



Top regulatory trends for 2016 Asia Pacific Region



Agenda

2016 Top Regulatory Trends for Asia Pacific

- Resilience
- Culture & Conduct
- Technology
- Implementation

Introduction

Asia Pacific regulatory themes for 2016

Addressing vulnerabilities and staying vigilant to growing risk areas

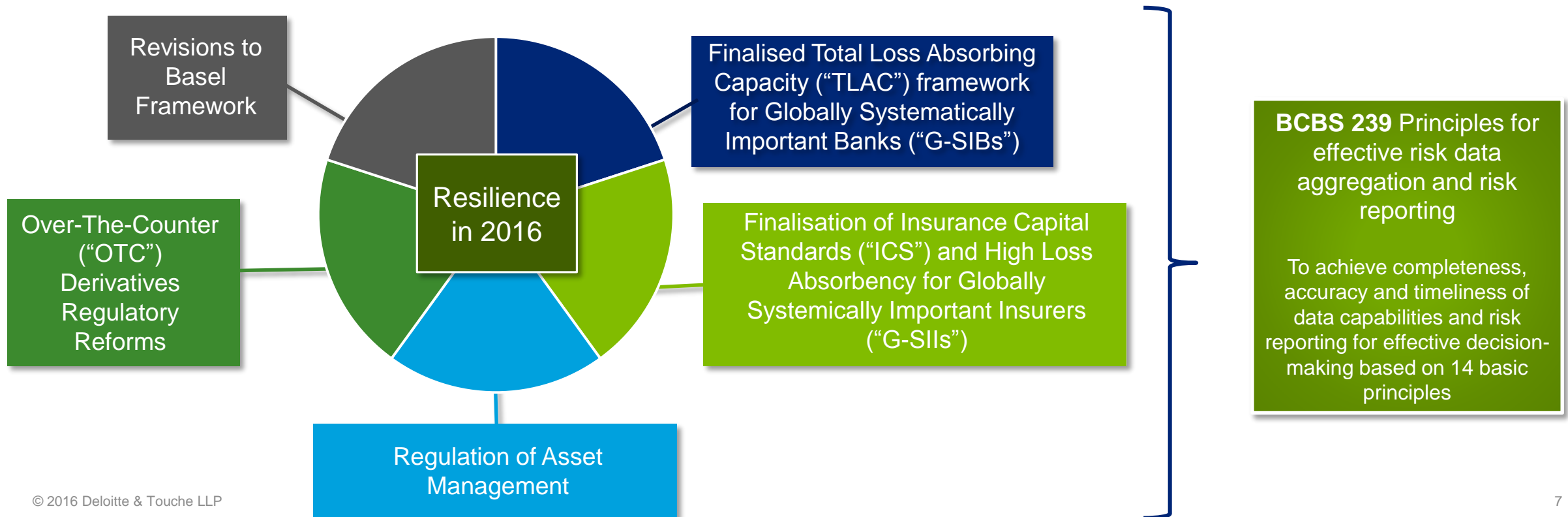


1. Resilience

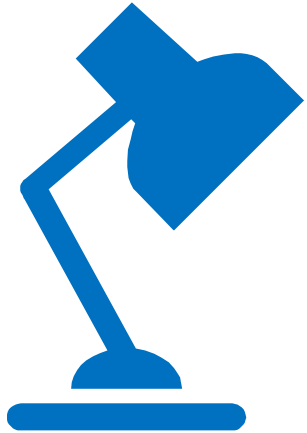
1. Resilience

Resiliency of institutions and markets to financial stress remains a dominant regulatory theme for 2016

- Building a more robust and resilient financial market
- Large level recalibration of existing regulations on risk and capital issues
- Implementation of crisis-response reforms continue to have an impact



1. Resilience



Revisions to Basel Framework

Risk-Weighted Assets
("RWAs") Calculations

Capital Floor

Pillar 3 Disclosure
Requirements

Leverage Ratio & Net
Stable Funding Ratio
("NSFR")

Standardisation

Variability

Comparability

What are some of
the challenges?

