

GLOBAL REGULATORY OUTLOOK

2016

INSIGHT 2016

Navigating regulation by jurisdiction and legislation

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Foreword



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2016 promises to be another year of regulatory change and challenge for the financial services industry, as firms grapple with both local and global regulatory requirements impacting their businesses.

In the US, the regulatory landscape is still developing and the financial services industry remains under scrutiny. In particular, firms must be prepared for targeted examinations and remain vigilant in efforts surrounding cybersecurity, conflicts of interest and anti-money laundering.

Financial services regulation in the UK and Europe remains complex, as the EU continues to drive reforms. The implementation of AIFMD has been one of the top priorities for regulators and firms over the past year. Many fund managers have struggled with the Directive's Annex IV transparency reporting rules in particular, while the process of marketing has become more bureaucratic. While challenges remain with AIFMD, focus for many firms has shifted to preparing for the implementation of UCITS V and MiFID II. New market abuse and anti-money laundering directives will also drive the need to update policies, procedures and controls when they come into force midway through 2016.

Equally, there is no sign of slowing down in Asia. The pace of regulatory change in Hong Kong continues, as capital market integration with mainland China and other financial markets continues. Three key regulatory areas will pose particular challenges for firms in 2016: OTC derivatives activities, the Professional Investor Regime and cybersecurity. Firms in Singapore are also conforming to a raft of increasingly principles-based regulation locally and new requirements following several policy consultations in 2015.

At the same time, firms must be mindful of not just their own regulators' requirements, but also those of foreign regulators assuming jurisdiction of activities overseas. Firms will have additional obligations in coming years to comply with global fiscal transparency initiatives such as FATCA and the CRS.

Our fourth annual **Global Regulatory Outlook** aims to assist the global financial services industry with

navigating the key regulatory and financial services developments in 2016.

This report, **Insight**, is a technical document which outlines key regulations and deadlines by jurisdiction applicable to the asset management, brokerage and fiduciary industries. Its sister document, **Viewpoint**, explores findings from our global survey with nearly 200 financial services professionals, as well as perspectives and practical guidance from both industry and Duff & Phelps experts.

We hope that you find the reports of use. If you have any questions or comments, we would be pleased to hear from you. If you would like to receive our periodic regulatory alerts, you can sign-up for these and other communications at www.duffandphelps.com/subscribe.

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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 Pools	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 Resources Regulations	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 Authorities	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

Abbreviation	Definition	Relevant Jurisdiction
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
ICAV	Irish Collective Asset-Management Vehicle	Ireland
ICB	Independent Commission on Banking	UK
IFIA	Irish Funds Industry Associationw	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
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

Abbreviation	Definition	Relevant Jurisdiction
OCIE	Office of Compliance Inspections and Examinations	US
ODD	Operational Due Diligence	International
OECD	The Organisation for Economic Co-operation and Development	International
OTC	Over-the-Counter	International
OTF	Organized Trading Facility	EU
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
RSCI	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
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
TR	Trade Repository	EU
TRUM	Transaction Reporting User Manual	Europe
UCITS	Undertaking for Collective Investments in Transferable Securities	EU
(US) GAAP	US Generally Accepted Accounting Principles	US

CHANNEL ISLANDS



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

CHANNEL ISLANDS

Legislation of the financial services market in Jersey and Guernsey continues to tighten, following a year of increased scrutiny from local and global regulators.

Current context

The past year was an eventful period for both Jersey and Guernsey with new developments, which could lead to a financial impact on firms. Both islands saw the introduction of the CIFO whereby the CIFO can award up to £150,000 in compensation to eligible complainants.

In March, the JFSC also implemented the Civil Penalties regime for material contraventions of the Codes of Practice. The Commission's public statements over the past year reveal its strong stance on firms that are in breach of regulatory requirements. Going forward, any such breaches may have an impact on businesses in the form of fines. The CIFO and the Civil Penalties regime are therefore two aspects that may have a financial impact on businesses.

Both islands have also been independently assessed by MONEYVAL (a body of the Council of Europe), in

regard to compliance with international AML and CFT standards, as set by the Financial Action Task Force. These visits have led to updates, and will likely lead to further changes, in AML regulations and guidance. In Guernsey and Jersey alike, AML handbook updates have taken effect and further updates are expected.

The MONEYVAL visits undoubtedly focused on evidence of the islands taking action against money laundering offenses. In June 2015, Jersey saw its first prosecution against a regulated firm and its MRLO for failing to report suspicious activity. Although the firm and its MLRO were acquitted, the case should act as a warning of JFSC's intentions.

Both islands are also emphasizing the need to adapt to global and local regulatory pressures. For example, as part of its consulting paper on criminal penalties for failure to prevent the facilitation of tax evasion, HMRC made clear in July that the islands are still perceived

as a tax haven. Following hot on the heels of FATCA, the CRS is also imposing obligations on firms regarding information exchange.

On a positive note, in July 2015, ESMA advised that it saw no obstacles to extending the AIFMD passport to Jersey and Guernsey. This represents a significant opportunity for the islands' financial services sector to offer a broader range of marketing and financial solutions to AIFMs.



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Looking ahead

Given the external pressures on the islands and the regulators' powers in terms of financial penalties, firms will need to pay due attention to recent enforcement cases and notices published by the GFSC and JFSC and assess whether there are similar risks within their operating frameworks.

In 2016, we can expect to see both islands' regulators maintain their focus on governance – especially around AML/CFT arrangements, the effectiveness of MLROs, the quality of policies, procedures and record-keeping, and the management of conflicts of interest. Heightened scrutiny is also likely to fall on individual directors' actions and the rationale behind them. This will put greater pressure on financial institutions to ensure that their directors are fit and proper and have the appropriate support and experience to perform their duties.

In one of its recent public statements on breaches of regulatory requirements as well as presentations made to the industry, the JSFC made clear that open and honest communication from the industry will be

essential to building an effective relationship with the regulator. Firms should therefore maintain regular contact with their regulators and update them in a timely manner of any key developments.

On the issue of tax related regulations, companies should evaluate how CRS will impact their business in terms of technology, processes and controls – much in the way that FATCA did. Firms may be experiencing a delay in addressing this due to the effort taken to comply with FATCA. Firms should be aware, however, that non-compliance may lead to financial and reputational consequences.

As always, firms should be staying abreast of regulatory developments globally as well as locally, and should be mindful of managing the risks inherent in their business in order to maximize on any commercial opportunities.



