February 2025

PwC Regulatory Update

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01

Legislative/ Government developments

Ban on the use of adverse genetic testing results in life insurance

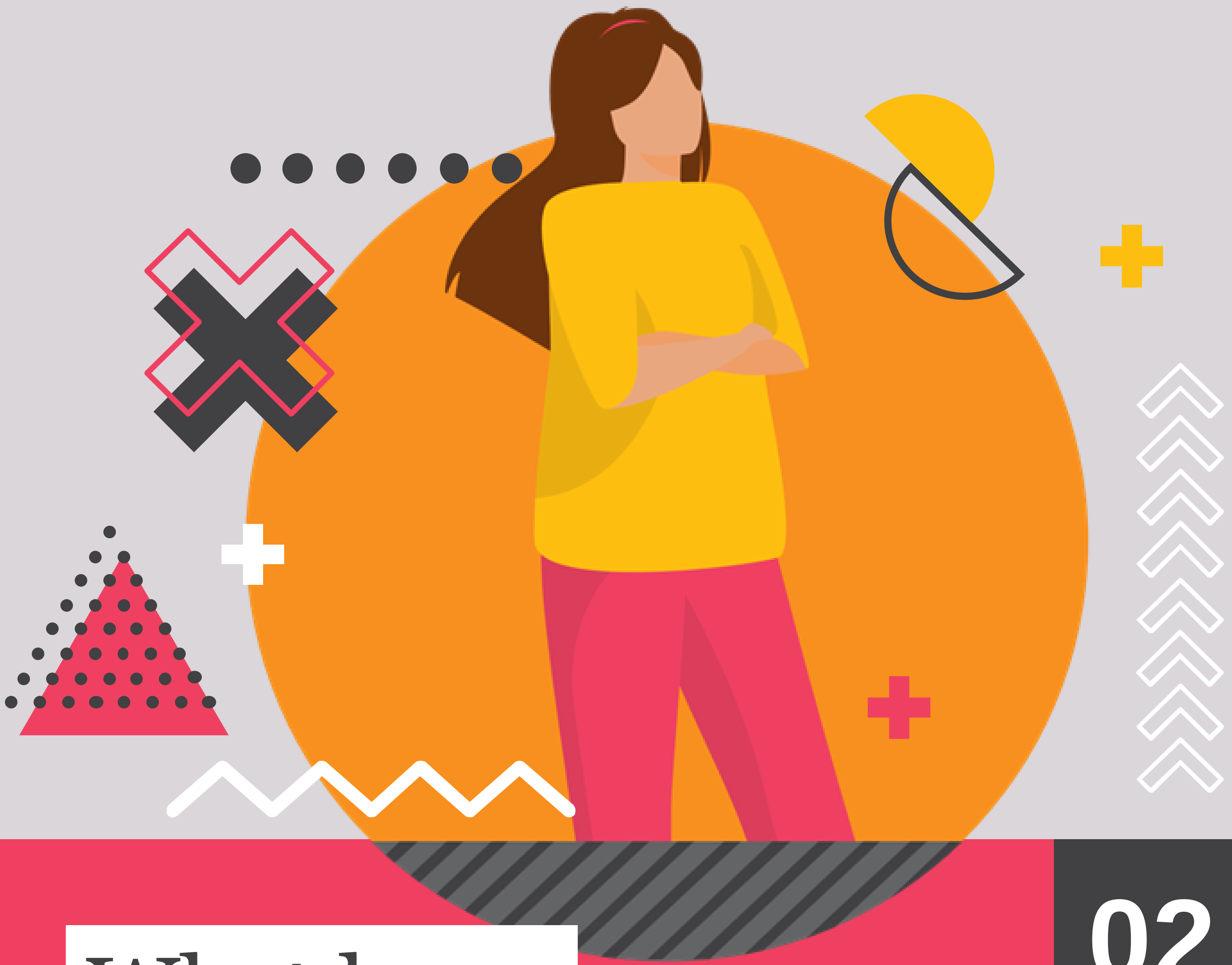
The consultation is seeking stakeholder input on issues relevant to the design of the Government's measure to ban the use of adverse genetic testing results in life insurance.

