DUFF & PHELPS

GLOBAL REGULATORY OUTLOOK 2017

INSIGHT 2017

Navigating regulation by jurisdiction and legislation

IRELAND

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Foreword – A changing of the guard

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For the world's biggest financial centres, the regulatory outlook in 2017 is at its most uncertain in a decade. Any attempt to provide a regulatory forecast is a hostage to fortune.

Of course, regulators' current preoccupations will continue to challenge firms in the coming year. Across jurisdictions, the regulatory response to the financial crisis still dominates many agendas. Preparations continue for MiFID II in France, Luxembourg and elsewhere, for example. Outside the EU, Hong Kong and Singapore are also gearing up for increased regulation of OTC derivatives.

Likewise, long-standing battles against money laundering and tax evasion continue. They will see renewed activity in 2017 with the deadline for implementation of the EU's 4th AML Directive, and the first reporting under the OECD's Common Reporting Standard.

The regulatory drive towards individual accountability also continues to spread. Hong Kong's new Managers in Charge Regime is the most significant development in this respect since the introduction of the Senior Managers Regime in the UK. After almost ten years, regulators increasingly seem to feel they have found an answer to the question of how to change culture in the financial services industry: It starts with the individual.

Newer priorities are also taking their place. Perhaps most obviously, growing concerns over cyber security look likely to be reflected in increased activity from regulators, if not absolute clarity over the requirements firms must meet. As the risks of cyber criminals and state actors evolve, and fintech develops, so too will the regulatory response.

Tighter deadlines

All this, however, merely underlines the uncertainties ahead. The consensus that has formed in the aftermath of the financial crisis is now open to question following the Brexit vote in the UK, election of Trump in the US, and rise of populist politicians across many European countries. These changes have the potential to transform the regulatory environment.

Even under the existing regulatory regime, Brexit cannot avoid having a significant regulatory impact; the AIFMD is once again dominating the regulatory agenda in Luxembourg two years after implementation, for example, in part because of anticipation that UK firms may soon be looking to models there that allow firms to benefit from the EU's passporting regime.

More widely, it's impossible to say – before negotiations begin – what regulatory changes the UK's exit from the EU will bring, or, this early in his presidency, how far Trump will fulfil his promise to roll back Dodd-Frank reforms.

Two things do seem clear, however. First, the push-back against globalisation must call into question the move towards international standardisation of financial regulation that has been a feature of the past decade. Whether it will be reversed or merely slowed remains to be seen.

Second, regulatory regimes could change quickly. Much of the regulatory calendar today is still dominated by changes with their roots in the aftermath of the financial crisis. Firms have had to contend with massive regulatory changes in recent years, but they have not usually come without warning.

The two-year Brexit negotiation period and rash of executive orders from the Trump administration suggest the pace of change in the future could be quicker. For the time being, the recent upheavals mean that uncertainty reigns. But that may not last long.

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Glossary

Abbreviation	Definition	Relevant Jurisdiction
ACER	Agency for the Cooperation of Energy Regulators	EU
ACPR	Autorité de Contrôle Prudentiel et de Résolution	France
Advisers Act	Investment Advisers Act of 1940	US
AIF	Alternative Investment Fund	EU
AIFM	Alternative Investment Fund Manager	EU
AIFMD	Alternative Investment Fund Managers Directive	EU
ALP	Alternative Liquidity Pool	Hong Kong
AMF	Autorité des marchés financiers	France
AML	Anti-Money Laundering	International
AMU	Asset Management Unit	International
BEPS	Base Erosion and Profit Shifting	International
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms	UK
BRICS	Brazil, Russia, India, China, and South Africa	International
CAD	Capital Adequacy Directive	EU
CBI	Central Bank of Ireland	Ireland
CF	SEC's Division of Corporate Finance	US
CFT	Combatting the Financing of Terrorism	International
CIFO	Channel Islands Financial Ombudsman	Channel Islands
CIMA	Cayman Islands Monetary Authority	Cayman Islands
CIS	Collective Investment Scheme	Switzerland
CMP	Compliance Monitoring Programme	International
CONC	Consumer Credit Sourcebook	UK
COREP	Common Reporting	EU
CPI	Corporate Professional Investor	International
CR	Certification Regime	UK

Abbreviation	Definition	Relevant Jurisdiction
CRD	Capital Requirements Directive	EU
CRBF	Comité de la Réglementation Bancaire et Financière	France
CRR	Capital Requirements Regulation	EU
CRS	Common Reporting Standard	International
CSRC	China Securities Regulatory Commission	Hong Kong
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg Financial Services Regulator)	Luxembourg
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	US
EDD	Enhanced Due Diligence	Europe
EEA	European Economic Area	EU
ELTIF	European Long-Term Investment Fund	EU
EMIR	European Markets and Infrastructure Regulation	EU
EP	(Stock) Exchange Participant	Hong Kong
ESMA	European Securities and Markets Authority	EU
EU CMU	European Commission Capital Market Union	Europe
FATCA	Foreign Account Tax Compliance Act	US
FATF	Financial Action Task Force	International
FCA	Financial Conduct Authority	UK
FI	Financial Institution	International
FFI	Foreign Financial Institution	US
FinCEN	The Financial Crimes Enforcement Network	US
FMI	Financial Market Infrastructure	Hong Kong
FSB	Financial Stability Board	International
FRR	Financial Regulations and Rules	Hong Kong
FSTB	Financial Services and Treasury Bureau	Hong Kong
GDF	Guernsey Disclosure Facility	Channel Islands
GFAS	Guernsey Financial Advice Standards	Channel Islands
GFSC	Guernsey Financial Services Commission	Channel Islands
HKMA	Hong Kong Monetary Authority	Hong Kong
HKSCC	Hong Kong Securities Clearing Company Limited	Hong Kong
HMRC	Her Majesty's Revenue & Customs	UK
IA	Insurance Authority	Hong Kong

Abbreviation	Definition	Relevant Jurisdiction
ICAV	Irish Collective Asset-Management Vehicle	Ireland
ICB	Independent Commission on Banking	UK
IFIA	Irish Funds Industry Association	Ireland
IFPRU	Prudential Sourcebook for Investment Firms (FCA)	UK
IFRS	International Financial Reporting Standards	International
IGA	Intergovernmental Agreement	US
IM	SEC's Division of Investment Management	US
IMF	International Monetary Fund	International
IRAS	Inland Revenue Authority of Singapore	Singapore
IRS	Internal Revenue Service	US
JDF	Jersey Disclosure Facility	Channel Islands
JFSC	Jersey Financial Services Commission	Channel Islands
KID	Key Information Document	International
KIID	Key Investor Information Document	Ireland
KYC	Know Your Customer	International
LC	Licensed Corporation	Hong Kong
MA	Monetary Authority	Hong Kong
MAD	Market Abuse Directive	EU
MAR	Market Abuse Regulation	EU
MAS	Monetary Authority of Singapore	Singapore
MiFID	Markets in Financial Instruments Directive	EU
MiFIR	Markets in Financial Instruments Regulation	EU
MLD4	Fourth Money Laundering Directive	UK
MRLO	Money Laundering Reporting Officer	International
MTF	Multilateral Trading Facility	EU
NPPR	National Private Placement Regime	EU
OCIE	Office of Compliance Inspections and Examinations	US
ODD	Operational Due Diligence	International
OECD	Organisation for Economic Co-operation and Development	International
OTC	Over-the-Counter	International
OTF	Organized Trading Facility	EU

Abbreviation	Definition	Relevant Jurisdiction
PCC	Protected Cell Company	Guernsey
PEP	Politically Exposed Person	International
PRA	Prudential Regulation Authority	UK
PRIPs	Packaged Retail Investment Products	UK
RAIF	Reserved Alternative Investment Fund	Luxembourg
RCCI	Responsable de Conformité et Contrôle Interne	France
REMIT	Regulation on Energy Market Integrity and Transparency	EU
RIA	Regulatory Impact Analysis/Assessment	Hong Kong
RRD	Recovery and Resolution Directive	EU
RCSI	Responsable de la Conformité pour les Services d'Investissement	France
SAR	Suspicious Activity Report	International
SDD	Simplified Due Diligence	Europe
SEC	Securities and Exchange Commission	US
SEHK	Stock Exchange of Hong Kong	Hong Kong
SFC	Securities and Futures Commission	Hong Kong
SFO	Securities and Futures Ordinance	Hong Kong
SICAV	Soci`et`e d'investissement a' Capital Variable	France
SIFI	Systematically Important Financial Institutions	International
SME	Small and Medium-Sized Enterprises	International
SMR	Senior Managers Regime	UK
SSE	Shanghai Stock Exchange	Asia
STR	Suspicious Transaction Report	International
SURFI	Syst`eme Unifie' de Reporting Financier	France
TR	Trade Repository	EU
TRACFIN	Traitement du renseignement et action contre les circuits financiers clandestins	France
TRUM	Transaction Reporting User Manual	Europe
UCITS	Undertaking For Collective Investment in Transferable Securities	EU
(US) GAAP	US Generally Accepted Accounting Principles	US

IRELAND

SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

IRELAND

At the end of 2016 there has barely been a chance to pause for breath within the funds industry as we continue to see significant and dynamic regulatory developments in Ireland across a number of areas.

At the end of the year we saw a number of themed inspection letters published from the Central Bank, across the areas it had outlined as priorities at the beginning of 2016. Areas covered included outsourcing arrangements; risk function; and increased EMIR compliance reporting exceptions. Following a review to assess the operation of the risk function and risk culture across investment firms, fund service providers and stockbrokers at the Central Bank published a letter. A number of key findings were identified which are relevant to the funds industry, most notably that the good practices identified in the firms' documentation are not always evident in the operations of the business. Firms should review their current approach to risk management and consider if changes need to be made to bring it in line with expectations.

The Central Bank issued correspondence later in December following the review of outsourcing arrangements for investment firms, fund managers and fund service providers with questions firms should consider to assess their current outsourcing oversight. The next steps for firms are to review their current outsourcing arrangements and consider if current policies or processes need to be updated based on the firms' answers to the Central Bank's questions.

The above followed on from specific cross-industry recommendations on cyber security earlier in the year as well as directors' time commitments and conflicts of interest. As per the Central Banks' expectations, conflict of interest was discussed by boards, and policies were updated as necessary. The Central Bank encouraged the directors to consider the impact which individual sub-funds have on the required time commitment for their directorships. Cyber security remained a topical issue again for the Central Bank in 2016 with further guidance being issued. The Central Bank considers extremely important it remains a top priority for firms going into 2017.

Market Abuse Regulation came into effect across Ireland on July 3, 2016. Among the new requirements was an obligation to compile and maintain significantly more detailed insider lists than previously required. It is important for firms to ensure they have the necessary arrangements in place to ensure continued compliance with the new regulations.

On the AML front, reflecting a fast-paced global environment, Ireland published new beneficial owner regulations effective immediately, on top of the requirement for the 4th EU AML Directive to be transposed into Irish law by June 2017. The next step for firms and fund boards is to consider how this legislation will affect the firm and the fund once enacted and how AML policies will need to be updated.

In an effort to guide and assist firms in a rapidly changing AML environment, the Central Bank has also issued the first in a series of AML bulletins in December

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2016 on the topic of third-party reliance. Future bulletins will be issued throughout 2017 to guide and provide feedback to firms in applying AML/CFT and financial sanctions measures.

In addition, the finalised CP86 management company effectiveness guidance was published after much debate. Existing fund management companies have until July 1, 2018, to comply with the new rules. The next step now is for firms to fully consider the implications of this guidance. Firstly, boards should consider the current board composition and adjust as necessary and when next reviewing the business plan/programmes of activities to update for the six managerial functions. An organisational effectiveness role also needs to be put in place as do arrangements to comply with the retrievability of record requirements.

Not to be outdone by the domestic agenda, we continued to see regulatory developments at a European level. The EU Securities Financing Transactions Regulation (SFTR) came into effect on January 12, 2016, with enhanced transparency rules which supplement current requirements. SFT disclosures will be required in annual accounts published post-January 13, 2017, and it is important for funds that engage in SFT to ensure they include all necessary disclosures.

After lengthy debate and discussions, the final text on the EU's MMF Regulation was approved on December 11, 2016. In Q3 2016 the AUM of Irish MMFs totalled €444 billion and as such the greater variety of investment vehicles offered by the new agreement should be welcomed by the Irish funds industry.

Finally, much of regulatory change can present opportunities. Amendments to the loan origination rules, new eligibility for the Chinese RQFII licence for Irish funds, as well as of course Brexit, all can be viewed as opportunities for Ireland to provide solutions for our fund clients.

COMMENT

"Policy makers globally should maintain and develop secure, robust financial markets which promote confidence and growth. In assessing the effect of recent measures to reduce systemic risk and increase investor protection, regulators should look to increase the effectiveness and efficiency of the significant volume of data now being made available to them.

In Europe, the continuation of measures such as Capital Markets Union will increase access to secure and deep pools of capital, providing much needed stimulus and development for European economies."

Kieran Fox
Director of Business Development

Regulatory calendar – Ireland

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 8 and 9.