Regulatory calendar – Guernsey

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Anticipated/recent adoption date	Banking license	Fiduciary license	Investment license
AML/CFT Handbook	On May 29, 2015, the GFSC published a consultation paper on 'Using Technology for Due Diligence Purposes,' which proposed changes to the rules and guidance in the AML/CFT Handbook which will enable the industry to utilise advances in technological developments in the field of customer due diligence. Updates to the AML/CFT Handbook were effected in November 2015 and include the use of digital signatures, electronic certification, and electronic verification.	November 2015	Yes	Yes	Yes
Channel Islands Financial Ombudsman	The CIFO became operational on November 16, 2015. Its purpose is to investigate complaints about financial services provided in or from Jersey, Guernsey, Alderney, and Sark. The office is independent and will provide an informal, speedy, effective, and free alternative to going to court for complainants including individual consumers, microenterprises, and small Channel Islands charities.	November 16, 2015	Yes	Yes	Yes
Common Reporting Standard	<p>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.</p> <p>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.</p> <p>Regulations adopted on November 23, 2015 in Guernsey will require reporting financial institutions to apply due diligence from January 2016 to all financial accounts to identify and report to the Guernsey income tax office.</p>	2016 account information to be reported in 2017	Yes	Yes	Yes
Consultation on increased license fees	In August 2015, the GFSC launched a consultation paper on its proposals for the 2016 licence fees paid by firms, the consultation closed on September 17, 2015. The Commission has confirmed a blended rate increase of 2% to the fees charged to licenses.	January 1, 2016	Yes	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking license	Fiduciary license	Investment license
ESMA recommends an extension of AIFMD passporting to Guernsey	ESMA published advice in relation to the application of the AIFMD passport to non-EU AIFMs and AIFs. The advice concluded that no obstacles exist to the extension of the passport to Guernsey and Jersey. The advice and opinion was sent to the European Commission, Parliament and Council for their consideration on whether to activate the relevant provision in the AIFMD extending the passport through the implementation of a delegated act. 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 2016	Yes	Yes	Yes
FATCA	<p>Guernsey has agreed a package of tax measures with the UK Government. The IGA between Guernsey and the US was signed in 2013. Under the terms of the agreement, financial institutions will provide the Guernsey Comptroller of Taxes with the required information via the Information Gateway Online Reporting tool.</p> <p>On January 31, 2014 the Crown Dependencies of Guernsey and Jersey jointly issued guidance notes on the implementation of obligations arising under the IGAs. The latest draft guidance notes were published by Guernsey in April 2015. The US FATCA was ratified and implemented into Guernsey law on June 18, 2014.</p>	Guidance notes updated periodically	Yes	Yes	Yes
Guernsey Companies Law	<p>The States of Guernsey have introduced major changes to Companies (Guernsey) Law 2008. The amendments were requested by industry to make Guernsey companies more user-friendly for those operating in the international finance centre and are published in the Companies (Guernsey) Law, 2008 (Amendment) Ordinance 2015. Key changes include:</p> <ol style="list-style-type: none"> 1. Provisions to allow for accelerated company migrations and amalgamations 2. The ability of a PCC to convert into a standalone company 3. PCC structures are now permitted to be regulated under Guernsey's protection of investors legislation thereby allowing a PCC to be used as a fund manager, including a general partner, managing multiple funds 	Some changes have already been introduced however transitional provisions will continue for another 12 months until the end of 2016	Yes	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking license	Fiduciary license	Investment license
MiFID II and MiFIR: Equivalent in Guernsey	<p>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 EC considers such jurisdictions to have an equivalent legal and supervisory framework.</p> <p>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 GFSC is currently working with industry bodies to consider the approach required to address the issues resulting from MiFID II and MiFIR.</p>	January 3, 2017 - application date. Proposed extension to January 3, 2018 awaiting ratification	No	No	Yes
MONEYVAL	<p>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/CTF 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 15 January 2016.</p> <p>Guernsey was compliant or largely compliant with all but one of the 40 Financial Action Task Force recommendations and the nine special recommendations; the exception being in relation to sanctions for breaches of AML laws. MONEYVAL found that the:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	Results of assessment delayed	Yes	Yes	Yes

Regulatory calendar – Jersey

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund services business regulated	Investment business regulated
Channel Islands Financial Ombudsman	<p>The CIFO became operational on November 16, 2015. Its purpose is to investigate complaints about financial services provided in or from Jersey, Guernsey, Alderney, and Sark. The office is independent and provides an informal, speedy, effective and free alternative to going to court for complainants including individual consumers, microenterprises, and small Channel Islands charities.</p> <p>Firms will need to update their complaints procedures accordingly.</p>	November 16, 2015	Yes	Yes	Yes	Yes
Civil Penalties	<p>The Financial Penalties Order 2015 of Jersey's Financial Services Commission came into effect on the June 23, 2015. Entities registered under Banking business, Insurance business, and the Financial Services Laws must adhere to the Codes of Practice published by the JFSC. Entities registered under the Proceeds of Crime (Supervisory Bodies, Jersey) Law 2008 are required to adhere to the AML/CFT Handbook. There will be three levels of penalty with the highest penalty up to 8% of relevant income with a cap of £4,000,000. The proceeds of penalties may be retained by the JFSC and applied to reduce license fees.</p> <p>With the advent of Civil Penalties, firms must ensure that they are complying with the revised AML/CFT Handbook and applicable codes of practice.</p>	June 23, 2015	Yes	Yes	Yes	Yes
Common Reporting Standard	<p>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.</p> <p>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.</p> <p>Regulations regarding CRS, once ratified in Jersey, will come into effect on January 1, 2016.</p>	2016 account information to be reported in 2017	Yes	Yes	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund services business regulated	Investment business regulated
ESMA recommends an extension of AIFMD passporting to Jersey	ESMA published advice in relation to the application of the AIFMD passport to non-EU AIFMs and AIFs. The advice concluded that no obstacles exist to the extension of the passport to Guernsey and Jersey. The advice and opinion was sent to the European Commission, Parliament, and Council for their consideration on whether to activate the relevant provision in the AIFMD extending the passport through a delegated act. 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 2016	No	No	Yes	Yes
FATCA	Jersey has agreed a package of tax measures with the UK Government. The IGA between Jersey and the US was signed in 2013. Under the terms of the agreement, financial institutions will provide the Jersey Comptroller of Taxes with the required information via the Automatic Exchange Information online returns portal. On January 31, 2014, the Crown Dependencies of Guernsey and Jersey jointly issued guidance notes on the implementation of obligations arising under the IGAs. The latest draft guidance notes were published for Jersey in September 2015. The US FATCA was ratified and implemented into Jersey law on June 18, 2014.	Guidance notes updated periodically	Yes	Yes	Yes	Yes
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 EC 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.	January 3, 2017 - application date. Proposed extension to January 3, 2018 awaiting ratification	No	No	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Banking regulated	Trust company business regulated	Fund services business regulated	Investment business regulated
MONEYVAL	<p>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/CTF standards set by the FATF. The MONEYVAL team have shared and discussed the initial findings with representatives of the Jersey authorities.</p> <p>A report on these findings has not been made public. 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.</p>	Results of assessment delayed	Yes	Yes	Yes	Yes
Outsourcing Policy	<p>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.</p> <p>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. The policy is currently under review.</p>	Report delayed	Yes	Yes	Yes	Yes
Use of Mobile Apps for Customer Due Diligence	<p>The JFSC issued a news release in March 2015 in anticipation of publication of tailored guidance in the AML/CFT Handbook in the use of mobile apps for customer due diligence. The news release notes that the decision to use phone and tablet applications rests solely with senior management.</p> <p>Before taking the decision to use new technology as part of the KYC process the JFSC requires senior management to give consideration to Article 11 of the Money Laundering Order which requires a person to have 'policies and procedures for the identification and assessment of risks that arise in relation to the use of new or developing technologies for new or existing products or services.'</p> <p>Senior management needs to be very clear what the smart phone or tablet application will or will not cover. The elements of identification that the applications do not cover should continue to be identified through existing systems controls, policies, and procedures.</p> <p>The JFSC is proposing to introduce a new section to the AML Handbook in relation to use of technology in the CDD process. The JFSC issued a consultation paper in October 2015.</p>	Awaiting feedback from consultation paper	Yes	Yes	Yes	Yes

FRANCE



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

FRANCE

A climate of greater regulatory enforcement is proving problematic for investment managers in France – and driving a growing number of legal challenges.

Current context

Financial businesses in France have had a busy year on three regulatory fronts: continuing to ensure compliance with EU legislation; preparing for upcoming rule changes; and getting used to a new enforcement regime.

In terms of current regulation, French firms still have their hands full adapting to the requirements of the EU AIFMD. Meanwhile, future milestones most affecting the sector are the imminent transposition of the UCITS V Directive with the uncertainty surrounding the new rules concerning remuneration, and the EU's MiFID II.

At the same time, investment managers are coming to terms with stricter regulatory enforcement from France's financial markets authority, the AMF.

