

September 2024

PwC Regulatory Update





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September 2024



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What have the regulators been up to?	ACCC - The Australian Competition & Consumer Commission <ul style="list-style-type: none">• Cyclone reinsurance pool begins delivering some savings APRA - Australian Prudential Regulation Authority <ul style="list-style-type: none">• APRA remakes Prudential Standard APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)• APRA proposes update to bank capital framework to strengthen crisis preparedness AUSTRAC - Australian Transaction Reports and Analysis Centre <ul style="list-style-type: none">• AML/CTF Amendment Bill introduced in Parliament RBA - Reserve Bank of Australia <ul style="list-style-type: none">• Statement by the Reserve Bank Board: Monetary Policy Decision• RBA and Treasury Joint Paper on Central Bank Digital Currency and the Future of Digital Money in Australia ASIC - Australian Securities and Investments Commission <ul style="list-style-type: none">• ASIC updates guidance for participants in the carbon market following Safeguard Mechanism reforms• ASIC reissues Regulatory Guide 121 on doing financial services business in Australia• ASIC expands operational resilience guidance for market participants• ASIC to target misconduct in banking and superannuation sectors
Industry bodies	AFCA - Australian Financial Complaints Authority <ul style="list-style-type: none">• AFCA welcomes Government's scams prevention framework and single scheme for disputes CALI – Council of Australian Life Insurers <ul style="list-style-type: none">• Life insurers welcome strict regulation of industry use of genetic test results
Overseas developments	Europe <ul style="list-style-type: none">• Basel Committee approves annual G-SIB assessment and advances follow-up response to 2023 banking turmoil• ESAs warn of risks from economic and geopolitical events• Combined monetary policy decisions and statement





Regulatory Update Summary

September 2024



Overseas developments

UK

- Review of Solvency II – PRA statement on existing Solvency II rule waivers and modifications
- Prudential Regulation Authority announces review of the leverage ratio requirement thresholds
- PS9/24 – Implementation of the Basel 3.1 standards near-final part 2
- FCA's improved performance set to help UK finance sector thrive
- Proposed new rules to better protect customers of payments firms

US

- SEC Adopts Rules to Amend Minimum Pricing Increments and Access Fee Caps and to Enhance Transparency of Better Priced Orders
- CFTC Approves Final Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts
- CFTC Approves Final Rule Regarding Exemptions from Certain Compliance Requirements for Commodity Pool Operators, Commodity Trading Advisors, and Commodity Pools

Asia

- HKMA commences Phase 2 of e-HKD Pilot Programme and expands Project e-HKD to explore new forms of digital money
- SFC and HKMA conclude on further proposals to enhance Hong Kong's OTC derivatives reporting regime





01

Legislative/
Government
developments



Legacy retirement product conversions and reserves – draft regulations

The Australian Government is consulting on draft regulations under the Treasury Laws Amendment (Self-managed Superannuation Funds—Legacy Retirement Product Conversions and Reserves) Regulations 2024. These regulations support the 2021-22 Budget measure allowing individuals to exit certain legacy retirement products. Key provisions include:

- Allowing individuals to exit specific legacy retirement products for up to 5 years.
- Introducing flexibility for reserve allocations, including exemptions from contribution caps when reserves are allocated to former income stream recipients.
- Adjusting reserve allocations to count towards non-concessional contributions.

The regulations apply to legacy superannuation products initiated before 20 September 2007. Submissions were due by 8 October 2024.

Source: [Treasury](#)





02

What have
the regulators
been up to?



What have the regulators been up to?



02



ACCC

Australian Competition & Consumer Commission



Cyclone reinsurance pool begins delivering some savings

The ACCC's third insurance monitoring report found that the Australian Government's cyclone reinsurance pool has led to lower premiums for some consumers in high cyclone-risk areas. However, these savings have been offset by rising costs from global reinsurance market conditions, extreme weather events, and increased building materials and labour prices. Despite some premium reductions, insurance remains expensive, particularly in cyclone-prone northern Australia. The transition to the pool has been slow, with many consumers still facing high premiums, and insurance affordability remains a major concern. The ACCC will continue monitoring the pool's impact on prices and affordability.