Topic	Update	Anticipated/actual date	Investment fund	Fund service provider business regulated	Investment business regulated
Guidance for fund management companies	The Central Bank of Ireland (CBI) has published further guidance for fund management companies following its consultation issued in June 2016. This is part of its review of fund management company effectiveness. Fund management companies may appoint an individual from outside of Ireland, who is not a director of the management company as a designated person. There are now only six managerial functions which the designated persons are required to oversee: 1. Fund risk management 2. Operational risk management 3. Investment management 4. Regulatory compliance 5. Capital and financial management 6. Distribution There are location requirements of directors and designated persons, depending upon the firms' PRISM rating by the CBI, with a majority of investment funds falling into a 'Low' risk impact rating. This will require: 1. At least two Irish resident directors 2. At least 50% of its directors resident in the EEA 3. At least two designated persons resident in the EEA	New fund management companies - July 1, 2017	Yes	No	No

Topic	Update	Anticipated/actual date	Investment fund	Fund service provider business regulated	Investment business regulated
	There is no longer a requirement to have an Irish resident designated person, although half of the managerial functions must be carried out by at least two designated persons resident in the EEA. A PRISM rating of 'Medium Low' or higher will require: 1. Three Irish resident directors; or 2. Two Irish resident directors and one Irish resident designated person; and 3. The same requirements in relation to the managerial function oversight as a Low impact firm. Guidance has been issued by the CBI in relation to delegate oversight, organisational effectiveness roles and directors' time commitment; the latest is in relation to managerial functions, operational issues and procedural matters. A number of these topics are contained within Statutory Instrument 2015/420, amended by Statutory Instrument 2016/307, which has been changed to take effect from June 30, or such later date as may be determined by the CBI.	Existing fund management companies - July 1, 2018	Yes	No	No

Topic	Update	Anticipated/actual date	Investment fund	Fund service provider business regulated	Investment business regulated
FATF	The Financial Action Task Force (FATF) conducted a mutual evaluation review (MER) on Ireland during 2016. There were a number of key areas of concentration that the MER undertook: 1. National risk assessment - to assess MLFT risks 2. Risk-based supervision and risk-based measures 3. Transparency 4. Financial intelligence 5. Terrorist financing 6. Transposition of fourth AML Directive This has assisted with ensuring stronger inter-agency collaboration and communication with the private sector. It is anticipated that the FATF report on Ireland will be finalised during Q3/Q4 of 2017.	Q3/Q4 2017	Yes	Yes	Yes
UCITS V Remuneration Policy	The UCITS V Directive contains further clarification with regards to the requirement of firms to have in place a remuneration policy. The remuneration policy needs to promote robust and effective risk management, which does not impair the ability for an independent assessment of the controls, policies and procedures by risk, compliance and internal audit functions. There are a number of key principles that each management company of a UCITS product must make sure are contained within its remuneration policy: alignment of the policy with the strategy of the firm, categories of staff impacted by the new policy requirements, annual review of the policy by the management company, avoidance of conflicts of interest and a percent of performance-related remuneration tied to long-term holding periods as recommended to investors. The details of the remuneration policy must be provided in the Prospectus, KIID (Key Investor Information Document) and the annual reports of the UCITS authorised firm. As of January 1, 2017, firms must provide the details of the remuneration of identified staff in their annual reports for the periods that end on or after March 18, 2016, but before the UCITS firm has completed its first annual performance period in which it has had to comply with the remuneration rules.	January 1, 2017	Yes	No	No

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All this, however, merely underlines the uncertainties ahead. The consensus that has formed in the aftermath of the financial crisis is now open to question following the Brexit vote in the UK, election of Trump in the US, and rise of populist politicians across many European countries. These changes have the potential to transform the regulatory environment.

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KIID	Key Investor Information Document	Ireland
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HONG KONG

SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

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No pause for breath – The regulatory landscape in Hong Kong continues to develop quickly.

On the issue of OTC derivatives the regulator may have stalled: There's been no word on reform of the Securities and Futures (Financial Resources) Rules since a consultation closed in October 2015. In most other respects, though, the Securities and Futures Commission (SFC) continues an ambitious agenda pushing for change.

In some respects, it is not the requirements that are the sole challenge for businesses, but simply the speed or clarity with which they are introduced.

Revisions to the SFC code of conduct last March are a good illustration of the latter. Intended to ensure individuals are not excluded from retail investor protections simply due to their wealth, it obliges firms to review all non-institutional corporate professional investors (CPIs). They must assess whether those investing through holding companies or sole traderships, for example, are properly considered professionals.

The bigger question for many firms on implementation remains unanswered, however: Should they be treating investors as clients? Legally, the client is their fund, but some are now getting investors to sign up to client agreements. Many, if not most, though, are just ensuring marketing functions keep careful records of the how they reach decisions to classify individuals as professional investors. Whether that will be enough for the SFC, we've yet to see.

Action on accountability

It is another uncertainty that will be likely to dominate 2017, however: the new manager-in-charge regime. Despite the SFC holding that the new regime is simply a clarification of responsibilities under the existing rules for responsible officers, the MIC goes much further.

From April and by July 2017, firms must designate and register those in charge of eight core functions. In many firms it will expand individual accountability from the directors and partners covered today to take in heads of finance, technology, AML, compliance and risk management for the first time.

Many can see the logic of the changes – particularly, perhaps, existing responsible officers who have felt they are carrying responsibility alone. They are in any case probably inevitable, given moves towards individual accountability by regulators elsewhere. Indeed, the MIC regime closely resembles the UK's Senior Managers Regime.

But while British firms have had years to prepare for the changes there, in Hong Kong, the changes were only announced in a circular in December[1]. Firms have been given just seven months to implement them. As a result, many questions – such as the likely penalties or impacts on recruitment – don't just remain unanswered here; firms have barely had time to ask.

1 https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=16PR143

Regulatory calendar – Hong Kong

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 8 and 9.

Topic	Update	Anticipated/actual date	HFM	PE	Broker
OTC derivative regulatory regime	To address structural deficiencies in the over-the-counter (OTC) derivatives market highlighted by the 2008 global financial crisis, the Legislative Council enacted the Securities and Futures (Amendment) Ordinance 2014 (Amendment Ordinance) on March 26, 2014, which is being implemented in phases. **Phase 1 reporting - Securities and Futures (OTC Derivative Transactions - Reporting and Record Keeping Obligations) Rules.** Mandatory reporting of transactions in certain interest rate swaps (IRS) and non-deliverable forwards and related record keeping obligations together with the general framework of the new regime. **Phase 1 clearing - Securities and Futures (OTC Derivative Transactions - Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules.** Mandatory clearing of certain transactions of standardised IRS in HKD or one of the G4 currencies (i.e, USD, EUR, GBP or JPY) and related record keeping obligations, together with designation of central counterparties. **Phase 2 reporting - Securities and Futures (OTC Derivative Transactions - Reporting and Record Keeping Obligations) Rules.** Expanding mandatory reporting so that OTC derivatives under all five key asset classes (namely interest rates, foreign exchange, equities, credit and commodities) are covered.	**Phase 1 reporting** - July 10, 2015 (completed) **Phase 1 clearing** - September 1, 2016 (completed) **Phase 2 reporting** - July 1, 2017	Yes	Yes	Yes

Topic	Update	Anticipated/actual date	HFM	PE	Broker
Expansion of scope of short position reporting	The SFC has determined there is to be an extension of the reporting obligation for short positions, now to cover all designated securities ,not just the 127 stocks that were previously incluced which means there will be 889 issuers on the SEHK list. The reporting threshold remains the same, which is a net short position that is the lower of 0.02% of the market capitalisation or a value of HK$30m as at the end of the last trading day of the week, but for CIS it is just to be the HK$30m figure as the market cap figure is not relevant. The SFC has the power to make reporting daily in certain 'contingency situations' but it will give 24 hours notice of this and will specify the securities to which daily reporting will apply, rather than applying it to all designated securities. Reporting is due within two business days in normal circumstances.	Consultation conclusions February 24, 2016 Initial consultation November 27, 2015 To be effective March 15, 2017	Yes	Yes	Yes

Topic	Update	Anticipated/actual date	HFM	PE	Broker
Consultation on changes to fund manager code of conduct/FMCC and point-of-sale transparency	In November 2016, the SFC launched a consultation paper on proposals to enhance asset management regulation and point-of-sale transparency. There are two parts to the paper: Part I sets out the SFC's proposed enhancements to be made in several areas of the Fund Manager Code of Conduct (FMCC), some of which were described as codifications of existing requirements and practice: • Securities lending and repurchase agreements • Custodian/safe custody of fund assets • Liquidity risk management • Disclosure of leverage Part II discusses the proposed amendments to be made to the Code of Conduct for Persons Licensed by or Registered with the SFC (the Code of Conduct) and relate to enhancement of point-of-sale transparency and to better address potential conflicts of interest in the same of investment products. There will be two main prongs to the approach as set out in the consultation: intermediaries being obliged to state whether they are independent or not at the point of sale, and increased transparency in those that are not independent in terms of the levels of monetary and non-monetary benefits recieved.	Consultation open until February 23, 2017	Yes	Yes	Yes

Topic	Update	Anticipated/actual date	HFM	PE	Broker
Managers-in-charge (MIC) accountability	The SFC introduced measures to increase the accountability of the senior management of licensed corporations and to promote awareness of senior management obligations under the current regulatory regime. In terms of guidance on who should be regarded as the senior management, the SFC identifies eight core functions (i.e, overall management oversight, key business line, operational control and review, risk management, finance and accounting, information technology, compliance, anti-money laundering and counter-terrorist financing). Licensed corporations are expected to designate fit and proper individuals to be managers-in-charge (MIC) of each of these functions. Those who have overall management oversight of the licensed corporations and those in charge of key business line functions are also expected to seek the SFC's approval as responsible officers (ROs). • Commence management structure information collection initiative • Commence submission of managers-in-charge information and organizational charts • Completed application for approval to become ROs by managers-in-charge responsible for the overall management oversight function and the key business line function.	April 18, 2017 July 17, 2017 October 16, 2017	Yes	Yes	Yes

Topic	Update	Anticipated/actual date	HFM	PE	Broker
Common Reporting Standard (CRS)/ standard for the automated exchange of financial account information (AEOI)	The Inland Revenue (Amendment) (No. 3) Ordinance 2016, which puts in place a legislative framework for Hong Kong to implement AEOI, came into effect on June 30, 2016. Under the AEOI framework, reportable financial institutions are required to identify financial accounts held by tax residents of reportable jurisdictions, collect such information and provide such information to the Hong Kong Inland Revenue Department (IRD) on an annual basis. The IRD in turn will exchange such information on a reciprocal basis with the tax authorities of the AEOI partner jurisdictions. Reportable or reporting financial institutions are any financial institution resident in Hong Kong, as well as any branch of a non-resident financial institution located in Hong Kong. • Reportable financial institutions to start conducting the due diligence procedures to identify and collect information of the relevant financial accounts. • Reportable financial institutions to start providing the information to the IRD for sharing with the relevant AEOI partners.	No specific date set - aim to start in 2017 No specific date set - aim to start in 2018	Yes	Yes	Yes

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Topic	Update	Anticipated/actual date	Investment fund	Fund service provider business regulated	Investment business regulated
Common Reporting Standards (CRS)	As persons in an early adopter country, all Irish entities and Irish branches of foreign entities must ensure that they are compliant with Irish Common Reporting Standard Regulations (Irish CRS Regulations) from January 1, 2016. In order to be compliant with Irish CRS Regulations, all Irish entities and Irish branches of foreign entities must firstly review their activities and determine whether they fall within the definition of a reportable financial institution (RFI) or a non-financial entity (NFE) for that purpose. While RFIs for FATCA purposes had to register with the Internal Revenue Service (IRS) to obtain a global intermediary identification number (GIIN) to facilitate FATCA reporting, RFIs for CRS purposes have no obligation to register for a separate tax number to facilitate CRS reporting. Where Irish entities and Irish branches of foreign entities fall within the definition of an RFI, they have an obligation to report certain information annually to Revenue in relation to reportable financial accounts for CRS purposes that they maintain for customers (Reportable Accounts). The first CRS return for Irish RFIs is due to be filed with revenue in June 2017 (in respect of calendar year 2016), with revenue expected to share this information with tax authorities of other tax jurisdictions that have signed up to CRS in September 2017.	June 2017	Yes	Yes	Yes
FATCA	The Irish government has an agreement with the US in relation to the implementation of FATCA in Ireland, and this agreement, along with ancillary statutory instruments and regulations, applies to all Irish financial institutions that maintain financial accounts. Where a financial account is held by: 1. A specified US person; or 2. A passive entity with controlling persons that are specified US persons The account will then therefore be regarded as a reportable account, and a reporting financial institution must ensure that it identifies all applicable accounts and submit an annual return containing details of these accounts to the revenue commissioners.	June 2017	Yes	Yes	Yes