More rigorous enforcement is being driven by two developments:

1. New inspection regime. With greater enforcement powers, the AMF's approach to periodic inspections of investment management companies has become more onerous. Introduced in 2013, the effects of the new regime are now being felt across the sector.

The AMF no longer gives advance warning of inspections, so firms must ensure their affairs are in order or risk non-compliance. The authority now has the power to request access to email accounts of selected individuals at the company – and expects this to be done in a timely fashion.

What's more, inspections are now carried out offsite, removing the opportunity for dialogue between inspectors and investment managers. In some instances this is leading to longer inspections, with some inspection taking considerably longer than the AMF's own charter recommends.

2. Stricter judgements. Regulators are increasingly stressing the need to comply with the whole rule book, particularly when it comes to AIFMD.

In the words of the AMF's Asset Management Directorate head, Xavier Parain: "Management companies must verify that all aspects are in compliance with current regulations. Each new mechanism must be formally documented, implemented and traceable."

In addition, the AMF is punishing any failings it finds. As a result, it is increasingly reporting minor procedural transgressions, as well as the usual operational failures, to the Commission des Sanctions (Sanctions Commission).

Examples include a lack of formal contracts with external suppliers, or insufficient control over their work. The decisions handed down from the Sanctions Commission are made public and most name the investment manager and staff concerned.

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This climate of absolute compliance and more rigorous enforcement is proving challenging for the performance, profitability and competitiveness of investment management businesses in France.

It's fair to say that the new inspection system is causing a measure of stress and frustration, and that the inspectors' requests are taking up significant resource within the investment firms.

The regime is also driving the need for firms of all sizes to have a robust compliance function and measures in place – smaller companies in particular may not be able to justify these operational costs and ultimately may exit the industry.

Coping with enforcement will therefore remain a key focus for French investment managers in 2016. As a result, we expect to see two developing trends continue into the coming year.

The first trend is the increased recourse to litigation. Frustration at the new inspection system is now prompting firms to involve lawyers early on during the inspection process, and also to challenge inspection report conclusions and sanction decisions.

Indeed, the whole legal basis for the regime was under review by France's Supreme Court, following a challenge to a fine imposed on a management firm. A decision on the case was handed down in December 2015, which stated the inspection process was indeed conducted based on legally binding powers and the resulting sanction is therefore binding. The case does, however, reflect the mood and level of frustration of many investment managers. It is also worth noting that there is a different approach in France on legal privilege over client/lawyer communications, which is considered to be waived by firms consenting to hand over client/lawyer exchanges during an AMF inspection.

The second trend is firms' growing recourse to external support to help them prepare for an inspection by the AMF. Consultants such as those at Duff & Phelps – many of whom have worked at regulators or in the industry in operational, compliance and legal roles - can run mock inspections, then report on any compliance 'gaps' and areas for improvement. They can also guide businesses through an actual inspection step-by-step when the AMF comes knocking.



Regulatory calendar – France

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Key Dates	UCITS Fund Manager or UCITS Fund	Alternative Investment Fund Manager or Alternative Investment Fund	Financial Firms (ACPR Regulated entities)
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).	April 30, 2016	Yes	Yes	Possible
Annual Reporting by Financial Firms to ACPR	Submission to ACPR and to firm's governing body of 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, 2016	No	No	Yes
Anti-Money Laundering Table	ACPR Regulated Firms "SURFI Report" - Anti-Money Laundering table.	February 28, 2016	No	No	Yes
Asset Management Companies Annual AMF Report	Annual Information Sheet and Compliance Officer's Report to be submitted to the AMF.	May 15, 2016	Yes	Yes	No
Asset Management Companies 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

Topic	Update	Key Dates	UCITS Fund Manager or UCITS Fund	Alternative Investment Fund Manager or Alternative Investment Fund	Financial Firms (ACPR Regulated entities)
Asset Management Company annual declaration of relevant changes	Annual declaration of any changes which occurred over the preceding twelve months to the firm's staff, direct or indirect shareholders, subsidiaries or other holdings, Memorandum & Articles or TRACFIN (MLRO) Officer.	Declaration on anniversary date of the firm's authorization and only where a change has taken place over the preceding 12 months	Yes	Yes	No
Common Reporting Standard	<p>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.</p> <p>To date, 99 countries have signed the agreement. 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.</p> <p>The Common Reporting Standard comes into effect of January 1, 2016 with the first reporting due to take place for France in September 2017.</p>	January 1, 2016	Yes	Yes	Yes
EMIR	<p>EMIR affects fund managers with collective investment schemes domiciled in the EEA, or which trade derivatives with EEA counterparties. Counterparties are required to obtain and hold unique identifiers (Legal Entity Identifiers or LEI) and with effect from February 12, 2014 are required to report certain derivative transactions to a trade repository. On August 12, 2014 the required to post collateral and provide valuation data also came into effect.</p> <p>The first clearing obligations will apply from June 21, 2016, with subsequent commencement dates of December 21, 2016, June 21, 2017 and December 21, 2018.</p>	June 21, 2016 – September 1, 2020	Possible	Possible	Possible
Energy Saving Directive	<p>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.</p> <p>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.</p>	2020	Possible	Possible	Possible

Topic	Update	Key Dates	UCITS Fund Manager or UCITS Fund	Alternative Investment Fund Manager or Alternative Investment Fund	Financial Firms (ACPR Regulated entities)
European Long Term Investment Funds Regulation	<p>European Long Term Investment Funds are a new EU wide fund structure intended for both institutional and retail investors to be able to make long term investments in unlisted large or SME businesses, infrastructure projects of other illiquid assets.</p> <p>The EU Parliament ELTIF Regulation of April 29, 2015 is directly applicable in each EU Member State and entered into effect in France on December 9, 2015.</p>	December 9, 2015	No	Possible	No
Extension to AIFMD passport	<p>On July 30, 2015, ESMA published its advice and opinion on the functioning of the EU passport under the AIFM Directive.</p> <p>Having noted that some delay in transposition and implementation made a definitive assessment difficult at this stage, ESMA noted a lack of convergence amongst member states on marketing rules, fees charged by NCAs for marketing and differences in the definition of "professional investor."</p> <p>Under AIFMD passport regime AIFs domiciled in other EEA Member States and non-EEA AIFs marketing to retail investors in France are required to appoint a French domiciled centralising correspondent.</p> <p>Investment management companies looking to market AIFs in France to retail investors outside the AIFMD passport regime under the existing National Private Placement Provisions are also required to appoint a centralising correspondent in France.</p> <p>ESMA also issued advice on the application of the AIFMD passport to non-EU AIFMs and to EU AIFMs marketing non-EU AIFs. Key points from this are:</p> <ul style="list-style-type: none"> • There are no significant obstacles to extending the passport to Jersey, Guernsey and Switzerland (although subject to the passing of some legislative amendments in the case of Switzerland) • ESMA will need to further review the supervisory regimes in place in the US, Hong Kong and Singapore before it can comment on whether the passport should be extended to these jurisdictions • Although ESMA advises that the AIFMD is causing no major impediments to the European funds market, it recommends a further opinion in the future when it has had more time to fully evaluate the marketing regime 	Ongoing	No	Possible	No