Plans to ban the use of adverse genetic testing results in life insurance underwriting is to encourage genetic testing and research participation without fear of insurance discrimination. Currently, insurers can use genetic test results under the Disability Discrimination Act 1992, but this discourages testing and research. The proposed ban will prevent insurers from using adverse results, while allowing voluntary disclosure if beneficial.

The Australian Securities and Investments Commission (ASIC) will oversee the ban, with amendments to existing laws to support it. The ban will apply to new applications, with a transition period considered for implementation.

Submissions are due by 12 March 2025.

Source: Treasury



02

What have the regulators been up to?

What have the regulators been up to?

02

APRA
Australian Prudential Regulation Authority

AFCA
Australian Financial Complaints Authority

APRA rescinds information paper on cloud outsourcing and ceases ad hoc credit reporting collection

The Australian Prudential Regulation Authority (APRA) is streamlining its prudential framework, making it clearer and more adaptable while maintaining the resilience and integrity of the financial industry. Therefore, they have:

- Rescinded the 2018 Information Paper on cloud outsourcing in light of Prudential Standard CPS 230 Operational Risk Management, effective July 1, 2025, replacing standards 231 and 232; and
- Stopped collecting "ARF 923.0 Covid-19 Capital and Credit" data by January 31, 2025.

Chair John Lonsdale highlighted APRA's commitment to simplifying the regulatory framework while maintaining industry strengths.

Source: APRA

APRA confirms consultation on changes to capital requirements for annuity products

The APRA will start a public consultation in the second quarter of 2025 to revise capital requirements for annuity products.

This initiative aims to enhance the availability of retirement products by adjusting the calculation of the 'illiquidity premium' under LPS 112 Capital Adequacy. By reducing capital requirements for life insurers with specific risk controls, APRA seeks to encourage the expansion of retirement product offerings. This consultation aligns with APRA's Corporate Plan for 2024-25 and will be release in the second quarter of 2025.

Source: APRA

Updated Add-on Insurance Fact sheet

AFCA has released a new fact sheet on add-on insurance, which explains how the concept of reasonable awareness of loss applies to its sale, including complaint time limits. It clarifies AFCA's general approach to assessing add-on insurance complaints. AFCA offers a free service to Australian consumers, enabling them to file complaints without third-party assistance. The fact sheet aims to facilitate the efficient resolution of add-on insurance complaints.

Source: AFCA

RBA
The Reserve Bank of Australia

ASIC
Australian Securities and Investments Commission

Statement by the Reserve Bank Board: Monetary Policy Decision

On 18th February 2025, the Reserve Bank of Australia (RBA) has reduced the cash rate target to 4.10% and the interest rate on Exchange Settlement balances to 4%.

This decision reflects a significant decrease in underlying inflation since its 2022 peak, with the December quarter recording a 3.2% rate. The RBA attributes this to:

- Higher interest rates balancing demand and supply
- Subdued private demand growth
- Easing wage pressures

Despite these positive inflation developments, the economic outlook remains uncertain due to weak output growth and slow recovery in private domestic demand. The RBA is cautious about household spending sustainability and labour market conditions, which remain tight. International uncertainties, such as geopolitical and policy issues, also impact the RBA's outlook.

The RBA aims to return inflation to the 2-3% target range, warning against easing monetary policy too much too soon. The Board will continue to monitor economic developments to guide its decisions, prioritising price stability and full employment.

Source: RBA

Advancing Australia’s regulatory roadmap for public and private capital markets

Australian Securities and Investments Commission (ASIC) has released a discussion paper on the evolving dynamics of Australia’s capital markets, seeking feedback on regulatory approaches to balance opportunities and risks in public and private markets.

The paper, titled "Australia’s evolving capital markets," highlights declining public market listings and the rapid growth of private market investments, including the significant role of superannuation funds. ASIC Chair Joe Longo emphasises the importance of maintaining attractive markets for companies and investors while safeguarding against risks. Longo points out concerns about potential failures in the private credit market and the need for improved data transparency. ASIC is also increasing oversight of private equity and credit funds, focusing on governance, valuation, and investor treatment.

Submission are due by April 28, 2025.

