for the next three years**. The nine priorities are:

1. Deepen the Bank's understanding of evolving conditions affecting the New Zealand economy and the implications for monetary policy.
2. Review and refine the macro-prudential framework.
3. Review key elements of the prudential policy framework to better meet the Bank's soundness and efficiency objective.
4. Embed the Bank's high-performance culture.
5. Engage and communicate with stakeholders.
6. Implement the payments system review.
7. Implement the roadmap for best-practice central bank balance sheet and financial management.
8. Develop a plan for the future custody and distribution arrangements for currency.
9. Improve the resilience of the Bank's operations to business continuity and cyber-security threats.

Findings from a survey on of 36 **licensed insurers** were released by the RBNZ, with the conclusion being that "the overall **level of compliance with disclosure rules was well short of minimum requirements**". Only three insurers demonstrated an excellent level of compliance, while 53 percent of respondents were found to be complying at a low or poor level. The most common issues were: (i) insurers not meeting their legal requirements to disclose the financial strength rating in writing prior to policyholders entering into and/or renewing a contract of insurance (ii) solvency disclosure in financial statements being incomplete or incorrect, and (iii) website disclosures being incorrect, incomplete or not updated within the required timeframe. Insurers have been told to improve their compliance and those who rated poor and low must report back to the Bank on same.

RBNZ is consulting on **adding serviceability restrictions**, **such as debt to income (DTI) limits**, to its macro prudential toolkit. The Bank said it would not implement a DTI policy under current market conditions, but considers they could be a useful option in the future.

The Financial Markets Authority (FMA) is seeking feedback on proposed **exemptions for personalised financial robo-advice**, pending news laws on same coming into effect in 2019. The exemptions would permit the provision of personalised robo-advice, subject to limitations and conditions to safeguard consumers (e.g. discretionary investment management services would not be covered and firms must have personnel with appropriate expertise in the technology and algorithms used).

Commerce and Consumer Affairs Minister Jacqui Dean announced the members of a working group to develop **a new code of conduct for financial advice**. Minister Dean said the new code "will be wider in scope than the existing code and will set standards of competence, conduct and client-care for the whole financial advice industry".

> While we can't necessarily extrapolate these results to all insurers, the results were very disappointing … We need to see a marked improvement in compliance across the industry, and with some urgency.
>
> Grant Spencer
> RBNZ Deputy Governor

Singapore

The Monetary Authority of Singapore (MAS), released its **Annual Report 2016/17**. The report spans more than 110 pages and provides a comprehensive account of regulatory activities over the past year, including detailed data and statistics. Looking ahead, the report flags **anti-globalisation and protectionist sentiments** as an emerging source of financial risk, advises that the **Singapore FinTech Festival** will be held from 13 to 17 November 2017 and indicates that funding arrangements will be introduced to meet the costs of **implementing resolution measures**, as will frameworks for recognising actions of foreign resolution authorities and for granting compensations rights to certain creditors.

MAS Managing Director Ravi Menon said the regulator is taking steps to **deepen Singapore's venture capital and private equity ecosystem**. Proposals include an industry-wide talent development programme and the simplification of the regulatory framework for managers so as to facilitate faster time-to-market and financing for enterprise development.

Plans to relax Singapore's "anti-commingling framework" were announced by MAS. Banks will be allowed to conduct or invest in non-financial businesses that are related or complementary to their core financial businesses (capped at 10% of the bank's capital funds and with prior notification to MAS). Banks will also be allowed to engage in the operation of digital platforms that match buyers and sellers of consumer goods or services as well as the online sale of such goods or services, if such activities are related or complementary to their core financial businesses. MAS will consult on the operational details of these proposals by end of September 2017.

MAS entered into **FinTech co-operation agreements** with the Danish Financial Supervisory Authority and also with the Association of Supervisors of Banks of the Americas.

MAS is consulting on its **proposed approach to digital advisory services (robo-advice)**. Key elements are:

- Guidance in relation to governance and supervision of algorithms. This includes that algorithm methodology be robust (e.g. be able to resolve contradictory or inconsistent client responses), back-testing and gap analysis be undertaken before a tool goes live and when changes are made, and that there are procedures and controls to monitor and test algorithms (e.g. post transaction sampling).
- Case-by-case exemptions from existing laws and regulations on advice suitability. MAS says it will be willing to grant case-by-case exemptions from the need to collect full information on a client's financial circumstance to fully-automated client-facing tools (no human involvement) provided certain conditions are met (e.g. "knock-out" or threshold questions effectively filter out unsuitable clients).
- Expand a current licensing exemption for managing investment portfolios. The existing exemption will now cover both listed *and* unlisted collective investment schemes, as well as both licensed *and* exempted financial advisers.
- Dispense with the requirement to obtain prior client approval in respect of each and every portfolio rebalancing. Advisers will however need to obtain a one-time prior acknowledgement of fees and terms, and notify clients prior to each rebalancing transaction.
- Relieve digital advisers from the existing retail fund management requirements of having to have (a) a five-year corporate track record and (b) total assets under management of at least S$1 billion. The relief will be subject to safeguards.
- Extend an existing licensing exemption with regards execution of investment transactions.

Lest we forget, many parts of the emerging market world have not seen a significant backlash against globalisation. And Asia stands out in that regard. Asia remains committed to openness, is positioned for sustained growth, and offers much promise to investors …. Led by China and India, Asia will remain the fastest-growing region in the world.

Ravi Menon
MAS Managing Director

Thailand

The Bank of Thailand (BoT) issued a press release providing some detail on its **foreign exchange regulation reform**. The reforms include giving the private sector some flexibility to conduct transactions and hedging based on their own internal risk management and control policies, streamlining procedures, reducing documentation, removing pre-approval requirements for certain transactions, facilitating the use of local currencies and promoting transactions in electronic form.

BoT Governor Dr. Veerathai Santiprabhob gave a speech outlining the ways in which the regulator is building **immunity, inclusivity and productivity**. In regards immunity and **resilience**, the Governor said the bank was stepping up its capability to analyse linkages within the financial system and noted **big data and technology could enable pre-emptive regulatory responses**. He also commented on the importance of **cyber security** and in this regard highlighted the Bank's work with the National Broadcasting and Telecommunications Commission to enhance security features of financial transactions over mobile phones. On inclusivity, the Governor cited the bank's PromptPay initiative, the set-up of the "Debt Clinic" and regulatory efforts to promote **fairness in selling financial products and handling clients' personal data**. With respect to boosting productivity, Dr Santiprabhob said BoT will continue to promote the use of e-Payment and digital banking, has launched a regulatory sandbox to support FinTech development and has been working on **simplifying and streamlining rules**.

[T]he world, is changing at an accelerating pace, accompanied by uncertainties and shocks which would only be amplified by technological advancement and interconnectedness. Amid these short-term challenges of the road before us, we need to navigate the drive by focusing on the right direction of productivity, immunity, and inclusivity.

Dr. Veerathai Santiprabhob
Governor, Bank of Thailand

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