Topic	Update	Key Dates	UCITS Fund Manager or UCITS Fund	Alternative Investment Fund Manager or Alternative Investment Fund	Financial Firms (ACPR Regulated entities)
FATCA	<p>FATCA has been in force since July 1, 2014 and requires that French Financial Institutions (which includes 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 pass on the data to the IRS.</p> <p>The final deadline for completion of due diligence of June 30, 2016 concerns due diligence on existing accounts: low value accounts held by individuals (between US\$50,000 and US\$1m) as at June 30, 2014 and on accounts held by corporate entities with a value in excess of US\$250,000 as at June 30, 2014.</p> <p>FATCA reporting in relation to new accounts, including nil reporting must be completed by August 1, 2016. For 2016, reporting has been extended to include gross income received on declared accounts: interest, dividends, life insurance or other types of income.</p>	<p>August 1, 2016 June 30, 2016</p>	Yes	Yes	Yes
Fourth Money Laundering Directive	<p>The MLD4 was published in the Official Journal of the EU on June 5, 2015. The Directive contains a number of provisions intended to strengthen the anti-money laundering regime across Europe and will replace MLD3.</p> <p>Principal initiatives include:</p> <ul style="list-style-type: none"> • 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 <p>A revised Funds Transfer Regulation will also increase transparency of payments originating outside each member state, beneficiaries of payments over €1,000 must now be identified.</p>	<p>June 26, 2017 (Directive) June 26, 2015 (UE Reglement)</p>	Yes	Yes	Yes

Topic	Update	Key Dates	UCITS Fund Manager or UCITS Fund	Alternative Investment Fund Manager or Alternative Investment Fund	Financial Firms (ACPR Regulated entities)
MAD 2 and MAR	<p>MAR will be directly effective in each Member State, and is intended to reinforce and update the existing EU market abuse regime, providing for increased enforcement.</p> <p>MAD 2 requires transposition by each member state and together with MAR will extend definitions of insider dealing and market manipulation, which is extended to include cross market manipulation.</p> <p>MAD also introduces an obligation for cooperation and exchange of information between financial and commodity regulators, including suspicious transaction reporting.</p>	<p>July 3, 2016 - MAR to apply, MAD repealed</p> <p>January 3, 2017 - MAR provisions with dependencies on MiFID II. MiFID II proposed extension to January 3, 2018 awaiting ratification</p>	Yes	Yes	Yes
MiFID II/MiFIR	<p>Both the Regulation and Directive to amend the original MiFID were published in the Official Journal on July 2, 2014 and were scheduled to apply from January 3, 2017. However, on February 10, 2016, the European Commission proposed a one year extension to the application date of MiFID II to 'take account of the exceptional technical implementation challenges faced by regulators and market participants.' This proposal requires ratification by the EU Parliament and European Council and if approved, the MiFID II start date would move to January 3, 2018.</p> <p>Provisional timetable for transposition in France is July 3, 2016.</p> <p>Notable changes include the creation of organized trading facilities, increased regulation of commodity trading and further restrictions on automated/high frequency trading.</p>	<p>July 2, 2014 - entered into force</p> <p>July 3, 2016 - transposition into national law</p> <p>January 3, 2017 - application date. Proposed extension to January 3, 2018 awaiting ratification</p>	Yes	Yes	Yes
Packaged Retail Investment and Insurance-based Investment Products Regulations	<p>Investors in qualifying PRIIPs must be provided with standard, transparent information in the form of a Key Information Document. Firms managing collective investment schemes currently exempt from the KID obligation must adopt a PRIIPs format KID before January 1, 2017. Existing UCITS format KIDs must change to a PRIIPs format before January 1, 2020.</p>	<p>January 1, 2017</p> <p>January 1, 2020</p>	Yes	Yes	No

Topic	Update	Key Dates	UCITS Fund Manager or UCITS Fund	Alternative Investment Fund Manager or Alternative Investment Fund	Financial Firms (ACPR Regulated entities)
Solvency II	The French insurance regulator began preparing insurance companies for Solvency II in 2015 with requirements for a first round of reporting (RSR, SFCR, ORSA & actuarial), to be completed by September 2015. Asset managers may need to provide greater portfolio transparency ("transparisation") for insurance company clients to enable them to comply fully with the directive.	January 1, 2016	Possible	Possible	Yes
Statistical Data Transaction Reporting	Transaction reporting to the Banque de France - statistical data collection on cross-border financial flows by financial firms.	February 26, 2016	Yes	Yes	Yes
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, 2016	Yes	No	No
UCITS V	<p>UCITS V amends, extends and improves the existing regime for UCITS funds in three main areas: remuneration rules and practices aligned with those adopted within AIFMD, harmonisation of sanctions across National Competent Authorities with the EU, and the obligation to appoint a single depositary with cash monitoring and liquidity provisions inspired by AIFMD.</p> <p>Member states have 18 months and 20 days following August 28, 2014, the date of publication of the UCITS V Directive, 2014/91/EU to transpose the directive into national law.</p> <p>On October 24, 2015 ESMA's consultation period ended requesting feedback on the Guidelines to sound practice in remuneration under the UCITS Directive and AIFMD.</p>	March 18, 2016	Yes	No	No

HONG KONG



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

HONG KONG

The pace of regulatory change in Hong Kong is accelerating, as capital market integration with mainland China and other financial markets continues.

Current context

Hong Kong's financial market is inextricably linked to that of mainland China. The impact of Black Monday on the city has strengthened the resolve of its financial authority to reinforce its regulatory regime.

At the same time, the SFC is pressing on with its enforcement agenda. Integrity and soundness, it says, will underpin the investor confidence needed for Hong Kong to thrive as a leading global financial services market.

Despite Black Monday, the development of the Shanghai-Hong Kong Stock Connect program still represents a major opportunity for Hong Kong's financial sector. As the only exchange with links to a mainland Chinese bourse, the city acts as a gateway for international investment into the world's largest economy.

But the cross-border trading scheme, launched at the end of 2014, is undergoing regulatory change to harmonize the two regulatory frameworks. In its Annual Report for 2014-15, the SFC indicated that the

acceleration of capital market integration with mainland China would dominate its agenda for years to come.

The authority also intends to keep Hong Kong's regulation aligned with international standards, if not ahead of them. To this end, it is working with regulators from other leading financial markets to establish a resolution regime.

Identifying external risks, and taking action to protect investors, remains a further regulatory priority. The SFC has therefore begun to implement an organization-wide risk data strategy. To keep a handle on conduct and behavior, the SFC has focused on three key areas:

- Legislative change to strengthen the supervision of firms, by enhancing arrangements under supervisory memoranda of understanding
- Identifying serious corporate misconduct and encouraging better regulatory compliance
- The vigorous pursuit of criminal or civil actions against individuals and/or organizations when misconduct is detected

There was a welcome change in July 2015, when the Hong Kong Legislative Council extended the tax exemption enjoyed by offshore funds to private equity firms. The new rules were introduced for two reasons. Firstly, to encourage more offshore private equity fund managers to set up or expand their business in Hong Kong. Secondly, to generate demand for local asset management, investment, advisory and other professional services.

Looking ahead

With a wave of legislative change on the horizon, and a climate of enforcement in place, Hong Kong's financial services firms will need to be especially vigilant in 2016.

However, Hong Kong's principles-based approach to regulation can be a challenge for firms to interpret from a compliance point of view. While the SFC demands high standards, it provides little detail about how to achieve these outcomes. As such, the onus is on firms to navigate their own way through this fast-changing legislative landscape, and deal with any grey areas they encounter.



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Three major challenges will pose particular difficulties during 2016. These are OTC derivatives activities, the Professional Investor Regime and cybersecurity.

OTC

In October 2015, the SFC closed its consultation on proposed changes to the Securities and Futures (Financial Resources) Rules (FRR), which mainly relate to OTC derivatives activities. The changes are due to come into force in 2016, and proposals include:

- Applying the FRR's liquid capital regime to licensed corporations engaged in OTC derivatives activities, by subjecting them to a liquid capital requirement
- Subjecting licensed corporations to a fixed-dollar baseline capital requirement, through the introduction of the 'tangible capital' concept
- Introducing approaches to standard market risk and standardized OTC derivatives counterparty credit risk into the FRR

The approaches outlined in the last point above will be relevant for licensed corporations that engage in regulated OTC derivatives dealing activities (Type 11); provide client clearing services for OTC derivatives transactions (Type 12); or provide automated trading services for the trading of OTC derivatives (the new Type 7 activity).