Topic	Update	Anticipated/actual date	Investment fund	Fund service provider business regulated	Investment business regulated
Outsourcing	Annex II of the UCITS Regulations 2011 provides for a number of obligations on the administrator if/when they outsource any functions in relation to the administration of UCITS funds domiciled in Ireland. These requirements are awaiting transposition into an Irish statutory instrument.	Awaiting transposition of the statutory instrument of the CBI (Supervision and Enforcement) Act 2013 (Section 48(1)) Q2 2017	Yes	Yes	No
Data protection	Data protection in Ireland is governed by the Data Protection Acts of 1988 and 2003 (DPA). The DPA places obligations on those who collect and process personal data. The General Data Protection Directive (Regulation 2016/679 GDPR) will replace the DPA. The GDPR introduces a number of changes: increased scope to include focus on the residence of the data subject, one-stop shop for supervision, privacy by design and by default, additional focus on processors and processing arrangements, improved individual rights, mandatory breach reporting and signficantly increased sanctions for a breach. Under the GDPR, sanctions for a breach increase and will range from up to €10 million or 2% of worldwide turnover to up to €20 million or 4% of worldwide turnover, depending upon the breach. Under the GDPR, it will be compulsory to appoint a data protection officer in certain circumstances. The GDPR will increase focus on processors and processing and will mandate records of processing activities are maintained.	May 25, 2017	Yes	Yes	Yes
Fourth Anti-Money Laundering (AML) Directive	The Fourth EU AML Directive (EU 2015/849) must be transposed into each EU country's national law no later than June 26, 2017. The Panama Papers prompted the EU Commission on July 5th, 2016, to adopt a proposal to increase transparency of beneficial owners. This then allowed Ireland to transpose a portion of the fourth AML Directive in relation to the beneficial ownership of companies. S.I 2016/849. The fourth AML Directive includes a number of changes from the Third AML Directive, which companies will need to implement: beneficial ownership, politically exposed persons, risk-based approach, customer due diligence, policies and procedures, record keeping, on-going monitoring, third-party equivalence, definition of senior management, financial intelligence unit.	June 26, 2017	Yes	Yes	Yes

Topic	Update	Anticipated/actual date	Investment fund	Fund service provider business regulated	Investment business regulated
Securities financing transactions	Companies engaging in securities financing transactions (SFT) and total return swaps now must comply with the SFT Regulation regarding transparency and reporting requirements that came into effect in January 2016. The SFT Regulation defines an SFT as either: 1. A repurchase transaction (including reverse repos) 2. Securities or commodities lending/borrowing 3. A buy-sell back or sell-buy back transaction 4. A margin lending transaction Firms must provide information to investors on the use of SFTs and total return swaps in their annual and semi-annual financial statements. Funds authorised prior to January 12, 2016, have until July 13, 2017, to update their prospectus and/or supplements.	July 31, 2017	Yes	No	No
EMIR variation margin rules	EMIR requires EU counterparties to put in place risk mitigation procedures prior to entering into OTC derivatives trades. The EC adopted a Delegated Regulation in October 2016 which has the final regulatory technical standards (RTS) in relation to the exchange of collateral. Any OTC derivative trades entered by a financial counterparty after March 1, 2017, will be required to adhere to the variation margin (VM) rules. Firms that must adhere to the VM rules must have procedures in place which detail any netting agreement and/or an exchange of collateral agreement prior to trading with a counterparty. Under the VM rules, only certain types of collateral may be collected: cash, gold, debt securities issued by an EU member state government or central bank, debt securities issued by a third country government or central bank, debt securities issued by credit institutions or investment firms, corporate bonds, certain equities included in an index specified under Commission Implementing Regulation 2016/1643 and share or units in UCITS that meet certain eligibility criteria. Counterparties must calculate the VM to be collected on at least a daily basis, and VM must be transferred on the same day the calculation is performed.	March 1, 2017, or one month after the Delegated Regulation takes effect (when it is published in the Official Journal of the EU)	Yes	Yes	Yes

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DUFF & PHELPS

GLOBAL REGULATORY OUTLOOK

2017

INSIGHT 2017

Navigating regulation by jurisdiction and legislation

LUXEMBOURG

Contents

Foreword – A changing of the guard

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For the world's biggest financial centres, the regulatory outlook in 2017 is at its most uncertain in a decade. Any attempt to provide a regulatory forecast is a hostage to fortune.

Of course, regulators' current preoccupations will continue to challenge firms in the coming year. Across jurisdictions, the regulatory response to the financial crisis still dominates many agendas. Preparations continue for MiFID II in France, Luxembourg and elsewhere, for example. Outside the EU, Hong Kong and Singapore are also gearing up for increased regulation of OTC derivatives.

Likewise, long-standing battles against money laundering and tax evasion continue. They will see renewed activity in 2017 with the deadline for implementation of the EU's 4th AML Directive, and the first reporting under the OECD's Common Reporting Standard.

The regulatory drive towards individual accountability also continues to spread. Hong Kong's new Managers in Charge Regime is the most significant development in this respect since the introduction of the Senior Managers Regime in the UK. After almost ten years, regulators increasingly seem to feel they have found an answer to the question of how to change culture in the financial services industry: It starts with the individual.

Newer priorities are also taking their place. Perhaps most obviously, growing concerns over cyber security look likely to be reflected in increased activity from regulators, if not absolute clarity over the requirements firms must meet. As the risks of cyber criminals and state actors evolve, and fintech develops, so too will the regulatory response.

Tighter deadlines

All this, however, merely underlines the uncertainties ahead. The consensus that has formed in the aftermath of the financial crisis is now open to question following the Brexit vote in the UK, election of Trump in the US, and rise of populist politicians across many European countries. These changes have the potential to transform the regulatory environment.

Even under the existing regulatory regime, Brexit cannot avoid having a significant regulatory impact; the AIFMD is once again dominating the regulatory agenda in Luxembourg two years after implementation, for example, in part because of anticipation that UK firms may soon be looking to models there that allow firms to benefit from the EU's passporting regime.

More widely, it's impossible to say – before negotiations begin – what regulatory changes the UK's exit from the EU will bring, or, this early in his presidency, how far Trump will fulfil his promise to roll back Dodd-Frank reforms.

Two things do seem clear, however. First, the push-back against globalisation must call into question the move towards international standardisation of financial regulation that has been a feature of the past decade. Whether it will be reversed or merely slowed remains to be seen.

Second, regulatory regimes could change quickly. Much of the regulatory calendar today is still dominated by changes with their roots in the aftermath of the financial crisis. Firms have had to contend with massive regulatory changes in recent years, but they have not usually come without warning.

The two-year Brexit negotiation period and rash of executive orders from the Trump administration suggest the pace of change in the future could be quicker. For the time being, the recent upheavals mean that uncertainty reigns. But that may not last long.

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Glossary

Abbreviation	Definition	Relevant Jurisdiction
ACER	Agency for the Cooperation of Energy Regulators	EU
ACPR	Autorité de Contrôle Prudentiel et de Résolution	France
Advisers Act	Investment Advisers Act of 1940	US
AIF	Alternative Investment Fund	EU
AIFM	Alternative Investment Fund Manager	EU
AIFMD	Alternative Investment Fund Managers Directive	EU
ALP	Alternative Liquidity Pool	Hong Kong
AMF	Autorité des marchés financiers	France
AML	Anti-Money Laundering	International
AMU	Asset Management Unit	International
BEPS	Base Erosion and Profit Shifting	International
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms	UK
BRICS	Brazil, Russia, India, China, and South Africa	International
CAD	Capital Adequacy Directive	EU
CBI	Central Bank of Ireland	Ireland
CF	SEC's Division of Corporate Finance	US
CFT	Combatting the Financing of Terrorism	International
CIFO	Channel Islands Financial Ombudsman	Channel Islands
CIMA	Cayman Islands Monetary Authority	Cayman Islands
CIS	Collective Investment Scheme	Switzerland
CMP	Compliance Monitoring Programme	International
CONC	Consumer Credit Sourcebook	UK
COREP	Common Reporting	EU
CPI	Corporate Professional Investor	International
CR	Certification Regime	UK

Abbreviation	Definition	Relevant Jurisdiction
CRD	Capital Requirements Directive	EU
CRBF	Comité de la Réglementation Bancaire et Financière	France
CRR	Capital Requirements Regulation	EU
CRS	Common Reporting Standard	International
CSRC	China Securities Regulatory Commission	Hong Kong
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg Financial Services Regulator)	Luxembourg
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	US
EDD	Enhanced Due Diligence	Europe
EEA	European Economic Area	EU
ELTIF	European Long-Term Investment Fund	EU
EMIR	European Markets and Infrastructure Regulation	EU
EP	(Stock) Exchange Participant	Hong Kong
ESMA	European Securities and Markets Authority	EU
EU CMU	European Commission Capital Market Union	Europe
FATCA	Foreign Account Tax Compliance Act	US
FATF	Financial Action Task Force	International
FCA	Financial Conduct Authority	UK
FI	Financial Institution	International
FFI	Foreign Financial Institution	US
FinCEN	The Financial Crimes Enforcement Network	US
FMI	Financial Market Infrastructure	Hong Kong
FSB	Financial Stability Board	International
FRR	Financial Regulations and Rules	Hong Kong
FSTB	Financial Services and Treasury Bureau	Hong Kong
GDF	Guernsey Disclosure Facility	Channel Islands
GFAS	Guernsey Financial Advice Standards	Channel Islands
GFSC	Guernsey Financial Services Commission	Channel Islands
HKMA	Hong Kong Monetary Authority	Hong Kong
HKSCC	Hong Kong Securities Clearing Company Limited	Hong Kong
HMRC	Her Majesty's Revenue & Customs	UK
IA	Insurance Authority	Hong Kong

Abbreviation	Definition	Relevant Jurisdiction
ICAV	Irish Collective Asset-Management Vehicle	Ireland
ICB	Independent Commission on Banking	UK
IFIA	Irish Funds Industry Association	Ireland
IFPRU	Prudential Sourcebook for Investment Firms (FCA)	UK
IFRS	International Financial Reporting Standards	International
IGA	Intergovernmental Agreement	US
IM	SEC's Division of Investment Management	US
IMF	International Monetary Fund	International
IRAS	Inland Revenue Authority of Singapore	Singapore
IRS	Internal Revenue Service	US
JDF	Jersey Disclosure Facility	Channel Islands
JFSC	Jersey Financial Services Commission	Channel Islands
KID	Key Information Document	International
KIID	Key Investor Information Document	Ireland
KYC	Know Your Customer	International
LC	Licensed Corporation	Hong Kong
MA	Monetary Authority	Hong Kong
MAD	Market Abuse Directive	EU
MAR	Market Abuse Regulation	EU
MAS	Monetary Authority of Singapore	Singapore
MiFID	Markets in Financial Instruments Directive	EU
MiFIR	Markets in Financial Instruments Regulation	EU
MLD4	Fourth Money Laundering Directive	UK
MRLO	Money Laundering Reporting Officer	International
MTF	Multilateral Trading Facility	EU
NPPR	National Private Placement Regime	EU
OCIE	Office of Compliance Inspections and Examinations	US
ODD	Operational Due Diligence	International
OECD	Organisation for Economic Co-operation and Development	International
OTC	Over-the-Counter	International
OTF	Organized Trading Facility	EU

Abbreviation	Definition	Relevant Jurisdiction
PCC	Protected Cell Company	Guernsey
PEP	Politically Exposed Person	International
PRA	Prudential Regulation Authority	UK
PRIPs	Packaged Retail Investment Products	UK
RAIF	Reserved Alternative Investment Fund	Luxembourg
RCCI	Responsable de Conformité et Contrôle Interne	France
REMIT	Regulation on Energy Market Integrity and Transparency	EU
RIA	Regulatory Impact Analysis/Assessment	Hong Kong
RRD	Recovery and Resolution Directive	EU
RCSI	Responsable de la Conformité pour les Services d'Investissement	France
SAR	Suspicious Activity Report	International
SDD	Simplified Due Diligence	Europe
SEC	Securities and Exchange Commission	US
SEHK	Stock Exchange of Hong Kong	Hong Kong
SFC	Securities and Futures Commission	Hong Kong
SFO	Securities and Futures Ordinance	Hong Kong
SICAV	Soci`et`e d'investissement a' Capital Variable	France
SIFI	Systematically Important Financial Institutions	International
SME	Small and Medium-Sized Enterprises	International
SMR	Senior Managers Regime	UK
SSE	Shanghai Stock Exchange	Asia
STR	Suspicious Transaction Report	International
SURFI	Syst`eme Unifie' de Reporting Financier	France
TR	Trade Repository	EU
TRACFIN	Traitement du renseignement et action contre les circuits financiers clandestins	France
TRUM	Transaction Reporting User Manual	Europe
UCITS	Undertaking For Collective Investment in Transferable Securities	EU
(US) GAAP	US Generally Accepted Accounting Principles	US

LUXEMBOURG

SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

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A question of structure

The AIFMD continues to dominate agendas in Luxembourg. The new regime has been in place for more than two years and much of the uncertainty and confusion around it has dissipated.