Technical

Regulatory

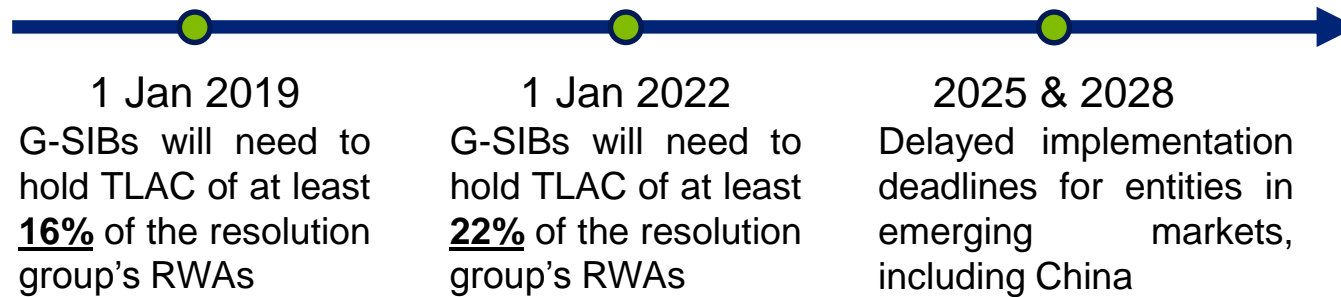
Legislative

Transitional
Costs

1. Resilience

Finalised Total Loss Absorbing Capacity (“TLAC”) framework for Globally Systematically Important Banks (“G-SIBs”)

- The TLAC requirements aim to bolster G-SIBs' capital and leverage ratios

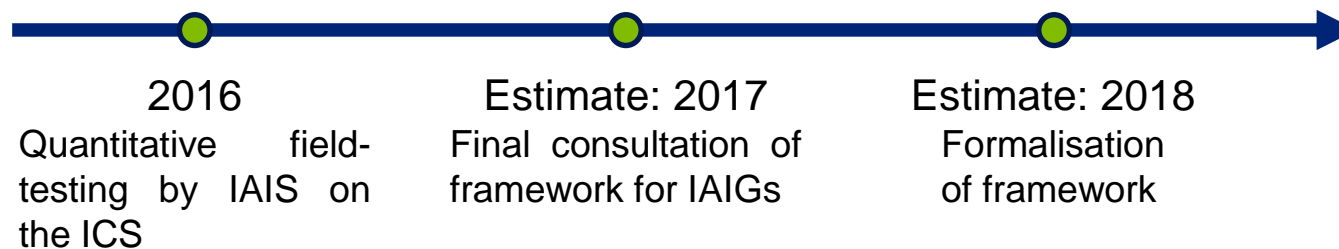


Extension of TLAC framework to Domestic Systematically Important Banks (“D-SIBs”)?

1. Resilience

Finalisation of Insurance Capital Standards (“ICS”) and High Loss Absorbency for Globally Systemically Important Insurers (“G-SIIs”)

- ICS is a common supervisory framework pushed by the International Association of Insurance Supervisors (“IAIS”) for Internationally Active Insurance Groups (“IAIGs”)
- Similar to the Basel standards that apply to banks – aim to improve comparability of IAIGs’ capital requirements and capital resources
- Similar capital requirements and capital resources expected to be extended to non-bank non-insurer global systematically important financial institutions such as asset management companies
- ICS expected to form the foundation for planned Higher Loss Absorbency requirements for G-SIIs



What are some of the implications?

Investment in Infrastructure & Processes

Solvency II Directive

Limited Market Data

Constraints to Insurers’ Tools & Processes

1. Resilience

Regulation of Asset Management

- Global regulatory standards expected to be developed for asset management
- Possible finalisation of assessment methodologies for identifying non-bank non-insurer global systematically important financial institutions
- Intention by FSB to develop activities-based policy recommendations in support of systemic resilience through 2016.