Professional Investor Regime

This regime differentiates retail investors from professional investors, in order to give the former an additional level of protection.

Depending on their wealth, however, individuals may be classified as CPIs (e.g. through holding companies or sole traderships), and so miss out on the protection intended for them under the regime. Yet these individuals may not have a sophisticated understanding of financial markets. The SFC therefore wants to ensure they have the same protection as retail investors under its Code of Conduct.

With this in mind, a new paragraph of Code of Conduct will come into effect in March 2016. It sets out protections for CPIs who are not institutional investors.

Under the new regime, firms will have to carry out a CPI Assessment to determine whether clients are exempt from the protections in Paragraph 15. Exemption will depend on the following criteria:

- The CPI must have an appropriate corporate structure in place, as well as suitable investment process and controls
- Those responsible for investment decisions must have an adequate investment background

- The CPI must be aware of the risks involved in any investments made

Cybersecurity

Like its counterparts in the US, the SFC is taking proactive steps to protect its domestic finance industry against sophisticated cybercriminals. Its regulations and guidelines on cybersecurity are, in fact, similar to those laid down by the US SEC and CFTC.

Licensed corporations in Hong Kong must establish formal policies and procedures to ensure the integrity, security, availability, reliability and thoroughness of all information relating to the firm's business operations – both documentation and electronic data.

As a result, the SFC recommends that firms assess their IT infrastructures and governance arrangements, and implement plans to prevent, detect, and respond to cyber-attacks and data theft. In doing so, they must also consider the security of third-party service providers. Equally, firms should have processes in place to the continuity of critical activities and systems should an attack occur, such as technology, business continuity management, contingency plans and crisis management.

Regulatory calendar – Hong Kong

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Anticipated/ Actual date	Hedge Fund/ Investment Manager	Private Equity	Broker
Changes to the regulation of automated trading services	The ATS guidelines were introduced by the SFC in 2003 and have not been updated since that date. The SFC is therefore reviewing the guidelines, including with a view to taking into account the increased regulation of OTC Derivatives and to improve alignment with international regulators. The definition of ATS will be expanded to include such instruments, as well as the ATS providers that also serve as CCPs. Further enhancements will be made to the guidelines based upon the lessons learned by the SFC and other international regulatory bodies since the guidelines were introduced, including in areas such as governance, transparency and surveillance.	Mid 2016	No	No	Yes
Common Reporting Standard	<p>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 jurisdictions will be required to exchange certain information held by financial institutions regarding their non-resident customers. Over 90 jurisdictions have committed to exchange 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.</p> <p>Hong Kong has however opted for late adoption of CRS and hence first information exchange is expected to take place by September 2018 with first steps to enable such reporting to be implemented in January 2017. However, Hong Kong based fund managers with investment funds domiciled in early adopter jurisdictions, such as the Cayman Islands, are reminded of such jurisdiction's 2016 and 2017 implementation timeframes.</p>	January 2017 onward	Yes	Yes	Yes
Cybersecurity	The SFC and SEC is calling on licensed corporations to ensure increased compliance with the requirement of the code of conduct to ensure the integrity, security, availability, reliability and thoroughness of all information, including documentation and electronically stored data, relevant to the firm's business operation. Licensed corporations should conduct a self assessment with a view to prevent, detect, mitigate, and manage the risk of potential loss of the firms' own and investors' information or assets due to cybersecurity attacks and implement commensurate controls.	Ongoing	Yes	Yes	Yes

Topic	Update	Anticipated/ Actual date	Hedge Fund/ Investment Manager	Private Equity	Broker
Expansion to short position reporting	The SFC brought in rules in 2012 introducing the reporting of short positions for securities in the Hang Seng Index, the Hang Seng China Enterprises Index and other certain stocks specified by the SFC. The SFC is now proposing to extend the scope of the short selling reporting regime to include additional securities and also to make certain other enhancements. The SFC are proposing to extend the coverage to include Designated Securities as set out by Hong Kong Exchanges and Clearing Limited, an increase from around 130 securities to just under 900.	Pending Responses to consultation were due by December 31, 2015	Yes	Possible	Yes
Hong Kong Shenzhen Stock Connect	The Hong Kong Shenzhen Stock Connect is representative of an additional portal to the Chinese economy for international investors. Regulators such as the State Administration of Foreign Exchange and the China Securities Regulatory Commission are yet to agree on how many securities will be tradable via the link-up and how existing allocations for cross border investment quotas will be assigned once the scheme is in place. Some officials are in favor of a more relaxed approach for foreign investors to buy onshore stocks while others prefer a more cautious and controlled stance.	To be finalized	Yes	Possible	Yes
OTC regime (FRR Rules)	The SFC proposes to change rules related to the FRR, specifically with relation to capital and other prudential requirements for licensed corporations engaged in OTC derivatives activity. The proposals aim to ensure that capital and liquidity levels are commensurate with the risks they undertake pertaining to derivative businesses as well as to encourage the adoption of more advanced risk management standards. The proposed FRR treatments can be calibrated to permit different capital approaches for different levels of OTC derivatives activity.	Mid 2016	Yes	No	Yes

Topic	Update	Anticipated/ Actual date	Hedge Fund/ Investment Manager	Private Equity	Broker
OTC regime (Record Keeping and Reporting)	<p>The HKMA and the SFC have been releasing joint conclusions on different proposals with relation to the reporting and record keeping rules for OTC derivatives. Highlights include:</p> <ol style="list-style-type: none"> 1. Daily valuation reporting: The requirement to submit daily valuation reports will be deferred to a later stage after additional consultation and discussion with market participants. 2. Jurisdictions for masking relief: This remains unchanged. 3. Markets and clearing houses to be prescribed: A further 15 operations will be added to the list of markets and clearing houses to be prescribed in view of market feedback. Products traded on and cleared through these operations will not be regarded as OTC derivatives and will fall outside the new regime. 4. Definition of affiliate: The term 'affiliate' will be amended to expressly exclude collective investment schemes (ie, funds). This will better reflect the policy intention not to include the reporting obligation of fund managers in the current phase. 5. Record keeping obligations: Records will have to be readily accessible, but they will not be required to be readily searchable and identifiable by reference to a particular transaction and counterparty. Also it will no longer be a requirement to keep records which evidence communications and instructions that result in the transaction being executed. 	Mid 2016	Yes	No	Yes
PI regime changes	<p>The SFC has proceeded with the proposal to not allow intermediaries when serving individual professional investors to be exempt from the suitability requirement and other fundamental requirements that have a significant bearing on investor protection under the Code of Conduct for Persons licensed by or registered with the SFC. The suitability requirement refers to the requirement to ensure the suitability of a recommendation or solicitation for a client is reasonable in all circumstances. The other fundamental requirements that have significant bearing on investor protection under the Code include, among other things, the need to disclose certain transaction related information, the need to enter into a written agreement, and the provision of relevant risk disclosure statements. The SFC reiterates that intermediaries should commence the client agreement review process immediately.</p>	March 2016	Yes	Yes	Yes

Topic	Update	Anticipated/ Actual date	Hedge Fund/ Investment Manager	Private Equity	Broker
UK FATCA	<p>The United Kingdom has signed intergovernmental agreements ('IGAs') with its Crown Dependencies and Overseas Territories in order to improve compliance with UK FATCA. By June 2015, a full UK indicial review for pre July 1, 2014 individual investors should have been completed. By May 2016, a report must be filed to the local tax authority for the years 2014 and 2015.</p> <p>UK FATCA is applicable to all funds located in UK IGA jurisdictions regardless of where the managers of those funds are located or whether such funds have UK-based shareholders or receive UK source income. If US managers have offshore funds located in a UK IGA jurisdiction, those funds are required to be fully compliant with UK FATCA obligations.</p>	Mid 2016	Yes	Yes	Yes
US AML to affect non-US advisers	The US is proposing rules that, for the first time, would subject registered investment advisers or RIAs with the US SEC under the Investment Advisers Act of 1940, as amended, including non-US RIAs, to AML regulation.	Pending consultaion	Yes	Possible	Possible

IRELAND



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

IRELAND

It has been an extremely busy period in the Irish funds industry recently, both from a regulatory and market perspective. In particular, fund management company effectiveness developments and preparation for UCITS V continue at pace.