There are two reasons why it remains topical, however. The first is that a number of firms outside the EU have wanted to see how the various operating models developed pan out before committing to one. With firms now up and running, there's empirical evidence for them to work with.

The second reason is Brexit. Depending on the outcome, it could mean the number of firms confronting this issue is about to get a lot higher.

The challenge for any firm is the requirement to have a EU presence in order to market and distribute products to European investors under the passporting regime. This requires demonstrating firm's operations have the necessary "substance" in the EU: the processes, procedures, staff and infrastructure on the ground that constitute a tangible presence. These will include significant functions such as risk management, portfolio management, operational risk management and distribution.

Not so binary

While there have been attempts to outsource part of the process, two main operating models fulfilling the requirements of the AIFMD have emerged. The first is insourcing – building up the infrastructure in a jurisdiction such as Luxembourg to serve EU clients.

Provided this entails establishing a genuine operating entity in the country, there's little doubt it will meet the requirements for adequate substance. It requires, however, investing significant resources at a time of uncertainty within the EU. It also requires significant time; firms are unlikely to gain the necessary regulatory licenses in under six or nine months. It can often take up to a year.

It's the second of these factors as much as the first helping drive interest in the alternative to insourcing: engaging a third-party management company. The model is cost-effective and, more importantly for some, with the right regulatory licenses already in place it accelerates speed to market.

As a result, the model is gaining traction with not just those who have decided against setting up an entity in the EU as a way to gain access to the market, but also as an interim solution for those who are doing so. It's an arrangement that could well end up coming in useful for UK firms making the transition to life outside the EU.

Regulatory calendar – Luxembourg

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 8 and 9.

Topic	Update	Anticipated/ actual date	Advisors	Brokers	Private equity	Hedge fund/ investment manager	Others entities impacted
MIFID II/MIFIR	Introduces range of measures seeking to address some of the weaknesses of MIFID I and consequences of the global financial crisis impacting business and operating models, people, processes, data and systems. Main impacts are expected for banks, broker-dealers and trading venues and concern transactions reporting, pre-and post-trade transparency, high-frequency trading provisions, investor protection, third-country access and internal controls and governance and inducements prohibition for discretionary asset management and independent advise. The MiFID2 Amending Directive (2016/1034) and MiFIR Amending Regulation (2016/1033), which postpone the transposition and application deadlines for MiFID2 and MiFIR by one year, were published in the Official Journal on June 30, 2016. The Directive and Regulation both entered into force on July 1, 2016. The deadline for EU Member States to transpose MiFID2 into national legislation will be July 3, 2017, and the date of application of both MiFID2 and MiFIR will be January 3, 2018.	Entry into force July 1, 2016 - Transposition into local law by July 3, 2017 - Applicable from January 3, 2018.	Possible	Yes	Possible	Yes	Investment banks and custodian banks, private and retail banking, insurance (in addition to investment managers) and market infrastructures

Topic	Update	Anticipated/ actual date	Advisors	Brokers	Private equity	Hedge fund/ investment manager	Others entities impacted
UCITS V	Basically an alignment on the provisions already implemented with AIFMD as regards depositary regime, manager remuneration and sanctions. Main provisions are appointment of a single depositary through written contract, definition of eligible entities that can be appointed as depositaries, definition of the depositaries oversight, safe-keeping/record-keeping and cash flow monitoring duties, delegation arrangements, liability regime, remuneration policies and practices, and sanctions and whistle blowing regime.	Level 2 measures came into force on April 12, 2016, and start applying on October 13, 2016. Transposition of UCITS V Directive into Luxembourgish law occurred on May 10, 2016.	N/A	N/A	N/A	Yes (Management companies of UCITS and UCI)	Depositary banks
Remuneration guidelines for UCITS and AIFs	Both the UCITS Remuneration Guidelines and the amendment to the AIFMD Remuneration Guidelines will apply beginning January 1, 2017. ESMA Published on October 14, 2016, the last version its guidelines on sound remuneration policies under AIFMD.	Remuneration guidelines will apply January 1, 2017.	N/A	N.A	Yes	Yes	Management companies and AIFM

Topic	Update	Anticipated/ actual date	Advisors	Brokers	Private equity	Hedge fund/ investment manager	Others entities impacted
Directive 2015/849 (4th AML Directive)	Stronger framework to combat money laundering and terrorism financing, main provisions are risk assessment and risk-based approach, increased transparency, tax crimes now considered predicate offence, extension to gambling sector, third-country policy and customer due diligence waiver (for certain e-money products). Fourth AMLD should be effective in Luxembourg by June 26, 2017, at the latest.	Directive EU 2015/849 of the European Parliament and Council of May 20, 2015. Member states should transpose these requirements into national laws by June 26, 2017, at the latest.	Yes	Yes	Yes	Yes	Applicable to ALL in general (credit institutions and financial institutions, auditors, tax advisors, accountants, notaries, trusts and company service providers, estate agents, providers of gambling services)
Automatic exchange of information among EU member states (CRS)	Directive of October 14, 2014, of the European Council including automatic exchange of information based on Common Reporting Standards of OECD (CRS). First reporting in 2017. Under Luxembourg law, Luxembourg financial institutions ('FIs', a notion including not only banks, but also investment funds, certain insurers, certain corporate service providers and professionals of the financial sector and certain non-supervised investment entities) have to provide, before June 30 of each year, to the Luxembourg tax authorities, reportable information corresponding to the previous calendar year (for the first time, on or before June 30, 2017, regarding calendar year 2016).	Application in Luxembourg before June 30, 2017, reporting year 2016.	N/A	N/A	N/A	N/A	EU member states

Topic	Update	Anticipated/ actual date	Advisors	Brokers	Private equity	Hedge fund/ investment manager	Others entities impacted
PRIIPS	On December 9, 2014, the Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) ('PRIIPS Regulation') has been published in the Official Journal of the European Union. The European Parliament voted to accept a motion to delay PRIIPs for 12 months, completing the legal process just in time to put a formal delay into effect. The new date of application for PRIIPs will now be December 31, 2017.	December 31, 2017	Possible	N/A	Possible	Possible if retail	Investment banks and custodian banks, private and retail banking, insurance (in addition to investment managers) and market infrastructures
SFTR	On January 29, 2014, the European Commission published a proposal to regulate SFTs, setting out a timeline for its publication and implementation. The Commission anticipates that it will be published and enter into force towards the end of 2015. Following this, ESMA has draft regulatory and implementing technical standards. Securities financing transactions (SFTs) are transactions where securities are used to borrow cash (or other higher investment-grade securities), or vice versa. This includes repurchase transactions, securities lending and sell/buy-back transactions. The SFTR will require both financial and non-financial market participants to report details of their SFTs to an approved EU trade repository. These details will include the composition of the collateral, whether the collateral is available for reuse or has been reused, the substitution of collateral at the end of the day and the haircuts applied Finally, the commission expects the SFT regulation to enter into application in 2017, following which many firms will have a requirement to report the SFTs which they engage in to a trade repository.	2015 Q4 - regulation finalized 2016 Q4 - Level 2 technical regulatory standards 2018 Q1 - Go live	Possible	Yes	Yes	Yes	Investment banks and custodian banks, private and retail banking, insurance (in addition to investment managers) and market infrastructures

Topic	Update	Anticipated/ actual date	Advisors	Brokers	Private equity	Hedge fund/ investment manager	Others entities impacted
RAIF (Reserved Alternative Investment Fund)	On July 14, 2016, the Luxembourg parliament voted on a law regarding the Reserved Alternative Investment Fund (RAIF). The 2016 law was published in the Memorial on July 28, 2016, and entered into force on August 1, 2016. The Reserved Alternative Investment Fund (RAIF) regime will significantly widen the options for private equity, real estate or hedge funds managers in Luxembourg. The new Reserved Alternative Investment Fund (RAIF) regime proposes to provide all the existing benefits associated to the specialized investment fund (SIF) or Société d'investissement à capital variable (SICAR) regimes in a pragmatic legal environment. One of the key benefits of the Reserved Alternative Investment Fund (RAIF) regime for fund managers will be the absence of overlapping of regulations at the product level (the product will not be subject to CSSF supervision) and manager levels offering unique go-to-market capabilities compared to offshore fund regimes or other existing onshore fund regimes.	Entry into force in August 1, 2016.	Possible	NA	Yes	Yes	Management companies and AIFM
AIFMD Third Country Management Passport	On October 11, 2016, ESMA's advice on the application of the AIFMD passport to non-EU AIFMs and AIFs of July 18, 2016, (amended September 12, 2016). 1. The ability of non-EEA Managers to manage (EEA AIF) and market any Alternative Investment Fund to Investors Domicile in the EEA via a passport; and 2. The ability of any Alternative Investment Fund Manager (established within the EEA or not) to market non-EEA Alternative Investment Funds to Investors Domicile in the EEA via a Passport.	No specific date	Possible	NA	Yes	Yes	Management companies and AIFM

Topic	Update	Anticipated/ actual date	Advisors	Brokers	Private equity	Hedge fund/ investment manager	Others entities impacted
ELTIF	On April 20, 2015, the Council of the EU published the text of the Regulation on European Long-Term Investment Fund (Regulation). The European long-term investment fund (ELTIF) is a pan-European regime for Alternative Investment Funds (AIF) that channel the capital they raise towards European long-term investments in the real economy, in line with the European Union objective of smart, sustainable and inclusive growth. The ELTIF represents a milestone in the development of the cross-border European long-term funds business. On June 8, 2016, the European Securities and Markets Authority (ESMA) issued its Final Report on Draft Regulatory Technical Standards (RTS) under the European Investment Funds (ELTIF) Regulation.	No specific date as the RTS have been submitted to European Commission.	Possible	NA	Yes	Yes	Management companies and AIFM

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Of course, regulators' current preoccupations will continue to challenge firms in the coming year. Across jurisdictions, the regulatory response to the financial crisis still dominates many agendas. Preparations continue for MiFID II in France, Luxembourg and elsewhere, for example. Outside the EU, Hong Kong and Singapore are also gearing up for increased regulation of OTC derivatives.

Likewise, long-standing battles against money laundering and tax evasion continue. They will see renewed activity in 2017 with the deadline for implementation of the EU's 4th AML Directive, and the first reporting under the OECD's Common Reporting Standard.

The regulatory drive towards individual accountability also continues to spread. Hong Kong's new Managers in Charge Regime is the most significant development in this respect since the introduction of the Senior Managers Regime in the UK. After almost ten years, regulators increasingly seem to feel they have found an answer to the question of how to change culture in the financial services industry: It starts with the individual.

Newer priorities are also taking their place. Perhaps most obviously, growing concerns over cyber security look likely to be reflected in increased activity from regulators, if not absolute clarity over the requirements firms must meet. As the risks of cyber criminals and state actors evolve, and fintech develops, so too will the regulatory response.

Tighter deadlines

All this, however, merely underlines the uncertainties ahead. The consensus that has formed in the aftermath of the financial crisis is now open to question following the Brexit vote in the UK, election of Trump in the US, and rise of populist politicians across many European countries. These changes have the potential to transform the regulatory environment.

Even under the existing regulatory regime, Brexit cannot avoid having a significant regulatory impact; the AIFMD is once again dominating the regulatory agenda in Luxembourg two years after implementation, for example, in part because of anticipation that UK firms may soon be looking to models there that allow firms to benefit from the EU's passporting regime.

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Two things do seem clear, however. First, the push-back against globalisation must call into question the move towards international standardisation of financial regulation that has been a feature of the past decade. Whether it will be reversed or merely slowed remains to be seen.