Source: [ACCC](#)



APRA

The Australian Prudential Regulation Authority



APRA remakes Prudential Standard APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)

The Australian Prudential Regulation Authority (APRA) has released its response to the July 2024 consultation on remaking Prudential Standard APS 117, which is set to expire on 1 April 2025. As no submissions were received, APRA has remade the standard as a transitional measure, ensuring it remains in effect until 1 October 2025 when a new version becomes effective. The only change made was updating a reference from APS 001 to CPS 001 for defined terms.

Source: [APRA](#)



APRA proposes update to bank capital framework to strengthen crisis preparedness

APRA has proposed changes to the capital framework for banks, focusing on replacing AT1 capital instruments (often called hybrid bonds) with simpler, more reliable forms of capital to enhance bank stability in crises. The proposed changes aim to ensure quicker, more certain resolutions during bank failures, drawing from lessons of recent global banking turmoil. APRA suggests phasing out AT1 by 2032, allowing large banks to replace it with Tier 2 and Common Equity Tier 1 capital, while smaller banks would replace AT1 with Tier 2. APRA is not proposing changes to AT1 settings for insurers. The transition is set to begin in 2027, with a two-month consultation period now open.

Source: [APRA](#)



What have the regulators been up to?



02

AUSTRAC

Australian Transaction Reports and Analysis Centre

RBA

Reserve Bank of Australia



AML/CTF Amendment Bill introduced in Parliament

The Attorney-General has introduced the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Bill 2024 to Parliament, aiming to strengthen Australia's defences against money laundering, terrorism financing, and serious crime. The Bill proposes extending AML/CTF regulations to lawyers, accountants, real estate professionals, and dealers in precious metals, modernising regulations for virtual assets and payments, and simplifying the regime to reduce regulatory impacts on businesses. The Bill follows extensive consultations over 2023 and 2024 with over 100 industry meetings and 270 submissions, many of which are publicly available.

Source: [AUSTRAC](#)



Statement by the Reserve Bank Board: Monetary Policy Decision

The Reserve Bank of Australia (RBA) has kept the cash rate unchanged at 4.35%. Although inflation has fallen since its 2022 peak, it remains above target, with underlying inflation at 3.9% in the June quarter. Inflation is expected to return to the 2–3% target range by late 2025, but uncertainties remain due to weak GDP growth, tight labour markets, and global factors. Wage pressures have eased, but productivity is low. The RBA's priority is returning inflation to target, and it will adjust policy as needed based on evolving economic conditions and risks.

Source: [RBA](#)



RBA and Treasury Joint Paper on Central Bank Digital Currency and the Future of Digital Money in Australia

The Reserve Bank of Australia (RBA) and Treasury released a report on central bank digital currency (CBDC) research, concluding that there is no strong public interest case for issuing a retail CBDC in Australia, as the current payments system is effective. However, the RBA remains open to reassessing this as potential benefits and costs are better understood, both internationally and in a domestic context. The report emphasises that a wholesale CBDC, along with other digital money solutions, could improve Australia's wholesale markets. The RBA will focus on wholesale digital money and infrastructure, launching "Project Acacia" to explore potential benefits in efficiency and transparency for wholesale markets.

Source: [RBA](#)



What have the regulators been up to?



02



ASIC

Australian Securities and Investments Commission



ASIC updates guidance for participants in the carbon market following Safeguard Mechanism reforms

ASIC has updated its regulatory guidance for carbon market participants in *Regulatory Guide 236: Do I need an AFS licence to participate in carbon markets?* (RG 236). This guidance helps individuals involved in the Australian Carbon Credit Unit (ACCU) scheme, responsible emitters, market intermediaries, and advisers determine if they need an Australian Financial Services (AFS) licence. The updates reflect reforms to the Safeguard Mechanism, which started in July 2023, and changes to the ACCU Scheme since 2015. ASIC consulted stakeholders and received positive feedback on the updates, which address financial services like advice and trading in emissions units. Further updates will be provided later in 2024.

Source: [ASIC](#)



ASIC reissues Regulatory Guide 121 on doing financial services business in Australia

ASIC has reissued Regulatory Guide 121 (RG 121) to provide updated guidance for foreign individuals and companies looking to operate a financial services business in Australia. This new version replaces the June 2013 guidance and includes the following updates:

- Removal of references to expired or repealed AFS licensing relief, including for foreign financial services providers.
- Amendments to descriptions of current AFS licensing exemptions and relief.
- Updated interpretation of what constitutes "carrying on a business in Australia," including relevant factors and one-off transactions.
- Revised descriptions of financial products, services, and obligations to align with the current legal and regulatory framework.