Current context

Two years ago, the EU brought in multiple measures to protect professional investors under the AIFMD. It is now bringing the regulation of investment funds sold to the general public into line through the UCITS V Directive.

UCITS V is an overhaul of the UCITS regulatory regime. The new rules seek to clarify the role, eligibility, responsibility and liability of depositories, and come into force on March 18, 2016.

The Irish financial regulator, the CBI, and the Irish funds industry have done much of the groundwork to prepare for UCITS V through the implementation of new regulations. When the CBI published its latest program of themed inspections in markets supervision in

February 2015, it was no surprise that risk management through compliance with UCITS V was among its top priorities for the year.

Also high on the CBI's current supervisory agenda are: the integrity of regulatory returns; the treatment of pricing errors for the calculation of fund net asset values; depositary oversight; proprietary trading; conduct of business; suspicious transaction reports; and persons discharging managerial responsibility in listed firms. We are currently consulting with clients on this bulging laundry list of regulatory issues, assisting them with regulatory healthchecks and gap analyses as they concentrate on business as usual.

The inspection program makes cybersecurity an additional focus, with the CBI also establishing a

banking IT risk inspection team at the beginning of 2015 to prioritize this growing threat.

There have been other regulatory developments in 2015 affecting both UCITS management companies and AIFMs. A new fund vehicle – the ICAV – came into effect in March 2015. ICAV offers a flexible corporate structure that can be used to establish both UCITS and AIFs.

Also in March 2015, the CBI laid out new rules on how fund service providers hold investors' money. After much debate with the industry, the Bank created sector-specific Investor Money Regulations. These come into effect on April 1, 2016, and focus on the segregation, designation, reconciliation, daily calculation, risk management and examination of investors' funds.



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The following month, the CBI published detailed feedback on its consultation on fund management company effectiveness and delegate oversight (CP86). The consultation sets out proposals to improve how fund management companies control the activities of their delegates.

The requirements resulting from CP86 will come into effect from June 30, 2016. Existing fund management companies and self-managed funds will need to update business plans and programs of operation to reflect the revised managerial functions and the organizational effectiveness role.

Looking ahead

There is still much work to do ahead of the implementation of UCITS V. Firms will need to update their depositary and sub-depositary agreements to reflect new eligibility requirements. Policies and practices will also need to comply with remuneration guidance set out in UCITS V, which broadly mirrors that of AIFMD. For some businesses, this will mean establishing a remuneration committee. However, the timing of the new rules hangs on the outcome of an on-going consultation by ESMA.

Away from UCITS V, attention must be given to new Investor Money Regulations. Firms must urgently assess which rules apply to them, and identify the best practice to comply by April 1, 2016. The CBI has issued FAQs as guidance on this issue.

Existing fund management companies and self-managed funds will also need to update their business plans and programs of operation to comply with CP86 by June 30, 2016. This will mean revising managerial functions and the organizational effectiveness role.

Under CP86, the CBI has made a clear distinction between the roles of 'director' and 'designated person'. Directors will control and direct fund management companies; designated persons will perform managerial functions to which they've been assigned, and escalate issues as appropriate.

The number of designated person management functions will be reduced to six in both UCITS and AIFMs. CBI guidance on the expectations of these functions will be provided in the near future.

We are working with fund management companies, and self-managed funds to review their existing organizational structures and propose solutions, including providing Designated Persons, to address the requirements of CP86. With a deadline of June 30 for revised structures to be in place, this is top of the agenda in the first half of 2016.

Finally, the Financial Action Task Force will carry out a fourth-round Mutual Evaluation Review in Ireland next year. The CBI is working closely with the financial sector to ensure international best practice guidelines are being applied to anti-money laundering and countering the financing of terrorism regimes. The funds industry is no exception with the CBI recently publishing its report and recommendations on AML following a series of inspections of funds. We have predicted many of these recommendations and continue to work with clients on implementing changes, through our MLRO offering.

Regulatory calendar – Ireland

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Anticipated/ recent adoption date	Banking regulated	Investment fund	Fund service provider business regulated	Investment business regulated
Common Reporting Standard	<p>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.</p> <p>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 changing 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.</p> <p>Legislation to implement the CRS in Ireland was introduced in Finance Act 2014 by inserting Section 891F of the Taxes Consolidation Act 1997, and Regulations will issue during 2015.</p>	<p>Due Diligence from January 2016</p> <p>Reporting for 2016 in June 2017 and Exchange in September</p>	Yes	Yes	Yes	Yes
CRD IV	<p>IFPRU investment firms are now required to hold more eligible capital than previously and have been required to put in place extensively enhanced systems and controls including dedicated committees and may need to abide by further restrictions on remuneration. Changes in eligible capital have affected all CRD IV firms.</p>	Full implementation by January 1, 2019	Yes	No	Possible	Possible
EMIR	<p>All OTC derivative contracts entered into before or after August 16, 2012, no longer outstanding as of February 12, 2014 to be reported to a Trade Repository.</p> <p>Initial variation margining requirements for non-centrally cleared trades will apply from September 1, 2016 for the largest institutions. This will be followed by an annual phase in such that all other institutions that are within scope above a minimum threshold will be subject to initial margin from September 1, 2020. Implementation dates may change depending on the progress of EU implementation.</p>	September 1, 2016 - September 2020	Yes	Yes	Yes	Yes

Topic	Update	Anticipated/ recent adoption date	Banking regulated	Investment fund	Fund service provider business regulated	Investment business regulated
EU Capital Market Union	The EU CMU is one the cornerstone projects of the new European Commission. The goal of the CMU is to create deeper and more integrated capital markets across the EU by reducing fragmentation in financial markets, diversifying financing sources, strengthening cross border capital flows and improving access to finance for businesses.	2019	Yes	Yes	Yes	Yes
FATCA	FATCA has been in force since July 1, 2014. It requires that Ireland FIs (including investment funds, amongst others) identify and report on US tax payers to the local tax authority. The date for the review of pre-existing entity accounts (with an account balance or value that exceeds US\$250,000 as of June 30, 2014) should be completed by June 30, 2016. This is in line with the deadlines as set out in the US Regulations and the timeframes agreed in the US-Ireland IGA.	June 30, 2016	Possible	Possible	Possible	Possible
Fourth Money Laundering Directive	The MLD4 has now been adopted at an EU level and will be implemented locally by 2017. Key changes are: <ul style="list-style-type: none"> • It clarifies when SDD or EDD is appropriate • It widens the definition of PEPs to include individuals (including family members and known close associates) who hold prominent positions in their home country; makes EDD mandatory for them; and increases the time that PEPs remain PEPs after ceasing to hold the position • There should be greater transparency of the beneficial ownership (greater than 25%) of companies and trusts • Increased sanctions 	June 26, 2017	Yes	Yes	Yes	Yes