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Source: ASIC

ASIC
Australian Securities and Investments Commission

ACCC
Australian Competition & Consumer Commission

ASIC proposes further relief for licensees under the reportable situations regime

Australian Securities and Investments Commission (ASIC) is seeking feedback on proposed additional relief measures for Australian financial services and credit licensees under the reportable situations regime.

ASIC proposes to alleviate the reporting burden by exempting certain breaches from reporting requirements, specifically those related to misleading and deceptive conduct provisions and certain civil penalty contraventions. This relief applies if:

- breaches are rectified within 30 days;
- no more than five consumers are impacted;
- total financial loss to all impacted customers is under $500; and
- breaches are not a contravention of the client money reporting rules, and clearing and settlement rules.

ASIC emphasises the need for robust systems to manage incidents and breaches, aiming to enhance industry standards and improve consumer outcomes.

The submission is due by 5pm AEDST on 11 March 2025.

Source: ASIC

ACCC welcomes passage of world-first scams prevention laws

The Australian Competition & Consumer Commission (ACCC) has hailed the passage of the Scams Prevention Framework Bill, a pioneering law aimed at combating scams by imposing consistent and enforceable obligations on businesses in key sectors.

ACCC Deputy Chair Catriona Lowe highlighted the devastating impact of scams on Australians and emphasised the need for a consistent approach across industries. The Framework empowers the ACCC to monitor compliance and take enforcement action, with fines up to $50 million for non-compliance. Banks, digital platforms, and telecommunications providers are among the first sectors targeted. The legislation shifts responsibility from individuals to businesses, enabling consumers to seek redress when obligations are not met.

The ACCC is preparing for the Framework's implementation, working with stakeholders to ensure its effectiveness.

Source: ACCC

03

Industry bodies

ABA
Australian Banking Association

New rule book for banks to strengthen customer protections

The Australian Banking Association (ABA) has launched a new Banking Code of Practice focused on delivering better customer outcomes.

This revised code offers safeguards not covered by law and provides enhanced protections for small businesses, guarantors, and vulnerable customers. An expanded definition will now include an additional 10,000 small businesses under its protections. The code highlights support for customers in financial difficulty, aims to improve service, integrity, and accountability, and emphasizes accessible banking for diverse communities.

Key features include:
- ensuring guarantors understand their obligations before accepting.
- a new definition of vulnerable customers acknowledges potential vulnerability for anyone.
- new guidelines for managing deceased estates.
- commitment to provide or refer customers to free support services.
- clear information on support options, including financial help for small businesses.
- updated inclusive banking section for diverse sexual orientations.

Developed with significant input from various stakeholders and approved by the Australian Securities and Investments Commission, the code aims to simplify understanding and application for both bank staff and customers.

Source: **ABA**

04

Overseas developments

IOSCO concludes Thematic Review on Technological Challenges to Effective Market Surveillance

International Organization of Securities Commissions (IOSCO) has published a Thematic Review evaluating the implementation of its 2013 recommendations on addressing technological challenges in market surveillance. The review, conducted by the IOSCO Assessment Committee, examined 34 member jurisdictions.

It found that most market authorities have adopted the recommendations and progressed significantly, particularly in complex markets. However, some concerns persist, such as:
- inadequate organisational and technical capabilities among some regulators,
- lack of regular reviews, and
- challenges in data collection and comparison across multiple trading venues.

Additionally, many regulators struggle with cross-border surveillance in a global financial environment. IOSCO emphasised the need for regulators to develop robust surveillance capabilities and ensure access to quality data to effectively address market abuse and keep pace with technological advancements.

Source: IOSCO

Thematic Peer Review on FSB Global Regulatory Framework for Crypto-asset Activities

The Financial Stability Board (FSB) is requesting feedback from stakeholders for its thematic peer review of the implementation of its global regulatory framework for crypto-assets. This framework includes recommendations for regulating, supervising, and overseeing crypto-asset activities, markets, and global stablecoin arrangements.

The review aims to assess the progress made by FSB member and select non-member jurisdictions and gather insights on the implementation process. Stakeholders are invited to discuss:
- the impact of regulatory frameworks on business decisions of crypto-asset issuers and service providers,
- challenges faced by market participants,
- differences in financial stability vulnerabilities across jurisdictions, and
- specific market practices or trends that may threaten financial stability.

Feedback should be submitted by 28 March 2025.