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CFT	Combatting the Financing of Terrorism	International
CIFO	Channel Islands Financial Ombudsman	Channel Islands
CIMA	Cayman Islands Monetary Authority	Cayman Islands
CIS	Collective Investment Scheme	Switzerland
CMP	Compliance Monitoring Programme	International
CONC	Consumer Credit Sourcebook	UK
COREP	Common Reporting	EU
CPI	Corporate Professional Investor	International
CR	Certification Regime	UK

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EU CMU	European Commission Capital Market Union	Europe
FATCA	Foreign Account Tax Compliance Act	US
FATF	Financial Action Task Force	International
FCA	Financial Conduct Authority	UK
FI	Financial Institution	International
FFI	Foreign Financial Institution	US
FinCEN	The Financial Crimes Enforcement Network	US
FMI	Financial Market Infrastructure	Hong Kong
FSB	Financial Stability Board	International
FRR	Financial Regulations and Rules	Hong Kong
FSTB	Financial Services and Treasury Bureau	Hong Kong
GDF	Guernsey Disclosure Facility	Channel Islands
GFAS	Guernsey Financial Advice Standards	Channel Islands
GFSC	Guernsey Financial Services Commission	Channel Islands
HKMA	Hong Kong Monetary Authority	Hong Kong
HKSCC	Hong Kong Securities Clearing Company Limited	Hong Kong
HMRC	Her Majesty's Revenue & Customs	UK
IA	Insurance Authority	Hong Kong

Abbreviation	Definition	Relevant Jurisdiction
ICAV	Irish Collective Asset-Management Vehicle	Ireland
ICB	Independent Commission on Banking	UK
IFIA	Irish Funds Industry Association	Ireland
IFPRU	Prudential Sourcebook for Investment Firms (FCA)	UK
IFRS	International Financial Reporting Standards	International
IGA	Intergovernmental Agreement	US
IM	SEC's Division of Investment Management	US
IMF	International Monetary Fund	International
IRAS	Inland Revenue Authority of Singapore	Singapore
IRS	Internal Revenue Service	US
JDF	Jersey Disclosure Facility	Channel Islands
JFSC	Jersey Financial Services Commission	Channel Islands
KID	Key Information Document	International
KIID	Key Investor Information Document	Ireland
KYC	Know Your Customer	International
LC	Licensed Corporation	Hong Kong
MA	Monetary Authority	Hong Kong
MAD	Market Abuse Directive	EU
MAR	Market Abuse Regulation	EU
MAS	Monetary Authority of Singapore	Singapore
MiFID	Markets in Financial Instruments Directive	EU
MiFIR	Markets in Financial Instruments Regulation	EU
MLD4	Fourth Money Laundering Directive	UK
MRLO	Money Laundering Reporting Officer	International
MTF	Multilateral Trading Facility	EU
NPPR	National Private Placement Regime	EU
OCIE	Office of Compliance Inspections and Examinations	US
ODD	Operational Due Diligence	International
OECD	Organisation for Economic Co-operation and Development	International
OTC	Over-the-Counter	International
OTF	Organized Trading Facility	EU

Abbreviation	Definition	Relevant Jurisdiction
PCC	Protected Cell Company	Guernsey
PEP	Politically Exposed Person	International
PRA	Prudential Regulation Authority	UK
PRIPs	Packaged Retail Investment Products	UK
RAIF	Reserved Alternative Investment Fund	Luxembourg
RCCI	Responsable de Conformité et Contrôle Interne	France
REMIT	Regulation on Energy Market Integrity and Transparency	EU
RIA	Regulatory Impact Analysis/Assessment	Hong Kong
RRD	Recovery and Resolution Directive	EU
RCSI	Responsable de la Conformité pour les Services d'Investissement	France
SAR	Suspicious Activity Report	International
SDD	Simplified Due Diligence	Europe
SEC	Securities and Exchange Commission	US
SEHK	Stock Exchange of Hong Kong	Hong Kong
SFC	Securities and Futures Commission	Hong Kong
SFO	Securities and Futures Ordinance	Hong Kong
SICAV	Soci`et`e d'investissement a' Capital Variable	France
SIFI	Systematically Important Financial Institutions	International
SME	Small and Medium-Sized Enterprises	International
SMR	Senior Managers Regime	UK
SSE	Shanghai Stock Exchange	Asia
STR	Suspicious Transaction Report	International
SURFI	Syst`eme Unifie' de Reporting Financier	France
TR	Trade Repository	EU
TRACFIN	Traitement du renseignement et action contre les circuits financiers clandestins	France
TRUM	Transaction Reporting User Manual	Europe
UCITS	Undertaking For Collective Investment in Transferable Securities	EU
(US) GAAP	US Generally Accepted Accounting Principles	US

FRANCE

SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

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Time for some deep thinking

The enforcement regime in France continues to harden. The Autorité des marchés financiers (AMF) is proving active in pursuing both on-going actions against market abuse and more general reviews of investment firms' compliance and controls. Penalties continue to ratchet up, with seven-figure fines increasingly common.

The AMF seems particularly frustrated by failures to property allocate trades. Public statements suggest it has little patience with firms still unable to demonstrate proper pre-trade allocation processes and post-trade checks to ensure fair treatment between portfolios. Valuation of unlisted or hard-to-value securities is another area of concern.

Both are likely to see continued regulatory attention in the coming year, with sanctions for failures only toughening. The biggest regulatory change ahead for those that have not already addressed it, however, will be the introduction of MiFID II next January. This will see a significant restructuring of the regulatory regime for investment firms in France.

A new regime

To its credit, the AMF has taken a proactive approach, and in April 2016 issued guidance to help firms.[1] Essentially, for firms with collective investment schemes under the UCITS or AIFMD regimes, changes will be minimal. MiFID II may still have indirect impacts for firms as a result of demands from distributors or others they deal with, but the regulatory requirements from the AMF will be minimal.

Firms conducting solely private client work or alternatives managers who have not opted to become an AIFM under the directive, however, face a choice: either launch a fund and register under one of the two existing regimes, or become subject to the full provisions of MiFID II. Those choosing the latter course will from next January be regulated by the French Prudential Supervision and Resolution Authority (ACPR) rather than the AMF.

The choice is an important one. The requirements of MiFID II around areas like transaction reporting, distribution governance, incentives and inducement are significant. The tougher approach to enforcement in France, meanwhile, suggests failures to meet these will have serious consequences.

Firms' time to make a decision is running out. This year they must ask themselves the hard questions if they're to avoid more difficult ones from regulators further down the line.

1 http://www.amf-france.org/en_US/Reglementation/Dossiers-thematiques/Marches/Directive-MIF/Transposition-de-MIF2---l-AMF-publie-un-guide-pour-accompagner-les-societes-de-gestion.html

Regulatory calendar – France

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 8 and 9.

Topic	Update	Date(s)	UCITS fund manager or UCITS fund	Alternative investment fund Manager or alternative investment fund	Financial services providers (ACPR-regulated entities)
French anti-bribery and corruption laws	The French parliament has adopted the bill 'relating to transparency, anti-corruption and modernisation of the economy' on November 8, 2016. It contains important provisions on the status of whistle-blowers and on the introduction of a corporate duty to prevent corruption, with an obligation for firms to establish and operate an anti-corruption compliance program. These new obligations concern all French companies with over 500 employees and €100million in annual turnover as well as their subsidiaries.	December 10, 2016	Yes	Yes	Yes
Energy Saving Directive	On August 17, 2015, the French parliament adopted the Energy Transition Law containing numerous measures to encourage energy savings, together with a 2030 energy-saving target which is considerably more ambitious than that given by the EU. One effect of implementation of the directive is that it may impact PE funds investing in 'large enterprises' in that all portfolio companies may be caught by the requirement to perform energy audits. French asset managers will be required to publish further information about how environmental, social and governance (ESG) factors are taken into account in their investment and risk management policies, with a focus on climate risk and a requirement to calculate the carbon footprint of the portfolios under management.	December 31, 2016	Yes	Yes	Yes

Topic	Update	Date(s)	UCITS fund manager or UCITS fund	Alternative investment fund Manager or alternative investment fund	Financial services providers (ACPR-regulated entities)
Statistical data transaction reporting	Transaction reporting to the Banque de France - statistical data collection on cross-border financial flows by financial services providers.	February 26, 2017	Yes	Yes	Yes
Anti-money laundering table	ACPR-Regulated firms 'SURFI (Syst`eme Unifie' de Reporting Financier) Report' - anti-money laundering table. In 2017 French financial services providers and French branches of non-French EEA financial services providers share the same deadline for SURFI reporting.	February 28, 2017	No	No	Yes
European Markets and Infrastructure Regulation (EMIR)	EMIR affects fund managers with collective investment schemes domiciled in the EEA, or which trade derivatives with EEA counterparties. Counterparties to OTC derivative transactions are required to obtain and hold unique identifiers (Legal Entity Identifiers or LEI) and to report certain derivative transactions to a trade repository, post collateral and provide valuation data. On March 1, 2017, margining rules are expected to come into force requiring parties to the transaction to post variation margin as well as initial margin in relation to each trade.	March 1, 2017	Possible	Possible	Possible
Annual reporting by financial services providers to ACPR	Submission to ACPR and to firm's governing body of the Annual Compliance Report, annual Risk Measurement and Monitoring Report and Report on Remuneration Policy and Practice. RCSI Report to be submitted to the ACPR.	April 30, 2017	No	No	Yes

Topic	Update	Date(s)	UCITS fund manager or UCITS fund	Alternative investment fund Manager or alternative investment fund	Financial services providers (ACPR-regulated entities)
UCITS Fund Manager Marketing Report	Reporting to AMF of list of UCITS funds marketed under the passport regime in another member state, including mention of the name and registration number of the UCITS fund, the countries concerned, date of marketing passport and the name of the issuing competent national authority.	April 30, 2017	Yes	No	No
Annual AMF contribution	Deadline for payment of annual fees to the AMF by investment service providers regulated by the AMF or the ACPR, and for fund structures with a corporate form (e.g, SICAVs (Soci`et`e d'investissement a' Capital Variable)).	April 30, 2017	Yes	Yes	Possible
Asset Management Companies Annual AMF Report	Annual Information Sheet and Compliance Officer's Report to be submitted to the AMF.	May 15, 2017	Yes	Yes	No
Fourth Money Laundering Directive (MLD4)	MLD4-The directive contains a number of provisions intended to strengthen the anti-money laundering regime across Europe and will replace 3MLD. Principal initiatives include: • the creation of a central register of beneficial owners, with up-to-date information on ownership of legal and corporate entities • a revised definition of beneficial owner with the measure of 25% control or interest as an indication only of beneficial ownership • the end of the distinction between foreign and domestic 'politically exposed persons' • formalised documented AML risk assessment at the firm level • changes to the situations under which simplified due diligence during KYC process may take place The French Ordonnance n°2016-1635 transposing this directive was published on December 1, 2016. It will enter into force on June 26, 2017. A revised Funds Transfer Regulation increased transparency of payments originating outside each member state. Beneficiaries of payments over €1,000 must now be identified. It entered into force on June 26, 2015.	June 26, 2017	Yes	Yes	Yes

Topic	Update	Date(s)	UCITS fund manager or UCITS fund	Alternative investment fund Manager or alternative investment fund	Financial services providers (ACPR-regulated entities)
FATCA	FATCA requires French financial institutions (including investment funds) identify and report on US persons to the French tax authorities via the web portal for 'Tiers Déclarants', TéléTD. The French tax administration then passes on the data to the IRS. FATCA reporting is required for all new accounts, and includes a nil reporting requirement where no new accounts have been opened over the period. Reporting for the year 2016 must be completed by July 31, 2017. The TéléTD service opens for FATCA declarations on May 2, 2017.	July 31, 2017	Yes	Yes	Yes
CRS	The OECD, together with G20 countries, has developed a new single standard for automatic exchange of information to better fight tax evasion and ensure tax compliance. 99 countries have signed the agreement to date. The aim of the CRS is to allow tax authorities to have full access to information regarding financial assets held by tax residents beyond its borders. The first reporting by entities in France will take place in September 2017 with respect to the year ended December 31, 2016.	September 1, 2017	Yes	Yes	Yes
MiFID II/MiFIR	Application dates for both the regulation and directive to amend the original MiFID have been extended by one year to January 3, 2018. Notable changes from MiFID include the creation of organised trading facilities, increased regulation of commodity trading and further restrictions on automated/high-frequency trading.	January 3, 2018	Yes	Yes	Yes

Topic	Update	Date(s)	UCITS fund manager or UCITS fund	Alternative investment fund Manager or alternative investment fund	Financial services providers (ACPR-regulated entities)
Packaged Retail Investment & Insurance-based Investment Products (PRIIPs) regulations	The application date was recently extended by one year to January 1, 2018. Retail investors in qualifying PRIPs must be provided with standard, transparent information in the form of a key information document (KID). Firms managing collective investment schemes open to retail investors and currently exempt from the KID obligation must adopt a PRIPs-format KID before that date. The final content is still uncertain as the European Commission is now working closely with the European Supervisory Authorities to make targeted changes to the Regulatory Technical Standards.	January 1, 2018	Yes	Yes	No
EU General Data Protection Regulation	The Data Protection Regulation will become directly applicable in all EU member states on May 25, 2018. The objective of this new set of rules is to give citizens control over their personal data, and to simplify the regulatory environment for business. Financial services providers will need to ensure that personal rights in relation to data protection are respected, such as the right for clients to obtain and reuse their personal data.	May 25, 2018	Yes	Yes	Yes

Topic	Update	Date(s)	UCITS fund manager or UCITS fund	Alternative investment fund Manager or alternative investment fund	Financial services providers (ACPR-regulated entities)
Asset management company compliance audit and risk report	Compliance, audit and risk report detailing the corrective action taken where failings in the compliance function have been detected.	Minimum on an annual basis	Yes	Yes	No
Asset management company annual declaration of relevant changes	Annual declaration of any changes which occurred over the preceding 12 months to the firm's staff, direct or indirect shareholders, subsidiaries or other holdings, memorandum and articles or TRACFIN (Traitement du renseignement et action contre les circuits financiers clandestins) (MLRO) officer.	Declaration on anniversary date of the firm's authorisation and only where a change has taken place over the preceding 12 months.	Yes	Yes	No

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FMI	Financial Market Infrastructure	Hong Kong
FSB	Financial Stability Board	International
FRR	Financial Regulations and Rules	Hong Kong
FSTB	Financial Services and Treasury Bureau	Hong Kong
GDF	Guernsey Disclosure Facility	Channel Islands
GFAS	Guernsey Financial Advice Standards	Channel Islands
GFSC	Guernsey Financial Services Commission	Channel Islands
HKMA	Hong Kong Monetary Authority	Hong Kong
HKSCC	Hong Kong Securities Clearing Company Limited	Hong Kong
HMRC	Her Majesty's Revenue & Customs	UK
IA	Insurance Authority	Hong Kong

