



# GLOBAL REGULATORY OUTLOOK

# 2017

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## INSIGHT 2017

Navigating regulation by jurisdiction and legislation

**SINGAPORE**



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

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



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

Abbreviation	Definition	Relevant Jurisdiction
<b>PCC</b>	Protected Cell Company	Guernsey
<b>PEP</b>	Politically Exposed Person	International
<b>PRA</b>	Prudential Regulation Authority	UK
<b>PRIPs</b>	Packaged Retail Investment Products	UK
<b>RAIF</b>	Reserved Alternative Investment Fund	Luxembourg
<b>RCCI</b>	Responsable de Conformité et Contrôle Interne	France
<b>REMIT</b>	Regulation on Energy Market Integrity and Transparency	EU
<b>RIA</b>	Regulatory Impact Analysis/Assessment	Hong Kong
<b>RRD</b>	Recovery and Resolution Directive	EU
<b>RCSI</b>	Responsable de la Conformité pour les Services d'Investissement	France
<b>SAR</b>	Suspicious Activity Report	International
<b>SDD</b>	Simplified Due Diligence	Europe
<b>SEC</b>	Securities and Exchange Commission	US
<b>SEHK</b>	Stock Exchange of Hong Kong	Hong Kong
<b>SFC</b>	Securities and Futures Commission	Hong Kong
<b>SFO</b>	Securities and Futures Ordinance	Hong Kong
<b>SICAV</b>	Société d'investissement à Capital Variable	France
<b>SIFI</b>	Systematically Important Financial Institutions	International
<b>SME</b>	Small and Medium-Sized Enterprises	International
<b>SMR</b>	Senior Managers Regime	UK
<b>SSE</b>	Shanghai Stock Exchange	Asia
<b>STR</b>	Suspicious Transaction Report	International
<b>SURFI</b>	Système Unifié de Reporting Financier	France
<b>TR</b>	Trade Repository	EU
<b>TRACFIN</b>	Traitement du renseignement et action contre les circuits financiers clandestins	France
<b>TRUM</b>	Transaction Reporting User Manual	Europe
<b>UCITS</b>	Undertaking For Collective Investment in Transferable Securities	EU
<b>(US) GAAP</b>	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
<b>Introduction of new regulated activity of dealing in OTC derivatives</b>	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
<b>Reporting of over-the-counter ('OTC') derivatives contracts</b>	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
<b>Proposed draft regulations to bring mandatory clearing of OTC derivative contracts into effect</b>	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
<b>Requirement to formulate and maintain recovery and resolution plans</b>	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
<b>Protection of customers' moneys and assets</b>	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
<b>Strengthening regulatory protections for high-net worth individuals</b>	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
<b>Short position reporting</b>	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 Catalyst. 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
<b>Regulation of financial benchmarks</b>	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
<b>Review of competency requirements for representatives of capital markets intermediaries and financial advisers</b>	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
<b>Common Reporting Standard (CRS)/ standard for the automated exchange of financial account information (AEOI)</b>	<p>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.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• Reportable financial institutions to start conducting the due diligence procedures to identify and collect information of the relevant financial accounts.</li> <li>• Reportable financial institutions to start providing the information to the IRAS for sharing with the relevant AEOI partners.</li> </ul>	<p>May 31, 2018 for providing information to the IRAS</p> <p>No specific date set - aim to start in 2018 for IRAS to exchange reported information</p>	Yes	Yes	Yes





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