Source: [ASIC](#)



What have the regulators been up to?



02



ASIC

Australian Securities and Investments Commission



ASIC expands operational resilience guidance for market participants

ASIC has issued a letter to market participants, providing guidance on technological and operational resilience, particularly regarding the identification of critical business services and major event notifications. This guidance aligns with the resilience requirements outlined in the ASIC Market Integrity Rules for securities and futures markets.

ASIC emphasises the importance of ongoing vigilance in maintaining resilience, as it is not a one-time effort. As part of its strategic priorities for 2024-25, ASIC aims to enhance digital and data resilience, which is crucial for the integrity of Australia's markets. Market participants are encouraged to review this guidance and consider its implications for their operations, as ASIC plans to consult on its incorporation into Regulatory Guides 265, 266 and 172 when they are next updated.

Source: [ASIC](#)



ASIC to target misconduct in banking and superannuation sectors

ASIC's Enforcement and Regulatory Update for the first half of 2024 highlights a 95% success rate in civil and criminal prosecutions, resulting in \$32.2 million in civil penalties and nine criminal convictions. During this period, ASIC initiated 63 new investigations, launched 12 civil proceedings, and completed 550 surveillances.

Key focus areas included assessing how large home lenders supported customers in financial hardship and reviewing scam prevention measures at 15 banks. ASIC Deputy Chair Sarah Court emphasised the need for lenders to adhere to hardship obligations and signalled readiness to enforce compliance. Upcoming announcements will address superannuation funds' handling of death benefits and ongoing efforts to combat greenwashing.

Source: [ASIC](#)



03

Industry

bodies



AFCA

Australian Financial
Complaints Authority



AFCA welcomes Government's scams prevention framework and single scheme for disputes

AFCA welcomes the Australian Government's announcement to establish a Scams Prevention Framework, aimed at preventing, detecting, and disrupting scams while providing consumers access to redress through a dedicated external dispute resolution (EDR) scheme.

AFCA's Chief Ombudsman, David Locke, highlighted the importance of addressing the gaps in the law and ensuring protection for consumers affected by scams. In 2023-24, AFCA received nearly 11,000 scam-related complaints, underscoring the need for enhanced protection. AFCA supports the initiative and looks forward to collaborating with the government, regulators, and industries to strengthen consumer safeguards and ensure fair resolutions for scam victims.

Source: [AFCA](#)



CALI

Council of Australian Life
Insurers



Life insurers welcome strict regulation of industry use of genetic test results

CALI welcomes the Federal Government's ban on using genetic test results in insurance underwriting. CALI supports the regulation, ensuring Australians can access genetic information to manage their health. CALI worked with the government on this initiative and supports a five-year review to keep the law current.

Source: [CALI](#)



04

Overseas

developments



Basel Committee approves annual G-SIB assessment and advances follow-up response to 2023 banking turmoil

The Basel Committee on Banking Supervision met virtually on 23–24 September to review recent market disruptions and global banking risks. Discussions covered episodes of market volatility in July and August, highlighting the quick unwinding of large, leveraged positions. Operational disruptions in July underscored the importance of banks' operational resilience and managing third-party risks. The Committee approved the 2023 assessment of global systemically important banks (G-SIBs) and finalised an analytical report on liquidity risks following the 2023 banking turmoil. The report will be submitted to G20 officials next month. Additionally, the Committee reviewed feedback on proposed climate-related financial risk disclosures under its Pillar 3 framework and discussed tools to enhance supervisory effectiveness.

Source: [BIS](#)



Combined monetary policy decisions and statement

The European Central Bank (ECB) Governing Council has decided to lower the deposit facility rate by 25 basis points, bringing it to 3.50%, effective September 18, 2024. This adjustment follows an updated assessment of the inflation outlook, with headline inflation projected at 2.5% for 2024 and declining to 1.9% by 2026. Core inflation expectations have slightly increased due to persistent wage growth. Economic growth is anticipated at 0.8% in 2024. The Council remains committed to maintaining restrictive policies until inflation aligns with the 2% medium-term target, with future rate decisions to be based on incoming economic data.