Source: FSB

EBA reflects on the short/medium term objectives of its interest rate risk in the banking book Heatmap

The European Banking Authority (EBA) has published a report detailing the short to medium-term objectives of its interest rate risk in the banking book (IRRBB) Heatmap, providing insights and recommendations for institutions and supervisors.

The report highlights key areas such as behavioral assumptions for non-maturity deposits (NMDs), tools for assessing NMD risks, and considerations for institutions identified as outliers in supervisory tests on net interest income (NII). It also covers the application of commercial margins in modeling scenarios and the prudent use of interest rate derivatives for hedging strategies. While no new requirements or thresholds are set, the aim is to foster a common understanding of IRRBB risks. The EBA will continue engaging with stakeholders on longer-term objectives, including monitoring the repricing maturity of NMD, addressing credit spread risk, and following the IASB's Dynamic Risk Management project.

Source: EBA

The ESAs provide a roadmap towards the designation of CTPPs under DORA

The European Supervisory Authorities (EBA, EIOPA, and ESMA) are progressing with implementing a pan-European oversight framework for critical ICT third-party service providers (CTPPs).

By 2025, they aim to designate CTPPs and initiate oversight. The process involves collecting Registers of Information from Competent Authorities by April 30, 2025, and conducting criticality assessments by July 2025. ICT providers deemed critical will enter a six-week objection period before final designation and oversight engagement. Providers not initially designated can request to be classified as critical. The ESAs have established a joint DORA oversight function, led by a joint director since October 2024, to ensure efficient, consistent oversight across sectors.

Source: EBA

The EBA consults to amend data collection for the 2026 benchmarking exercise

The EBA has initiated a consultation to amend the Implementing Regulation for benchmarking credit risk, market risk, and IFRS9 models for the 2026 exercise.

Significant changes are proposed for the market risk framework, including new templates for alternative internal model approach (AIMA) risk measures under the fundamental review of the trading book (FRTB) and extending the scope to banks using only the Alternative Standardised Approach (ASA). Minor adjustments are proposed for the credit risk framework. The benchmarking exercise supports supervisory assessments and analysis of internal model outcomes, ensuring consistent monitoring of capital requirements and solvency ratios in the EU. The consultation runs until May 26, 2025, and aims to update information for the 2026 exercise, aligning with the revised Capital Requirements Directive (CRD VI) and the new Banking Package regulatory framework.

Source: EBA

ECB announces changes to use of external ratings for private sector assets in Eurosystem collateral framework

On 19 February 2025, the European Central Bank (ECB) announced changes to its rules on using external credit ratings for private sector assets within its collateral framework.

The new rules will apply a second-best rating for private sector assets like unsecured bank bonds and covered bank bonds, altering the previous first-best rating approach. This change, following a review of rating aggregation rules, aims to better utilise available credit rating information. The rules for euro area public sector assets remain unchanged, still using the first-best rating. Implementation will occur no earlier than 18 months from the announcement, with details provided in advance on the ECB's website.

Source: ECB

PS2/25 – Streamlining firm-specific capital communications

The Prudential Regulation Authority (PRA) has released a policy statement to simplify firm-specific capital communications, as detailed in consultation paper CP 9/24 - Streamlining the Pillar 2A capital framework and the capital communications process. This policy aims to streamline processes related to Pillar 2A capital framework, systemic buffers, and the Additional Leverage Ratio Buffer (ALRB) without altering firms' capital requirements.

The PRA is finalising rule amendments from CP9/24 with minor changes to SS31/15 - The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP), which have no significant policy impact. The effect on mutuals and implementation costs remains unchanged. The proposed rules comply with legal obligations and aim to streamline firm-specific capital communications, with no significant impact from government economic policy.

Feedback from the consultation was largely supportive, resulting in the finalisation of the proposed rules, set to take effect on March 31, 2025. The PRA's adjustments intend to reduce administrative burdens on firms, promoting efficiency and clarity in capital management, while maintaining regulatory objectives and promoting competitive advantages for the UK economy.

Source: **BOE**

FCA finds vast majority of ongoing suitability reviews delivered

The Financial Conduct Authority (FCA) has found that financial advisers are delivering suitability reviews in the vast majority of cases included in its review of ongoing advice.