Abbreviation	Definition	Relevant Jurisdiction
ICAV	Irish Collective Asset-Management Vehicle	Ireland
ICB	Independent Commission on Banking	UK
IFIA	Irish Funds Industry Association	Ireland
IFPRU	Prudential Sourcebook for Investment Firms (FCA)	UK
IFRS	International Financial Reporting Standards	International
IGA	Intergovernmental Agreement	US
IM	SEC's Division of Investment Management	US
IMF	International Monetary Fund	International
IRAS	Inland Revenue Authority of Singapore	Singapore
IRS	Internal Revenue Service	US
JDF	Jersey Disclosure Facility	Channel Islands
JFSC	Jersey Financial Services Commission	Channel Islands
KID	Key Information Document	International
KIID	Key Investor Information Document	Ireland
KYC	Know Your Customer	International
LC	Licensed Corporation	Hong Kong
MA	Monetary Authority	Hong Kong
MAD	Market Abuse Directive	EU
MAR	Market Abuse Regulation	EU
MAS	Monetary Authority of Singapore	Singapore
MiFID	Markets in Financial Instruments Directive	EU
MiFIR	Markets in Financial Instruments Regulation	EU
MLD4	Fourth Money Laundering Directive	UK
MRLO	Money Laundering Reporting Officer	International
MTF	Multilateral Trading Facility	EU
NPPR	National Private Placement Regime	EU
OCIE	Office of Compliance Inspections and Examinations	US
ODD	Operational Due Diligence	International
OECD	Organisation for Economic Co-operation and Development	International
OTC	Over-the-Counter	International
OTF	Organized Trading Facility	EU

Abbreviation	Definition	Relevant Jurisdiction
PCC	Protected Cell Company	Guernsey
PEP	Politically Exposed Person	International
PRA	Prudential Regulation Authority	UK
PRIPs	Packaged Retail Investment Products	UK
RAIF	Reserved Alternative Investment Fund	Luxembourg
RCCI	Responsable de Conformité et Contrôle Interne	France
REMIT	Regulation on Energy Market Integrity and Transparency	EU
RIA	Regulatory Impact Analysis/Assessment	Hong Kong
RRD	Recovery and Resolution Directive	EU
RCSI	Responsable de la Conformité pour les Services d'Investissement	France
SAR	Suspicious Activity Report	International
SDD	Simplified Due Diligence	Europe
SEC	Securities and Exchange Commission	US
SEHK	Stock Exchange of Hong Kong	Hong Kong
SFC	Securities and Futures Commission	Hong Kong
SFO	Securities and Futures Ordinance	Hong Kong
SICAV	Soci`et`e d'investissement a' Capital Variable	France
SIFI	Systematically Important Financial Institutions	International
SME	Small and Medium-Sized Enterprises	International
SMR	Senior Managers Regime	UK
SSE	Shanghai Stock Exchange	Asia
STR	Suspicious Transaction Report	International
SURFI	Syst`eme Unifie' de Reporting Financier	France
TR	Trade Repository	EU
TRACFIN	Traitement du renseignement et action contre les circuits financiers clandestins	France
TRUM	Transaction Reporting User Manual	Europe
UCITS	Undertaking For Collective Investment in Transferable Securities	EU
(US) GAAP	US Generally Accepted Accounting Principles	US

CHANNEL ISLANDS

SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

CHANNEL ISLANDS

International expectations

They are already outside the EU, but Brexit is still the big issue looking ahead for the Channel Islands. The islands, which are part of the Customs Union, have long relied on Britain to represent their interests in the EU.

The uncertainty is already being felt. In Jersey, the regulator published a consultation in April on whether the island should introduce a MiFID II equivalent regime to enable local firms to export services to professional clients across the EU. It would not be "without cost", the Jersey Financial Services Commission (JFSC) Deputy Director General John Everett admitted,[1] and there was some opposition. The Brexit vote has perhaps made any progress less likely.

The bigger danger is that, without the UK government to represent them, the islands will be less well placed to fight off any attempts to blacklist them as offshore tax havens. That would be a big blow to their reputation and business.

It would also be profoundly unfair. As last year's MONEYVAL reports[2] recognised, the islands have strong anti-money laundering regimes – in many ways tougher than the UK's and EU's.

ESMA has also recommended that both Jersey and Guernsey should be among the countries granted an AIFMD passport.[3] It assessed whether there were significant obstacles around investor protection, competition, market disruption and the monitoring of systemic risk that should prevent application of the AIFMD passport. It found none.

That won't surprise firms on the islands, who face the same challenges as their onshore colleagues in ensuring cost-effective compliance with tough regulatory standards. Indeed, much of the work this year will be meeting international requirements: the Common Reporting Standard, with reporting deadlines coming up in mid-2017; the EU General Data Protection Regulation, applicable to all those processing information of EU citizens; and the UK's market abuse regulations, which have extra-jurisdictional reach.

Added to that, those in Jersey face the prospect of civil penalties, introduced by the regulator last year, but yet to be used against a firm. (They were already in place in Guernsey). That may illicit little sympathy from those elsewhere used to facing stiff penalties, but their novelty in Jersey makes them particularly threatening in one way. After all, no one wants to be the first.

1 https://www.jerseyfsc.org/pdf/2016_04_26_MiFID_II_Consultation_press_release.pdf
2 https://www.gfsc.gg/news/article/moneyval-assessment-bailiwicks-anti-money-laundering-and-combating-financing-terrorism http://www.jerseyfsc.org/the_commission/international_co-operation/evaluations/moneyval.asp
3 https://www.esma.europa.eu/press-news/esma-news/esma-advises-extension-funds-passport-12-non-eu-countries

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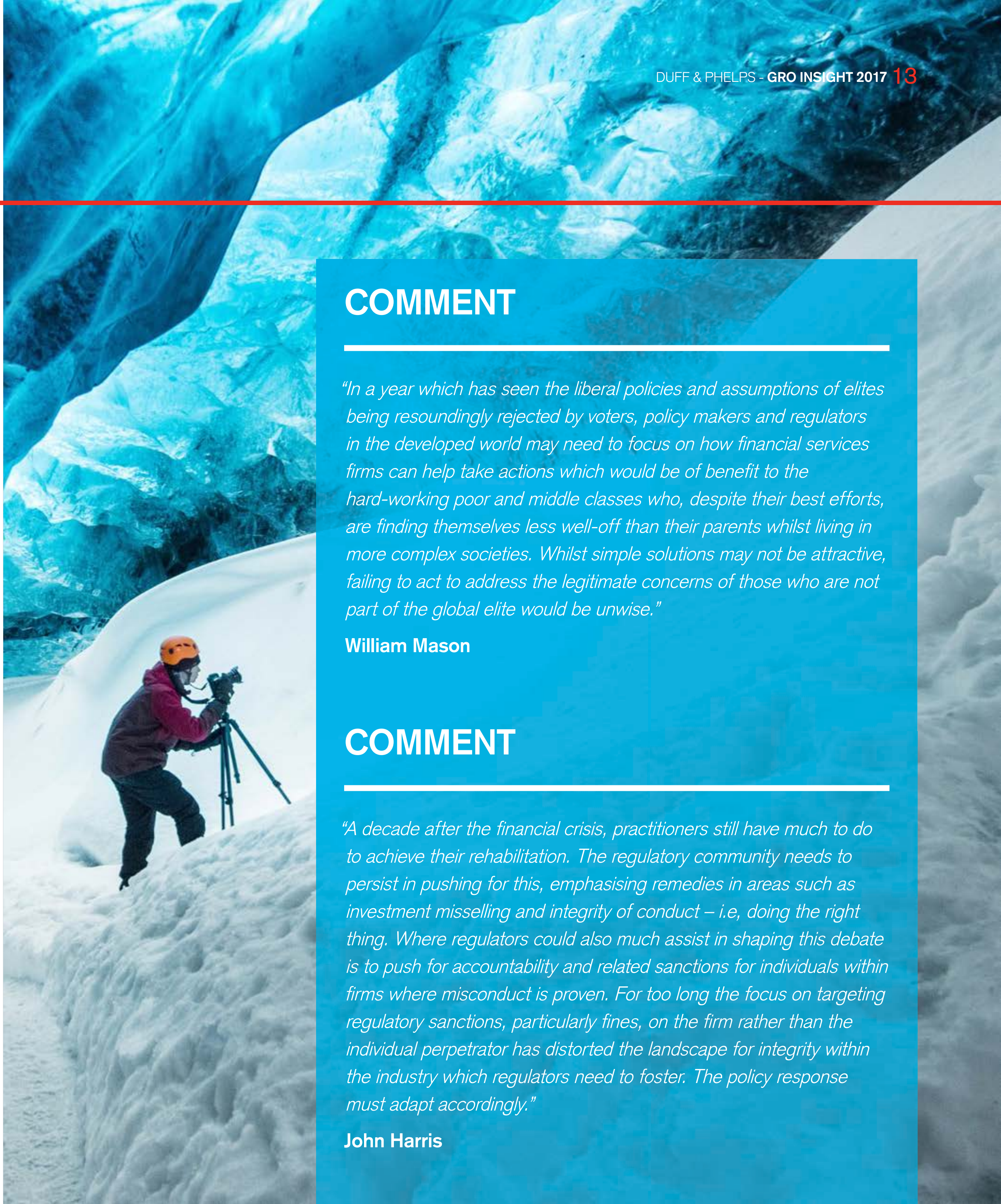

COMMENT

"In a year which has seen the liberal policies and assumptions of elites being resoundingly rejected by voters, policy makers and regulators in the developed world may need to focus on how financial services firms can help take actions which would be of benefit to the hard-working poor and middle classes who, despite their best efforts, are finding themselves less well-off than their parents whilst living in more complex societies. Whilst simple solutions may not be attractive, failing to act to address the legitimate concerns of those who are not part of the global elite would be unwise."

William Mason

COMMENT

"A decade after the financial crisis, practitioners still have much to do to achieve their rehabilitation. The regulatory community needs to persist in pushing for this, emphasising remedies in areas such as investment misselling and integrity of conduct – i.e, doing the right thing. Where regulators could also much assist in shaping this debate is to push for accountability and related sanctions for individuals within firms where misconduct is proven. For too long the focus on targeting regulatory sanctions, particularly fines, on the firm rather than the individual perpetrator has distorted the landscape for integrity within the industry which regulators need to foster. The policy response must adapt accordingly."

John Harris

Regulatory calendar – Jersey

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 8 and 9.

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund service business regulated	Investment business regulated
Common Reporting Standard	The CRS sets out the financial information to be exchanged, the financial institutions required to report, along with common due diligence standards to be followed by financial institutions. Under the CRS, participating financial institutions will be required to exchange certain information held by financial institutions regarding their non-resident customers. Over 90 jurisdictions have committed to exchanging information under the CRS and a group of over 40 countries have committed to the early adoption of CRS, with the first data exchanges taking place in September 2017. Regulations regarding CRS (Taxation (Implementation) (International Tax Compliance) (Common Reporting Standard) (Jersey) Regulations 2015) came into force on January 1, 2016. Failure to comply with the obligations under the regulations or reporting inaccurate information will result in penalties. The latest guidance notes were issued in October 2016.	2016 account information on reportable accounts to be reported to the tax authorities by June 30, 2017. Guidance notes issued periodically.	Yes	Yes	Yes	Yes
ESMA recommends an extension of AIFMD passporting to Jersey	On July 19, 2016, ESMA made a recommendation to the European Commission, Parliament, and Council that Jersey should be amongst those 'third countries' granted an AIFMD passport. ESMA concluded that no obstacles exist to the extension of the passport to Jersey. The Commission has up to six months to propose appropriate legislation and for the European Parliament and Council of Ministers to agree to the third country passporting rules becoming applicable to Jersey AIFs and AIFMs.	By January 2017	No	No	Yes	Potentially