Source: [ECB](#)



ESAs warn of risks from economic and geopolitical events

The three European Supervisory Authorities (EBA, EIOPA, and ESMA) have released their Autumn 2024 Joint Committee Report, highlighting persistent economic and geopolitical uncertainties affecting the EU financial system. The report emphasises the importance of vigilance among national supervisors and financial market participants regarding financial stability risks. It includes a new analysis of credit risks across sectors. Although inflation is declining and central banks are shifting towards looser monetary policies, significant uncertainties remain concerning the global economy and market expectations. The ESAs advise financial institutions to prepare for high-interest rate impacts, monitor credit risk, and address operational risks, including those arising from cyber threats.

Source: [EBA](#)





Review of Solvency II – PRA statement on existing Solvency II rule waivers and modifications

The Prudential Regulation Authority (PRA) has updated firms with existing directions regarding waivers or modifications of PRA rules in light of the upcoming Solvency II Review changes, effective 31 December 2024. This update impacts all PRA-regulated UK Solvency II firms and groups.

The PRA will release its final rules package in mid-November 2024, including key policy statements on adapting Solvency II to the UK market, reporting and disclosure, and the Matching Adjustment reform. Affected firms will be contacted with further instructions and to request consent to update their existing directions. Consent must be provided by 30 December 2024 for directions to remain valid.

Source: [BOE](#)



PS9/24 – Implementation of the Basel 3.1 standards near-final part 2

The PRA's near-final policy statement provides feedback on responses to consultation paper CP16/22, covering various chapters related to implementing Basel 3.1 standards. It addresses credit risk methodologies, output floors, and disclosure requirements. The PRA received 126 responses, generally supportive but raising concerns about operational burdens and capital impacts. Key changes include adjustments to SME and infrastructure lending, credit risk mitigation, and off-balance sheet item treatments to enhance proportionality and reduce burdens. The PRA emphasises alignment with international standards while ensuring clarity in regulations. Final rules will follow after HM Treasury revokes the relevant Capital Requirements Regulation provisions.

Source: [BOE](#)



Prudential Regulation Authority announces review of the leverage ratio requirement thresholds

The leverage ratio measures a firm's solvency by comparing its capital to its exposures. Firms with over £50bn in retail deposits or £10bn in non-UK assets must maintain a minimum leverage ratio of 3.25% plus buffers.

The PRA is reviewing these thresholds, which align with the Bank of England's stress testing framework. During this review, firms that did not meet the criteria before 10 September 2024 but expect to meet them before 31 December 2025 can apply for a modification to disapply certain leverage ratio requirements until 30 June 2026. To apply, firms should email the PRA, including their name and reference number. The PRA will confirm approvals in writing and publish them on the Financial Services Register.

Source: [BOE](#)





FCA's improved performance set to help UK finance sector thrive

The Financial Conduct Authority (FCA) published its Annual Report, which shows significant improvements in its authorisations service, now assessing 98% of cases within statutory deadlines, up from 89% in early 2022/23. Overseas wholesale financial firms can receive pre-application support and the FCA has reformed listing rules to support economic growth.

Key highlights include:

- Consumer Protection - Improved detection of problem firms has led to quicker interventions, doubling firm authorisation cancellations to 1,261 and intervening with 34 firms in 2023.
- Complaint Resolution - Ensured fair compensation for consumers, with 270,000 customers expected to receive close to £60 million. The Financial Services Compensation Scheme (FSCS) levy has dropped to a 10-year low.
- Financial Crime - Charged 21 people with financial crimes, secured 9 freezing orders, and restrained £21.1 million in assets.
- Crypto Market - Introduced new rules for clear and fair cryptoasset promotions.
- Consumer Duty - Firms must now ensure products and services provide good outcomes for consumers.
- Innovation - Launched a permanent Digital Sandbox for early-stage product development.

Source: [FCA](#)



Proposed new rules to better protect customers of payments firms

The use of payment and e-money firms has increased, but the FCA has identified ongoing poor safeguarding practices. Unlike banks, funds held by these firms are not protected by the FSCS, which can lead to financial losses or delays for customers if a firm fails. In March 2023, the FCA contacted CEOs of these firms about their safeguarding and wind-down plans and has since opened supervisory cases involving about 15% of firms to address its concerns.