Topic	Update	Anticipated/ recent adoption date	Banking regulated	Investment fund	Fund service provider business regulated	Investment business regulated
Fund Management Company Effectiveness Delegate Oversight	The Central Bank issued Consultation Paper 86 which outlines its view on fund management company effectiveness. It details: <ul style="list-style-type: none"> 1. Fund management company delegate oversight 2. Streamlining designated managerial functions 3. Irish directorship requirements 4. Board composition 	2016	No	Yes	Possible	No
Funding Levy	Consultation Paper 95 outlines the cost of funding for financial regulation. The proposal looks to increase the cost of funding from 50% of the costs incurred by the Central Bank to 100%.	2016	Yes	Yes	Yes	Yes
Investor Money Regime	New investor money regulation and guidance has been introduced for fund service providers (including administrators. It applies to bank accounts that are operated for collection and payment of monies to and from investors. If money is considered to be a fund asset, then the bank account is outside the scope of the investor money regime.	April 1, 2016	No	Possible	Yes	No

Topic	Update	Anticipated/ recent adoption date	Banking regulated	Investment fund	Fund service provider business regulated	Investment business regulated
MiFID II / MiFIR	<p>MiFID II/MiFIR will drive fundamental changes in the EU securities markets across the full lifecycle of products and services. It is expected that almost no business or operating model of relevant financial firms will remain unaffected. Both the Regulation and Directive to amend the original MiFID were published in the Official Journal on July 2, 2014 and were scheduled to apply from January 3, 2017.</p> <p>However, on February 10, 2016, the European Commission proposed a one year extension to the application date of MiFID II to 'take account of the exceptional technical implementation challenges faced by regulators and market participants.' This proposal requires ratification by the EU Parliament and European Council. If approved, MiFID II would apply from January 3, 2018.</p>	<p>July 2, 2014 - entered into force</p> <p>July 3, 2016 - transposition into national law</p> <p>January 3, 2017 - application date. Proposed extension to January 3, 2018 awaiting ratification</p>	Possible	No	Possible	Possible
UCITS V/VI	<p>Agreement has been reached on the new UCITS V Directive which extends the existing regime into three new areas: depositaries; sanctions for breaches; and remuneration policies and practices. It also seeks to mirror the rules in place under AIFMD, amongst others. Member states now have two years to transpose the directive into national law. Also, ESMA is expected to publish final guidelines on the application of the remuneration rules by the end of 2015.</p> <p>In addition, the European Commission is due to publish its proposed UCITS VI Directive; this is to address eligible assets and the use of derivatives, depositary passporting, and improvements to UCITS IV.</p>	March 18, 2016 (UCITS V)	No	Yes	Yes	No

LUXEMBOURG



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

LUXEMBOURG

The harmonization of standards in the financial services market, particularly across Europe, offers Luxembourg a golden opportunity. Along with these demands of the new regulatory landscape they also pose significant challenges.

Current context

The implementation of AIFMD has been one of the top priorities over the past year for Luxembourg's financial regulatory authority, the Commission de Surveillance du Secteur Financier (CSSF).

The regime aims to create uniform regulatory standards across Europe for AIFs, including hedge, private equity, and real estate funds. It also establishes a 'passport' system, which enables firms to market an AIF that is regulated in one member state in all EU countries.

The Luxembourg investment market had been keenly anticipating the opportunities presented by implementation of AIFMD. But what has become evident for many firms is just how complex the legislation is and how far-reaching its effects have been and will be on their operations – regardless of their organizational size.

There are two main challenges. First, there's the need to put an AIFMD-compliant structure in place. Second, firms must have a strong level of expertise and resources if they are to conform to the directive's substance requirements.

UCITS funds meanwhile have been preparing for the EU's UCITS V regime, which comes into force in March 2016. UCITS V aims to increase the protection for retail investors, and seeks to clarify the role, eligibility, responsibility and liability of depositories.

The CSSF has been particularly focused on the new rules for depositories, which set minimum standards for prudential regulation, capital requirements and effective supervision. They also impose eligibility restrictions on who can act as a UCITS depository.

A further directive, CRD IV, has also had an impact on Luxembourg's financial services industry this year.

The EU's regime lays down prudential rules for banks, building societies and investment firms. It comes in the wake of Basel III guidance for global financial markets, as set out by the Basel Committee on Banking Supervision.

Although the bulk of the new CRD IV rules came into force in January 2014, the legislation is continually being updated, and so continues to challenge financial institutions.

Looking ahead

While 2016 will see Luxembourg's financial sector looking to take advantage of the opportunities presented by new waves of legislation, some aftershocks will inevitably be felt as regulators look to consult with the industry on the harmonization of rules.

Organizations will need to do everything in their power to avoid exposure to risk over the course of 2016. The



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scope and burden of regulation, for AIFMs and UCITS in particular, is set to escalate – as is scrutiny from the CSSF.

In this challenging context, following a step-by-step manual will no longer suffice. Experienced individuals will be needed to take a firm grip of the controls, and steer firms safely through Luxembourg's regulatory change. And firms must be ready to review their operating models for appropriateness in light of changing requirements and to capitalize on any opportunities that emerge. Equally, continued focus on embedding the spirit of regulation and compliance into the fabric of the organizational culture will be important to avoid falling foul of the regulator.

Given the intricacy, sophistication and scale of legislative requirements, Luxembourg firms are increasingly outsourcing and delegating their compliance arrangements. In the past, they might have formed partnerships with one or two governance and oversight providers; that number is now more likely to be closer to ten.

This obviously increases cost – and risk. With more and more players involved in compliance, significant effort will be needed by firms to monitor their third party networks, and to be seen by the regulator to be doing so. Linked to this, regulators must work towards framing the rules of outsourcing to third parties to ensure risk to firms is minimized.

What's clear, however, is that there has been good traction of the AIFMD in Luxembourg and the UCITS trademark remains very strong. The industry has demonstrated its agility, ability to embrace regulatory and evolve while remaining true to upholding standards. As a result, the industry has seen tremendous growth¹ – a testament to the hard work put in by the industry, CSSF, ALFI, and other authorities and associations to make it one of the leading go-to markets for establishing a regulated fund.

¹ According to the Association of the Luxembourg Fund Industry (ALFI), Luxembourg funds (including AIFs as well as UCITS) have grown 23% over the last 12 months to €3.58 trillion. The jurisdiction is home to nearly 4,000 funds and 14,000 fund units.



Regulatory calendar – Luxembourg

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Anticipated/ Actual date	Advisors	Broker	Private Equity	Hedge Fund/ Investment Manager	Other entities impacted
Automatic Exchange of information among EU member states, also known as the Common Reporting Standard	<p>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.</p> <p>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.</p>	First reporting is due in 2017 for fiscal year 2016	Possible	Possible	Yes	Yes	EU member states
EMIR	<p>On August 6, 2015 the EU Commission adopted its regulatory technical standard on interest rates derivatives.</p> <p>Depending on the type of counterparty, the obligation date of clearing for these types of derivatives, including fixed-to-floating interest rate swaps, float-to-float swaps, forward rate agreements and overnight index swaps may vary.</p> <p>Please refer to the next column for application date by counterparty.</p>	<p>June 21, 2016 - category 1</p> <p>December 21, 2016 - category 2</p> <p>June 21, 2017 - category 3</p> <p>December 21, 2018 - category 4</p>	N/A	Yes	Yes	Yes	AIFM, all types of investment funds dealing with derivatives, credit institutions and financial institutions
EU Long Term Investment Fund	The Council approved the regulation on April 20, 2015 which was published in the Official Journal of the EU on May 19, 2015 and applies from December 9, 2015. It aims at increasing the capital available for long term financing in the European economy with a new European investment fund vehicle.	December 9, 2015	N/A	N/A	Possible	Possible	