1. Resilience

Over-The-Counter (“OTC”) Derivatives Regulatory Reforms

- Scheduled commencement in September 2016 of the phase-in period for margin requirements for non-centrally cleared OTC derivatives
- Local regulators will be under increasing pressure to finalise all of their reforms in the derivative markets after the Financial Stability Board (“FSB”) highlighted that work was well behind schedule

“With the start date for these requirements already having been delayed once, it is important that all jurisdictions take the necessary regulatory steps to implement these requirements on schedule, taking into account the lead time necessary for market adoption.”

- FSB Tenth Progress Report on Implementation of OTC Derivatives Market Reforms (November 2015)

What are some of the implications?

Data-Reporting

Cross-Border Mutual Recognition

2. Culture & Conduct

2. Culture & Conduct

Strong supervisory focus on how institutions are fostering good culture and conduct within their organisations

- Importance of a sound culture is a given; the difficulty is in achieving it
- When achieved, exemplary ethical behavior can enhance a company's reputation and public trust



Desired values and conduct should be reflected in the daily habits and practices of employees – how they work; how they are evaluated; who is hired, promoted and rewarded; and how employees act when managers are not present and when matters of personal judgement arise.

- Report on Banking Conduct and Culture by The Group of Thirty (July 2015)



Consumer
& Investor
Protection

Market
Integrity

2. Culture & Conduct

Consumer & Investor Protection

- Competitive advantage can be gained by improving customer experience and enhancing brand image

Disclosure requirements for sale of investment-linked life insurance policies (“ILPs”)

Regulatory framework for safeguarding of investors’ interests (example: complexity-risk ratings of investment products and disclosure to investors)

Professional standards framework for financial advisors (example: Financial Advisory Industry Review [FAIR], product governance responsibility)

Call to Action

2. Culture & Conduct

Market Integrity

- Market integrity relates to having a fair, orderly, transparent and efficient market
- Regulatory spotlight on misconduct as a systemic risk
- Maintain strong awareness of regulatory trends and critically assess institutions' own conduct framework and cultural standards on an ongoing basis

“Singapore’s attraction and standing as an international financial centre must be underpinned by investor confidence in a stable business environment, with clear rule of law and a sound regulatory framework... As our markets develop, we must continue to safeguard this reputation of integrity, trust and resilience.”

- Keynote Address at the SGX Equities Dialogue 2016 by Mr. Ong Chong Tee, Deputy Managing Director of Monetary Authority of Singapore (January 2016)