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund service business regulated	Investment business regulated
MiFID II and MiFIR: Equivalent in Jersey	Under MiFID I Jersey is treated as a non-EU 'third country' firm by the EU with each member state deciding its own regulations regarding access to its market for the provision of investment services. No passport regime currently applies. MiFID II introduces a new regime whereby firms based in third country jurisdictions, such as Jersey, may solicit investment business from eligible counterparties and per se professional parties in the EU, provided the European Commission considers such jurisdictions to have an equivalent legal and supervisory framework. Jersey firms also need to apply to ESMA to become registered in ESMA's register of third country firms. If ESMA refuses to admit a third country firm to the ESMA Register, MiFIR still permits an individual member state to allow third country firms to provide investment services to eligible counterparties and per se professional clients under rules made in the member state. The JFSC has been holding discussions with investment businesses in Jersey to determine whether an equivalence model should be pursued. If the equivalence model goes ahead, firms can expect to see changes to the Investment Business Codes of Practice and the introduction of an Investor Compensation Scheme as a minimum. The feedback to a consultation, which closed in July 2016, was published in December 2016. Out of 27 respondents, 12 disagreed with the proposal to seek MiFID II equivalence, nine were in favour and six did not have a strong opinion either way. In response to the feedback, the JFSC has now set up stakeholder working groups, which are split into the following areas: A: Scope – IB/FSB perimeter; B: Corporate Governance and limitations on number of directorships; C: Conduct – best execution, commission, fees, costs and charges; D: Internal Systems and Controls, including information security; and E: Transaction reporting.	MiFID II implementation date has been extended to January 3, 2018, across the EU. Irrespective of the final approach on MiFID II equivalence in Jersey, the JFSC expects to make a number of changes to the Investment Business Codes of Practice in 2017.	Potentially	No	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund service business regulated	Investment business regulated
MONEYVAL/ AML	In January 2015, Jersey was assessed by MONEYVAL (a body for the Council of Europe) in respect of the island's compliance with international AML/CFT standards set by the FATF. MONEYVAL's report was published on May 24, 2016, and found that Jersey was compliant or largely compliant with 48 out of the 49 former FATF Recommendations. The JFSC is already working on a number of amendments to the AML/CFT Handbook and Money Laundering Order 2008 (Jersey) as amended to reflect MONEYVAL's findings. Firms will need to ensure their internal policies and procedures reflect such changes and provide appropriate staff training. The next round MONEYVAL assessment visit is due to take place in 2018.	2017-2018 changes to legislation and regulation in response to the recommendations in the MONEYVAL report.	Yes	Yes	Yes	Yes
Consultation paper – Funds section of the AML/CFT Handbook	The JFSC has issued a consultation paper on proposals to provide additional guidance on the application of AML/CFT requirements to funds and fund operators, together with a draft of the proposed new section 14 of the handbook. The proposed new section does not amend existing statutory obligations for funds or fund operators but aims to provide practical guidance and greater clarity on areas including CDD, business and customer risk assessments and reliance on obliged persons. Of note is the guidance on the application of CDD measures and risk assessment by funds in relation to its investors and by fund operators in relation to the fund itself.	The consultation period closed on November 25, 2016. New section expected to come into force in Q1 2017.	No	No	Yes	No

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund service business regulated	Investment business regulated
Outsourcing policy	In July 2015, the JFSC issued a revised draft outsourcing policy to assist firms in understanding what is expected if they outsource any 'material activities'. The revised draft removes the concept of 'delegation' and treats all relevant arrangements as 'outsourcing'. Subject to certain exceptions, the JFSC requires any activity which is likely to have a material impact upon the carrying out of a regulated activity to be treated as outsourcing. The commission expects to see evidence that a firm has carefully considered any outsourcing arrangements it implemented. Specific issues relating to funds are now addressed in an FAQ section. In particular, where a person provides services to a fund, the arrangement may not be treated as outsourcing provided specific disclosures are made in the fund's prospectus. A Consultation Paper for the Proposed Amended Outsourcing Policy was issued on July 18, 2016, with comments due by September 30, 2016.	Due to be issued in late Q4 of 2016 and come into force two months later.	Yes	Yes	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund service business regulated	Investment business regulated
Beneficial ownership reporting and register of directors	Further to a public consultation in Q1 2016, the JFSC issued, on November 2, 2016, a policy document detailing an enhanced policy on beneficial ownership and a register of directors. The policy, that is predominantly relevant to trust and company service providers (TCSPs) who administer Jersey corporate and legal entities, will require the TCSP to update the central registry within 21 days of knowledge of a change of beneficial ownership of a corporate that they administer. Additionally, a central register of directors of Jersey companies will be created, with information being exchanged with law enforcement and tax authorities on request on the same basis that beneficial ownership information is exchanged.	The new policy will be fully implemented by June 30, 2017. Jersey corporate or legal entities are required to confirm with the Companies Registry, between January 1, 2017, and June 30, 2017, their beneficial ownership information. The timeline for introducing the register is proposed to be by the middle of 2018.	No	Yes	Yes	No
GDPR	The General Data Protection Regulation (GDPR) was published in the Official Journal of the European Union on May 4, 2016, entered into force on May 24, 2016, and provisions will be directly applicable from May 25, 2018. Organisations across Europe now have two years to prepare for the changes. Third countries like Jersey who currently have adequacy status will need to wait a little longer for full details of that process to emerge. Early indications are that implementation of new legislation across the islands will coincide with the May 25, 2018, date. All organisations, especially those with EU clients, are advised to start considering the impact of GDPR and how their compliance models may need to adapt.	Regulation provisions will be applicable from May 25, 2018.	Yes	Yes	Yes	Yes

Regulatory calendar – Guernsey

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Topic	Update	Anticipated/recent adoption date	Banking license	Fiduciary license	Investment license
Common Reporting Standard	The CRS sets out the financial information to be exchanged, the financial institutions required to report, along with common due diligence standards to be followed by financial institutions. Under the CRS, participating financial institutions will be required to exchange certain information held by financial institutions regarding their non-resident customers. Over 90 jurisdictions have committed to exchanging information under the CRS and a group of over 40 countries have committed to the early adoption of CRS, with the first data exchanges taking place in September 2017. Guernsey is part of the early adoption. Further to regulations adopted on November 23, 2015, in Guernsey, reporting financial institutions have been required to apply due diligence from January 2016 to all financial accounts to identify and report to the Guernsey income tax office. Two bulletins were issued during 2016 to provide further guidance on the list of participating and reportable jurisdictions and clarification on the term ‘investment entity’.	2016 account information to be reported in 2017.	Yes	Yes	Yes
ESMA recommends an extension of AIFMD passporting to Guernsey	On July 19, 2016, ESMA made a recommendation to the European Commission, Parliament, and Council that Guernsey should be amongst those ‘third countries’ granted an AIFMD passport. ESMA concluded that no obstacles exist to the extension of the passport to Guernsey. The Commission has up to six months to propose appropriate legislation and for the European Parliament and Council of Ministers to agree to the third country passporting rules becoming applicable to Guernsey AIFs and AIFMs.	By January 2017	No	No	Yes

Topic	Update	Anticipated/recent adoption date	Banking license	Fiduciary license	Investment license
MiFID II and MiFIR: Equivalent in Guernsey regimes	Under MiFID I Guernsey is treated as a non-EU 'third country' firm by the EU with each member state deciding its own regulations regarding access to its market for the provision of investment services. No passport regime currently applies. MiFID II introduces a new regime whereby firms based in third country jurisdictions such as Guernsey may solicit investment business from eligible counterparties and per se professional parties in the EU, provided the EU considers such jurisdictions to have an equivalent legal and supervisory framework. Guernsey firms also need to apply to ESMA to become registered in ESMA's register of third country firms. If ESMA refuses to admit a third country firm to the ESMA Register, MiFIR still permits an individual member state to allow third country firms to provide investment services to eligible counterparties and per se professional clients under rules made in the member state. The Guernsey Financial Services Commission (GFSC) is currently working with industry bodies to consider the approach required to address the issues resulting from MiFID II and MiFIR.	Implementation date has been extended by one year to January 3, 2018.	Potentially	No	Yes
GDPR	The General Data Protection Regulation (GDPR) was published in the Official Journal of the European Union on May 4, 2016, entered into force on May 24, 2016, and provisions will be directly applicable from May 25, 2018. Organisations across Europe now have two years to prepare for the changes. Third countries like Guernsey who currently have adequacy status will need to wait a little longer for full details of that process to emerge. Early indications are that implementation of new legislation across the islands will coincide with the May 25, 2018, date. All organisations, especially those with EU clients, are advised to start considering the impact of GDPR and how their compliance models may need to adapt.	Regulation provisions will be applicable from May 25, 2018.	Yes	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking license	Fiduciary license	Investment license
MONEYVAL/ AML	In October 2014, Guernsey was assessed by MONEYVAL (a body for the Council of Europe) in respect of the island's compliance with international AML/CFT standards set by the FATF. The MONEYVAL team shared and discussed its initial findings with representatives of the Guernsey authorities. MONEYVAL's assessment was published on January 15, 2016. Guernsey was compliant or largely compliant with all but one of the 40 FATF recommendations and the nine special recommendations; the exception being in relation to sanctions for breaches of AML laws. MONEYVAL found that the: • Bailiwick had substantially strengthened the AML/CFT preventive measures to which its financial institutions are subject and that the legal framework governing confiscation and provisional measures is comprehensive. • Legislative structure to prosecute money laundering cases reflects the international standards and does not appear to have presented problems in practice. • Financial sanctions for AML/CFT breaches are not dissuasive and proportionate for legal entities. • Use of financial penalties for legal persons cannot act as an effective deterrent to non-compliance and cases of non-reporting of STRs are rarely fined or in any other way sanctioned. • Documentary evidence (in relation to money laundering arrangements at financial institutions) with respect to the source of funds and wealth for high-risk customers was requested rather infrequently. The regulator is likely to be satisfied with the outcome of the visit and findings. Any possible action is likely to focus on sanctions for breaches. This may translate into legal amendments to strengthen the penalty system, leading to more proactive prosecution of alleged cases of non-reporting of suspicious transactions. As for the findings in relation to the lack of documentary evidence of source of funds, any future visits by the regulator will likely have an emphasis on this area.	2017-2018 possible changes to legislation and regulation in response to the recommendations in the MONEYVAL report.	Yes	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking license	Fiduciary license	Investment license
Beneficial ownership register	Under current regulation, information on beneficial owners is collected and lodged by resident agents with the Registrar of Companies and Limited Liability Partnerships. In response to international trends, Guernsey is proposing that a central register be established and maintained by a Registrar of Beneficial Ownership. On May 31, 2016, Guernsey launched its second consultation on implementation of the central register of beneficial ownership. It follows a first consultation in 2015, which proposed that the register would be rapidly accessible by Guernsey authorities through 'legal gateways', and that the Guernsey authorities will be able to disclose the information to authorities outside the island for the purposes of investigation, prevention, prosecution of offences, collection of taxes and 'the carrying out of any functions of any intelligence service'. The register would not, however, be open to the public. The second consultation sought input in proposals on the overall shape of the registration framework to be established. The consultation closed on July 8, 2016. In July 2016 Guernsey's government signed an exchange of notes with the UK government regarding mutual sharing of beneficial ownership information, in line with an emerging international initiative led by the G5 countries following the Panama Papers leak.	No date has been set for the adoption of the new central Register of Beneficial Ownership, but further consultation is anticipated in 2017-2018.	No	Yes	No

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GLOBAL REGULATORY OUTLOOK 2017

INSIGHT 2017

Navigating regulation by jurisdiction and legislation

SINGAPORE

Contents

Foreword – A changing of the guard

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For the world's biggest financial centres, the regulatory outlook in 2017 is at its most uncertain in a decade. Any attempt to provide a regulatory forecast is a hostage to fortune.

Of course, regulators' current preoccupations will continue to challenge firms in the coming year. Across jurisdictions, the regulatory response to the financial crisis still dominates many agendas. Preparations continue for MiFID II in France, Luxembourg and elsewhere, for example. Outside the EU, Hong Kong and Singapore are also gearing up for increased regulation of OTC derivatives.

Likewise, long-standing battles against money laundering and tax evasion continue. They will see renewed activity in 2017 with the deadline for implementation of the EU's 4th AML Directive, and the first reporting under the OECD's Common Reporting Standard.

The regulatory drive towards individual accountability also continues to spread. Hong Kong's new Managers in Charge Regime is the most significant development in this respect since the introduction of the Senior Managers Regime in the UK. After almost ten years, regulators increasingly seem to feel they have found an answer to the question of how to change culture in the financial services industry: It starts with the individual.

Newer priorities are also taking their place. Perhaps most obviously, growing concerns over cyber security look likely to be reflected in increased activity from regulators, if not absolute clarity over the requirements firms must meet. As the risks of cyber criminals and state actors evolve, and fintech develops, so too will the regulatory response.

Tighter deadlines

All this, however, merely underlines the uncertainties ahead. The consensus that has formed in the aftermath of the financial crisis is now open to question following the Brexit vote in the UK, election of Trump in the US, and rise of populist politicians across many European countries. These changes have the potential to transform the regulatory environment.

Even under the existing regulatory regime, Brexit cannot avoid having a significant regulatory impact; the AIFMD is once again dominating the regulatory agenda in Luxembourg two years after implementation, for example, in part because of anticipation that UK firms may soon be looking to models there that allow firms to benefit from the EU's passporting regime.

More widely, it's impossible to say – before negotiations begin – what regulatory changes the UK's exit from the EU will bring, or, this early in his presidency, how far Trump will fulfil his promise to roll back Dodd-Frank reforms.

Two things do seem clear, however. First, the push-back against globalisation must call into question the move towards international standardisation of financial regulation that has been a feature of the past decade. Whether it will be reversed or merely slowed remains to be seen.

Second, regulatory regimes could change quickly. Much of the regulatory calendar today is still dominated by changes with their roots in the aftermath of the financial crisis. Firms have had to contend with massive regulatory changes in recent years, but they have not usually come without warning.