The FCA is proposing stronger and clearer safeguarding rules to ensure customers can recover their money quickly if a firm goes out of business. The proposal includes replacing the current e-money safeguarding regime with a client assets (CASS) style regime better suited to payment firms' business models. The FCA plans to publish interim safeguarding rules by mid-next year. The cost-benefit analysis of these proposals has been reviewed by an independent panel, and firms have until 17 December 2024 to respond to the consultation.

Source: [FCA](#)





SEC Adopts Rules to Amend Minimum Pricing Increments and Access Fee Caps and to Enhance Transparency of Better Priced Orders

The SEC has made amendments to Regulation National Market System (NMS) to improve market quality and reduce transaction costs. Key changes include:

- New Pricing Increment - A \$0.005 minimum tick size for stocks priced at \$1.00 or more.
- Reduced Access Fees - Lowering access fee caps to \$0.001 per share for stocks priced at \$1.00 or more.
- Increased Transparency - Enhancing the visibility of exchange fees and rebates.
- Faster Implementation - Accelerating the release of information about the best prices for smaller orders.

These changes will take effect 60 days after publication, with compliance dates set for November 2025 and May 2026. The goal is to promote transparency, competition, and fairness in the equity markets.

Source: [SEC](#)



CFTC Approves Final Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts

The CFTC has issued final guidance for trading voluntary carbon credit derivative contracts on regulated exchanges. This guidance helps designated contract markets (DCMs) meet regulatory requirements and aims to standardise these contracts to promote market transparency and liquidity. It results from over five years of collaboration with various stakeholders, including agricultural and energy sectors, public interest groups, and carbon market participants. The goal is to support market integrity and efficient capital allocation for high-integrity carbon credits.

Source: [CFTC](#)



CFTC Approves Final Rule Regarding Exemptions from Certain Compliance Requirements for Commodity Pool Operators, Commodity Trading Advisors, and Commodity Pools

The Commodity Futures Trading Commission (CFTC) has updated Regulation 4.7, which provides certain exemptions for commodity pool operators (CPOs) and commodity trading advisors (CTAs) dealing with qualified eligible persons (QEPs). Key changes include:

- Increased Monetary Thresholds - Higher thresholds for qualifying as a QEP.
- Monthly Statements Option - CPOs of Funds of Funds can now distribute monthly account statements within 45 days of month-end.
- Technical Improvements - Enhancements for better efficiency and utility.
- Updated Citations - References in the regulation have been revised.

Effective Dates:

- General Effective Date - 60 days after publication in the Federal Register.
- Portfolio Requirement Compliance - Within six months after publication.
- Monthly Statement Option - Available immediately upon the rule's effective date, with compliance required upon election.

Source: [CFTC](#)





HKMA commences Phase 2 of e-HKD Pilot Programme and expands Project e-HKD to explore new forms of digital money

The Hong Kong Monetary Authority (HKMA) has initiated Phase 2 of the e-Hong Kong Dollar (e-HKD) Pilot Programme as part of the broader Project e-HKD+, reflecting an expanded focus on the digital money ecosystem. This phase aims to explore innovative use cases for digital money, including e-HKD and tokenised deposits, and involves 11 groups of firms from various sectors. The main themes of exploration are the settlement of tokenised assets, programmability, and offline payments.

An e-HKD sandbox will be available for pilot participants to accelerate the development and testing of use cases. The HKMA aims to work closely with the selected firms over the next 12 months and share the key findings with the public by the end of 2025.

Source: [HKMA](#)



SFC and HKMA conclude on further proposals to enhance Hong Kong's OTC derivatives reporting regime

The Securities and Futures Commission (SFC) and the HKMA released a conclusions paper on enhancements to Hong Kong's over-the-counter (OTC) derivatives reporting regime.

Following a consultation in March 2024, they proposed mandating the use of Unique Transaction Identifier, Unique Product Identifier, and reporting Critical Data Elements, aligning with international standards. Respondents generally supported these proposals, recognising the benefits of standardisation. After reviewing feedback, the SFC and HKMA refined the proposals for smooth implementation, with mandatory reporting starting in September 2025.

Source: [SFC](#)





Contacts

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Thank you

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