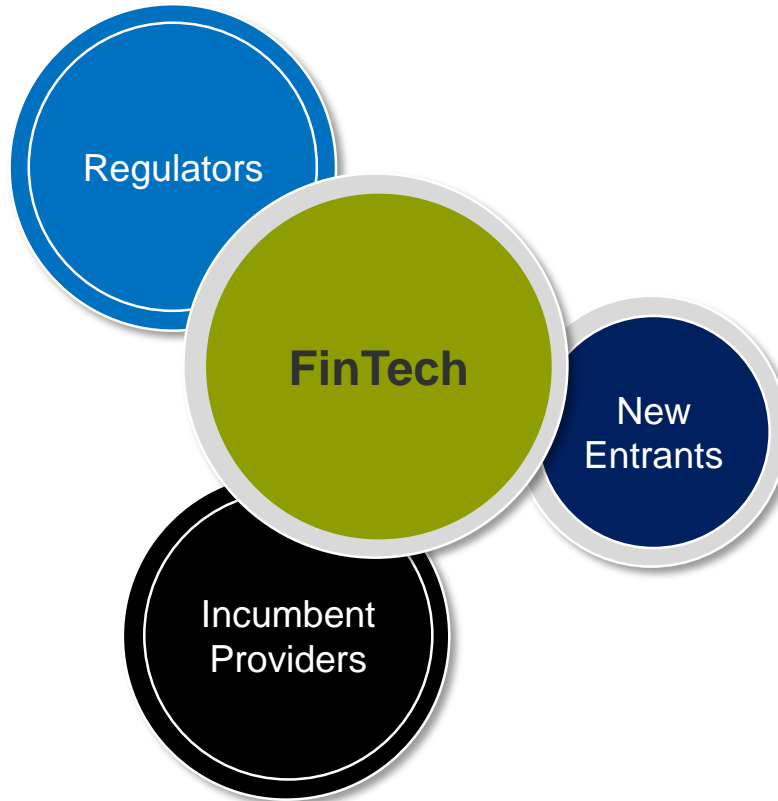


3. Technology

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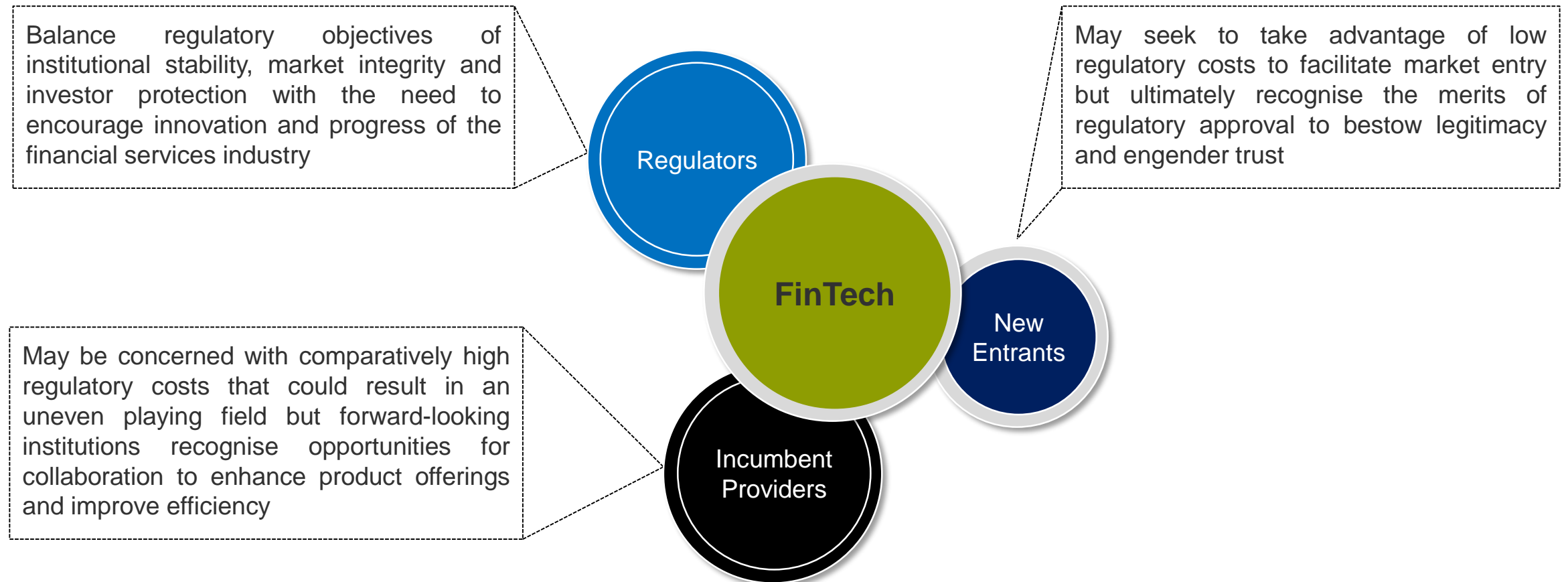
Innovative FinTech challenges existing regulatory framework

- FinTech will be a defining competitive dynamic for financial services in 2016 and beyond
- Challenge of applying appropriate level of regulation to FinTech while encouraging innovation
- Idea of a “regulatory sandbox” aims to encourage innovation by providing a safe space for testing of new financial products and services



3. Technology

An appropriate regulatory response to FinTech should take into consideration perspectives of different players in the FinTech industry



3. Technology

Continual evolution of Cybersecurity threats poses challenges

- Fast-paced evolution of technology threats pose worrying risk due to high degrees of reliance on technology systems
- Financial institutions are expected to incorporate leading standards and practices into their cybersecurity programs
- Regulatory scrutiny is especially high for systematically important financial institutions (“SIFIs”) which are expected to follow the highest possible cybersecurity standards