Financial advisers are delivering on ongoing suitability reviews in most cases, according to a review by the FCA. The regulator asked 22 large financial advice firms for data, after developing concerns that services provided in exchange for ongoing advice charges may not always be delivered. Analysis showed suitability reviews were provided in about 83% of cases and in 15% clients declined or did not respond to the firm's offer of a review. There were fewer than 2% of cases where firms said they made no effort to provide a review.

The FCA has asked all advice firms to check if they are meeting their ongoing service obligations or face action.

Source: **FCA**

SEC Announces Cyber and Emerging Technologies Unit to Protect Retail Investors

The US Securities and Exchange Commission (SEC) has announced the creation of the Cyber and Emerging Technologies Unit (CETU) to tackle cyber-related misconduct and protect retail investors from malicious actors in emerging technology sectors.

Led by Laura D'Allaird, the CETU replaces the Crypto Assets and Cyber Unit and comprises around 30 specialists and attorneys across various SEC offices. Acting Chairman Mark T. Uyeda highlighted that CETU will complement the Crypto Task Force and deploy enforcement resources effectively. The unit aims to foster innovation while safeguarding investors by addressing fraud involving artificial intelligence, machine learning, social media, the dark web, hacking, blockchain technology, and ensuring compliance with cybersecurity regulations. The CETU also focuses on public issuers' fraudulent disclosures related to cybersecurity.

Source: **SEC**

CFTC Releases Enforcement Advisory on Self-Reporting, Cooperation, and Remediation

The Commodity Futures Trading Commission's Division of Enforcement has released an advisory detailing how it will assess self-reporting, cooperation, and remediation in enforcement actions. For the first time, a matrix will be used to determine mitigation credit, offering transparency and fairness in the process.

Acting Chairman Caroline D. Pham emphasised the importance of self-reporting for accountability and highlighted that this approach aligns with best practices from the Department of Justice and other regulators. The advisory introduces a three-tier scale for self-reporting and a four-tier scale for cooperation, with possible mitigation credits ranging from 0% to 55%. Director Brian Young noted that this framework aims to promote efficiency and fair outcomes, encouraging firms to come forward with transparency.

Source: **CFTC**

05

PwC Publications

The tariff ripple effect: how insurers can navigate inflation and market disruptions

PwC US has published an article focusing on the impact of tariffs on the insurance industry, underlining how trade policies are reshaping underwriting and pricing strategies.

The Trump Administration's proposed new tariffs are causing concern across the US economy, as they may lead to increased costs and inflation. While tariffs had minimal impact on consumer inflation in 2018, due to low underlying pressures and supply chain adjustments, the new tariffs might have a different effect, especially if they precede tax changes and deregulation. Insurers must prepare for medium-term tariff impacts, inflationary trends, and potential market disruptions. In property and casualty insurance, tariffs on Canada and Mexico could raise costs for auto parts and construction materials, increasing claim severity.

PwC estimates a 25% tariff on Canadian goods could add $73 billion in surcharges, affecting motor vehicle parts, metals, chemicals, and food. Inflationary impacts will vary across sectors, potentially straining public budgets and pressuring insurers focused on the public sector.

See: **Publication**

Insurance ecosystems: How to build effective, long-term partnership networks

PwC US has released a publication which explores the transformative role of ecosystems and partnerships in the insurance industry, emphasising the need for companies to innovate amid changing consumer expectations and advancing technologies.

Insurers and brokers often use partnerships to enhance market reach and revenue. However, these are typically narrow in scope. Some carriers are expanding into ecosystems—digital networks providing complementary goods and services—which offer various customer engagement opportunities. Despite their potential, ecosystems are more complex than traditional partnerships, requiring strategic planning and investment in technology and relationships.

Successful ecosystem participants, especially those taking leadership roles, see improvements in growth and retention. However, many insurers struggle due to the complexity of integrating products and services, requiring deep customer insight and significant resources. Effective ecosystems depend on clear roles, ongoing communication, and a sustainable strategy.

While challenging, proactive engagement and collaboration can drive success, with sound data management and technology enhancing customer experience and decision-making. Insurers must choose their roles wisely, balancing investment with potential benefits.

See: **Publication**

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Contacts

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Thank you