The two-year Brexit negotiation period and rash of executive orders from the Trump administration suggest the pace of change in the future could be quicker. For the time being, the recent upheavals mean that uncertainty reigns. But that may not last long.

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Glossary

Abbreviation	Definition	Relevant Jurisdiction
ACER	Agency for the Cooperation of Energy Regulators	EU
ACPR	Autorité de Contrôle Prudentiel et de Résolution	France
Advisers Act	Investment Advisers Act of 1940	US
AIF	Alternative Investment Fund	EU
AIFM	Alternative Investment Fund Manager	EU
AIFMD	Alternative Investment Fund Managers Directive	EU
ALP	Alternative Liquidity Pool	Hong Kong
AMF	Autorité des marchés financiers	France
AML	Anti-Money Laundering	International
AMU	Asset Management Unit	International
BEPS	Base Erosion and Profit Shifting	International
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms	UK
BRICS	Brazil, Russia, India, China, and South Africa	International
CAD	Capital Adequacy Directive	EU
CBI	Central Bank of Ireland	Ireland
CF	SEC's Division of Corporate Finance	US
CFT	Combatting the Financing of Terrorism	International
CIFO	Channel Islands Financial Ombudsman	Channel Islands
CIMA	Cayman Islands Monetary Authority	Cayman Islands
CIS	Collective Investment Scheme	Switzerland
CMP	Compliance Monitoring Programme	International
CONC	Consumer Credit Sourcebook	UK
COREP	Common Reporting	EU
CPI	Corporate Professional Investor	International
CR	Certification Regime	UK

Abbreviation	Definition	Relevant Jurisdiction
CRD	Capital Requirements Directive	EU
CRBF	Comité de la Réglementation Bancaire et Financière	France
CRR	Capital Requirements Regulation	EU
CRS	Common Reporting Standard	International
CSRC	China Securities Regulatory Commission	Hong Kong
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg Financial Services Regulator)	Luxembourg
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	US
EDD	Enhanced Due Diligence	Europe
EEA	European Economic Area	EU
ELTIF	European Long-Term Investment Fund	EU
EMIR	European Markets and Infrastructure Regulation	EU
EP	(Stock) Exchange Participant	Hong Kong
ESMA	European Securities and Markets Authority	EU
EU CMU	European Commission Capital Market Union	Europe
FATCA	Foreign Account Tax Compliance Act	US
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MiFID	Markets in Financial Instruments Directive	EU
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MLD4	Fourth Money Laundering Directive	UK
MRLO	Money Laundering Reporting Officer	International
MTF	Multilateral Trading Facility	EU
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PRIPs	Packaged Retail Investment Products	UK
RAIF	Reserved Alternative Investment Fund	Luxembourg
RCCI	Responsable de Conformité et Contrôle Interne	France
REMIT	Regulation on Energy Market Integrity and Transparency	EU
RIA	Regulatory Impact Analysis/Assessment	Hong Kong
RRD	Recovery and Resolution Directive	EU
RCSI	Responsable de la Conformité pour les Services d'Investissement	France
SAR	Suspicious Activity Report	International
SDD	Simplified Due Diligence	Europe
SEC	Securities and Exchange Commission	US
SEHK	Stock Exchange of Hong Kong	Hong Kong
SFC	Securities and Futures Commission	Hong Kong
SFO	Securities and Futures Ordinance	Hong Kong
SICAV	Soci`et`e d'investissement a' Capital Variable	France
SIFI	Systematically Important Financial Institutions	International
SME	Small and Medium-Sized Enterprises	International
SMR	Senior Managers Regime	UK
SSE	Shanghai Stock Exchange	Asia
STR	Suspicious Transaction Report	International
SURFI	Syst`eme Unifie' de Reporting Financier	France
TR	Trade Repository	EU
TRACFIN	Traitement du renseignement et action contre les circuits financiers clandestins	France
TRUM	Transaction Reporting User Manual	Europe
UCITS	Undertaking For Collective Investment in Transferable Securities	EU
(US) GAAP	US Generally Accepted Accounting Principles	US

SINGAPORE

SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

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Little change, but every difference

There is not much new on the regulatory calendar from the Monetary Authority of Singapore (MAS) this year, but that doesn't mean firms in Singapore won't be busy.

First, while new rule making from the domestic regulator has been slight, firms face complying with new international regulation. Close to the top of every firm's to-do list must be preparing for the OECD-led Common Reporting Standard. Relevant firms must establish tax residency status of all their account holders and transmit to the Inland Revenue Authority of Singapore (IRAS) in 2018, the CRS information of account holders that are tax residents of jurisdictions that Singapore has a Competent Authority Agreement for CRS with. Firms also continue to come to grips with FATCA, as well as other international regulations such as AIFMD relevant to the increasing numbers here doing cross-border businesses.

Second, regulatory work announced in previous years will continue to keep firms occupied in 2017. Much of the MAS's initiatives on areas like licensing for OTC derivatives, short-position reporting and extending regulatory safeguards for retail investors remains to be completed. It will also continue to implement its new outsourcing rules, requiring firms to assess third-party risks.

After a hyperactive few years, the regulator is effectively going to be catching up on its previous commitments this year as it ramps up expectations on firms and continues to shift to a principles-based regulatory framework. Combined with new international regulation as the MAS adopts global standards, this will ensure firms feel no less busy. Both reflect the increasing maturity of Singapore's market.

Perhaps most importantly, there's little reason to expect the regulator to be less active from an enforcement perspective. The climate in Singapore has experienced a sea change in the last year from which there is no going back. There is an uncompromising push for higher standards.

In August 2016, MAS launched two new dedicated departments to combat money laundering and to strengthen enforcement respectively – a clear statement of its seriousness in tackling abuse. High-profile breaches and big fines have been the things to make headlines in Singapore in 2016. Firms need to be working to ensure they have the right systems and controls in place to avoid becoming part of the story in the year ahead.

COMMENT

"A lot of recent regulatory policy has been in response to crisis and events. It is time for us to take stock and make sure that the assumptions we made still hold true. If they don't, or if there is a better way to achieve the same result, we should recalibrate and refine our policies to strike a better equilibrium between regulatory objectives and compliance costs."

Tan Boon Gin
Chief Regulatory Officer at Singapore Exchange

Regulatory calendar – Singapore

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 8 and 9.

Topic	Update	Anticipated/actual date	Broker	Private equity	Hedge fund/ investment manager
Introduction of new regulated activity of dealing in OTC derivatives	The Securities and Futures (Amendment) Act 2017 was passed in January 2017 requiring OTC derivatives intermediaries to meet licensing criteria such as minimum admission standards, base capital, business conduct rules, segregation of customer assets and record-keeping. Dealing in OTC derivatives contracts, together with the existing regulated activities of 'dealing in securities', 'trading in futures contracts' and 'leveraged foreign exchange trading' will be collapsed under a new regulated activity called 'dealing in capital markets products'.	Tentative	Yes	No	No
Reporting of over-the-counter ('OTC') derivatives contracts	The MAS consulted in January 2016 on proposed amendments to the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013 to implement reporting of commodity and equity derivatives contracts, as well as other revisions to complete the implementation of the OTC derivatives trade reporting regime in Singapore. The MAS has not announced its response to feedback on the proposed amendments. The intended implementation schedule seems to have been delayed. We expect further developments in 2017.	For non-bank FIS, reporting will tentatively commence from November 1, 2017, for interest rates and credit derivatives contracts traded in Singapore and from November 1, 2018, for foreign exchange, commodity and equity derivatives booked and/or traded in Singapore. This obligation applies to all finance companies, asset managers with managed assets of more than S$8 billion and annual aggregate gross notional amount of specified derivatives contracts of more than S$5 billion and all subsidiaries of banks incorporated in Singapore, insurers and holders of capital market services licences (other than asset managers), with annual aggregate gross notional amount of specified derivatives contracts of more than S$5 billion.	Yes	No	Yes

Topic	Update	Anticipated/actual date	Broker	Private equity	Hedge fund/ investment manager
Proposed draft regulations to bring mandatory clearing of OTC derivative contracts into effect	The MAS consulted in July 2015 on draft proposed regulations that require certain interest rate swaps (IRS) booked in Singapore and traded between banks whose IRS trading volume exceeded a specified threshold to be cleared. The MAS indicated that it intended to pass the regulation by the end of 2015 and provide at least six months' notice before the clearing obligations take effect. Once the obligations under the issued regulation take effect, banks that exceed the maximum threshold will be required to clear contracts subject to mandatory clearing that are entered on or after the effective date. The intended implementation schedule seems to have been delayed. We expect further developments in 2017.	Tentative	Possible	No	No
Requirement to formulate and maintain recovery and resolution plans	The MAS in April 2016 proposed legislative amendments to strengthen its powers to resolve distressed financial institutions while maintaining continuity of their critical economic functions. The proposals include a requirement that firms that are considered systemically important or that maintain critical functions must have, submit and maintain plans for restoring the financial strength and viability of the firm in crisis and in orderly resolution.	Tentative	Possible	Possible	Possible
Protection of customers' moneys and assets	The MAS proposed in July 2016 to enhance measures relating to the safeguarding, identification and use of customers' moneys and assets, and disclosures to customers. The measures include expanding the definition of customers' moneys to include contractual rights arising from transactions entered into by capital markets services licence holders on behalf of a customer (e.g, futures contracts) or with a customer (e.g, contract for differences) and conduct of initial and ongoing due diligence for the selection and appointment of deposit-taking financial institutions with whom they maintain customers' trust accounts.	Tentative	Yes	Possible	Possible

Topic	Update	Anticipated/actual date	Broker	Private equity	Hedge fund/ investment manager
Strengthening regulatory protections for high-net worth individuals	Currently, an investor who meets certain criteria is automatically classified as an accredited investor. Issuers and capital market intermediaries have fewer regulatory obligations to such investors. The Securities and Futures (Amendment) Act 2017 was passed in January 2017 and amends the criteria for being an accredited investor. Regulations giving effect to the legislation amendment are expected to be passed shortly. Investors who meet the amended criteria must actively opt to accept fewer regulatory safeguards, failing which they would by default be treated as retail investors.	Tentative	Yes	Yes	Yes
Short position reporting	Short sellers will need to notify MAS of their net short positions, excluding derivatives, exceeding the lower of 0.05% or S$1,000,000 of issued shares of an entity listed on the Singapore Exchange's Mainboard or Catalist. Legislative amendment to introduce short position reporting and disclosure of short sell orders was tabled in Parliament in November 2016 and short position reporting will be introduced in 2017. Public consultation on the draft implementation regulations closed on January 27, 2017. The MAS also said that it would introduce a Short Position Reporting System (SPRS) for position holders to voluntarily submit their reports from Q1 2017. The intended implementation schedule seems to have been delayed.	2017	No	No	Yes

Topic	Update	Anticipated/actual date	Broker	Private equity	Hedge fund/ investment manager
Regulation of financial benchmarks	The Securities and Futures (Amendment) Act 2017 passed in January 2017 empowers MAS to designate key financial benchmarks and regulate administrators of, and submitters who contribute information required to compute, such designated benchmarks. The MAS will also have powers to direct specified persons, such as banks, to submit information required to compute the designated benchmark to the administrator of such benchmark. Criminal sanctions and civil penalties to deter manipulation of financial benchmarks were also introduced. Regulations giving effect to the legislative amendment were introduced for consultation in April 2017.	2017	Possible	No	No
Review of competency requirements for representatives of capital markets intermediaries and financial advisers	The MAS proposed in December 2016 to revise the examinations and continuing professional development (CPD) training requirements for appointed representatives. In particular, the MAS proposed to introduce a mandatory requirement for representatives of capital markets services licence holders to undergo 30 hours of CPD training, with four hours on ethics and eight hours on rules and regulations. The consultation closed in January 2017.	Tentative	Yes	Yes	Yes

Topic	Update	Anticipated/actual date	Broker	Private equity	Hedge fund/ investment manager
Common Reporting Standard (CRS)/ standard for the automated exchange of financial account information (AEOI)	The Income Tax (International Tax Compliance Agreements) (Common Reporting Standard) Regulations 2016, which puts in place a legislative framework for Hong Kong to implement AEOI, came into effect on January 1, 2017. Under the AEOI framework, reportable financial institutions are required to identify financial accounts held by tax residents of reportable jurisdictions, collect such information and provide such information to the Inland Revenue Authority of Singapore (IRAS) on an annual basis. The IRAS in turn will exchange such information on a reciprocal basis with the tax authorities of the AEOI partner jurisdictions. Reportable or reporting financial institutions are any financial institution resident in Singapore, as well as any branch of a non-resident financial institution located in Singapore. • Reportable financial institutions to start conducting the due diligence procedures to identify and collect information of the relevant financial accounts. • Reportable financial institutions to start providing the information to the IRAS for sharing with the relevant AEOI partners.	May 31, 2018 for providing information to the IRAS No specific date set - aim to start in 2018 for IRAS to exchange reported information	Yes	Yes	Yes

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