More in upcoming session on “Cyber security trends”

4. Implementation

3. Implementation

Implementation of regulatory requirements continue to challenge the Asia Pacific region

Main Challenges

Cumulative impact of significant and ongoing reforms

- Seemingly unrelenting regulatory reforms and further regulatory agenda in the pipeline may result in reform fatigue and confusion

Cross-border challenges in regulatory implementation

- Institutions operating across borders are subjected to multiple regulatory jurisdictions
- Existence of gaps, conflicts and inconsistencies between domestic rules

Sufficiency of compliance resource allocation for branch institutions in APAC

- Pressure on United States and European headquarters, where increasing regulatory burdens are being faced, to allocate sufficient funding and resources to APAC compliance measures

Developments in the local horizon

- MAS Notice 610
- MAS Notice 643
- MAS Notice and Guidelines on Outsourcing

Speaker profiles

Speakers' Profiles

Giam Ei Leen



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Ei Leen is an Assurance and Advisory Partner with Deloitte's Financial Services practice in Singapore and leads the Regulatory Advisory team in Southeast Asia and Singapore. Ei Leen has more than 21 years of experience in Public Accounting in Singapore and the United States, providing assurance and advisory services to clients in the financial services industry, including banking, capital markets and insurance sectors.

Ei Leen has extensive experience in providing advice and assistance on regulatory compliance, risk management and operational controls issues. She advises clients for pre-inspection diagnostic, post-examination remediation and supervisory action response purposes, covering a broad range of topics.

In addition, she has led numerous projects pertaining to compliance reviews, including review of remediation of regulator's inspection findings.

Frederic Bertholon-Lampiris



Executive Director
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Frederic is an Executive Director with Deloitte's Financial Services Industry practice in Singapore, leading risk audit and advisory services and covering more than 40 banks in Singapore and across South East Asia.

He has 16 years of multidisciplinary experience in risk management, regulatory compliance and internal/external audit in the banking and asset management industry, essentially within international audit and consulting firms, as well as in the risk management department of a large bank.

Prior to joining Deloitte Singapore, Frederic was in charge of risk management audit and advisory services for financial institutions at Deloitte Switzerland, where he was based in Geneva, as well as leading the Basel II & Basel III initiatives. He has developed an expertise in the field of risk governance advisory to leading banks and asset managers, assisting large global and regional organizations in transforming and upgrading their risk management, compliance and internal audit functions, advising them on their risk policies and practices.

Speakers' Profiles

Thng Teck Soon



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Teck Soon is a Director with Deloitte's Financial Services Industry practice in Singapore, covering risk and regulatory advisory services. Teck Soon joined Deloitte with a wealth of experience, after spending close to twenty years with the Monetary Authority of Singapore (MAS). While with MAS, Teck Soon was responsible for banking supervision and examination, covering a spectrum of banking business and activities, such as private banking, capital market/treasury, and credit risk management.

Added to Teck Soon's capability in bank examination is his familiarity with banking regulations and compliance standards, as well as best practices which bank regulators generally demand. While at Deloitte Singapore, Teck Soon has assisted to provide advice and recommendations on regulatory and compliance issues, as well as share best practices regarding risk management.

Carene Siew



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Carene is a Director with Deloitte's Financial Services Industry practice in Singapore, covering risk and regulatory advisory services. Carene joined Deloitte with 17 years of working experience in the financial industry, 15 years of which were spent working with the Monetary Authority of Singapore (MAS). While with MAS, Carene was in the Banking Supervision Department, responsible for on-going regulatory and prudential supervision of a portfolio of banking institutions, via continuous risk and control assessments.

At Deloitte Singapore, Carene has led various remediation projects to assist financial institutions to address findings arising from the MAS' inspections; reviewed the governance framework on regulatory reporting and accuracy of regulatory reporting returns to MAS; provided assistance to financial institutions to obtain various types of licenses/registrations with MAS; led periodic compliance reviews for capital market services licensee and registered fund managers; provided advisory services and recommendations on topical and specific regulatory compliance issues as well as best practices regarding risk management framework.



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