Topic	Update	Anticipated/ Actual date	Advisors	Broker	Private Equity	Hedge Fund/ Investment Manager	Other entities impacted
FATCA	FATCA has been in force since July 1, 2014. It requires that Luxembourg FIs (including investment funds, amongst others) identify and report on US tax payers to the local tax authority. The first reporting was due in Luxembourg for August 31, 2015.	August 31, 2015	Possible	Possible	Yes	Yes	Credit institutions and financial institutions, custodian/depository banks
Fourth Money Laundering Directive	This Directive creates a stronger framework to combat money laundering and terrorism financing. Main provisions are risk assessment and risk based approach, increased transparency, tax crimes (considered predicate offense), extension to gambling sector, third country policy, and customer due diligence waiver (for certain e-money products).	June 26, 2017	Yes	Yes	Yes	Yes	This is 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)
Law of 23 July 2015 implementing CRD IV	Provides information on pursuit of business for credit institutions and investment firms. This includes: freedom of establishment, capital buffers, prudential supervision and sanctions. Other topics (capital, large exposures, liquidity, leverage, disclosure requirements, and counterparty credit risk) are still covered in the Regulation 575/2013 (CRR).	August 3, 2015	N/A	N/A	N/A	Possible	Credit institutions

Topic	Update	Anticipated/ Actual date	Advisors	Broker	Private Equity	Hedge Fund/ Investment Manager	Other entities impacted
MiFID II/MiFIR	<p>The regime aims 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.</p> <p>The concerns they face are: transactions reporting, pre and post trade transparency, high frequency trading provisions, investor protection, third country access, internal controls, and governance. Other additional concerns include inducements prohibition for discretionary asset management and independent advice.</p> <p>On February 10, 2016, the European Commission proposed a one year extension to the application date of MiFID II to 'take account of the exceptional technical implementation challenges faced by regulators and market participants.' This proposal requires ratification by the EU Parliament and European Council and if approved, the MiFID II start date would move to January 3, 2018.</p>	<p>Entry into force July 2, 2014</p> <p>Transposition into local law by July 3, 2016</p> <p>Applicable from January 3, 2017. Proposed extension to January 3, 2018 awaiting ratification</p>	Possible	Yes	Possible	Yes	Investment banks and custodian banks, private and retail banking, insurance (in addition to investment managers) and market infrastructures
Reserved Alternative Investment Fund	<p>On November 27, the Council of the Luxembourg Government approved the bill of law introducing the "Reserved Alternative Investment Fund". This new type of AIF will offer the same flexibility as a SIF except that it will not be subject to CSSF supervision, the timeframe to set-up such vehicle being therefore reduced as compared to similar regulated entities, and offering the European passport for marketing to professional investors in the EU as granted by the AIFM Directive (provided that the RAIF is managed by an authorized AIFM which is itself regulated)".</p>	<p>First half of 2016 depending on the legislative process and submission to Parliament</p>	No	No	Yes	Yes	

Topic	Update	Anticipated/ Actual date	Advisors	Broker	Private Equity	Hedge Fund/ Investment Manager	Other entities impacted
UCITS V	<p>Entered into force on September 17, 2014, UCITS V allows for alignment on the provisions already implemented with AIFMD in regards to depositary regime, manager remuneration, and sanctions. Main provisions are an appointment of a single depositary through written contract, definition of eligible entities that can be appointed as depositories, definition of the depositories oversight, safe-keeping/record-keeping and cash flow monitoring duties, delegation arrangements, liability regime, remuneration policies and practices, and sanctions and whistle blowing regime.</p> <p>European Commission released the Level II measures on December 18, 2015 which are now with the Parliament and the Council for examination for a period of 3 months.</p>	<p>March 18, 2016 - Application of Directive</p> <p>Level II Measures: Apply 6 months after publication</p>	N/A	N/A	N/A	Yes (Management companies of UCITS and UCI)	Depositary banks
UCITS VI	The EU Commission issued in July 2012 a consultation paper covering UCITS eligible assets, efficient portfolio management techniques, OTC derivatives, liquidity management tools, money market funds, enhancements to current UCITS framework, depositary passport, and long-term investments.	Pending	N/A	N/A	N/A	Yes (Management companies of UCITS and UCI)	

SINGAPORE



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

SINGAPORE

Regulatory change in Singapore continues rapidly. Vigilance is essential as firms conform to a raft of increasingly principles-based regulation locally, while keeping up with regulations of other countries that may affect them given the cross-border nature of Singapore's financial services sector.

Current context

Singapore's regulator, the MAS, has been increasingly busy. On average, the MAS issued no fewer than 23 consultations on regulatory changes a year from 2012 to 2014. In 2015, its pace continued, with 20 consultations by December 18, 2015. That is double the average of 10 consultations a year from 2008 to 2011.

Recent legislative change in Singapore fell largely into two categories.

First, the MAS adopted various post-crisis global standards to better guard against cross-border externalities. For instance, Singapore continued in 2015 to implement aspects of the Basel Committee's standards on banking system resilience, particularly

pertaining to capital adequacy and liquidity for systemically important banks.

Singapore also ushered in even more stringent anti-money laundering and counter terrorist financing checks, adopting recommendations of the Financial Action Task Force. Beyond customer-level risk assessments, a firm must now self-assess the money laundering and terrorist financing risk and controls inherent in its business and arising from the businesses of any branch that firm has outside Singapore.

Second, the MAS tweaked Singapore's regulations to suit the country's maturing financial market. To illustrate, as more firms seek to access Singapore's increasingly affluent population and more innovative and

risky products are offered, the MAS introduced new standards for financial advisory firms. The regulator also reviewed extending regulatory safeguards afforded to retail investors to other investors who were formerly deemed by virtue of their higher net worth to be more sophisticated.

But it's not just the amount of new regulation that Singapore-based firms grapple with. The way that new legislation is cast is also changing. The MAS is increasingly principles-based rather than prescriptive in rule-making. For firms, this means scanning which rules apply to them, assessing if there is a need for change, and deciding how to best make changes based on their business model and size.



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Looking ahead

These trends show no let-up in 2016. While operationalizing regulatory requirements introduced in 2015, compliance and governance teams must prepare for new requirements flowing from several policy consultations launched in 2015.

An example is the proposal to license OTC derivatives trading in Singapore and collapse this with existing regulated trading activities under a new license for “dealing in capital markets products”. When this takes effect, OTC derivatives traders must get licensed.

Firms handling other regulated trading activity will likely be subject by the MAS to some administrative changes associated with the new creation of the “dealing in capital markets products” license. Additionally, if any part of their business involves OTC derivatives trading, firms will need to implement new OTC derivatives trading regulations.

When the MAS’ proposal to review extending regulatory safeguards afforded to retail investors to other higher net worth investors (see above) is implemented, all capital markets, fund management and financial advisory intermediaries must review which customers fall within the affected segment and contact them. These customers must be given an informed choice whether to continue being dealt with as they have been vis-à-vis the firm, or be given the protection available to retail investors, such as greater disclosures and restricted investments they are willing to invest in.

The industry is also anticipating the MAS’ new guidance on the extent to which they can outsource services such as mid-office and back-office support. The new outsourcing rules will likely require all types of financial firms to assess an expanded list of third-party services to be assessed for outsourcing risk. The MAS will also likely impose harsher penalties for breaches of standards.

Finally, as capital flows become more borderless, Singapore firms are serving more overseas investors. In 2015, 80% of Singapore’s assets under management were sourced from outside Singapore. The presence of overseas investments and doing cross-border business means Singapore-based firms must be aware of and comply with changing foreign regulations (such as those on cybersecurity and AIFMD). Firms must also come to terms with having additional obligations in coming years to comply with global fiscal transparency initiatives such as FATCA and the CRS.

In a climate of constant regulatory change, Singapore’s financial services firms must keep a sharp focus on the fast-moving compliance landscape. Only with the right systems in place will they be able to keep on top of new rules in astute and cost-efficient ways – and with minimum disruption to their business.

Regulatory calendar – Singapore

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Anticipated/ Actual date	Broker	Private Equity	Hedge Fund/ Investment Manager
Common Reporting Standard	<p>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 jurisdictions will be required to exchange certain information held by financial institutions regarding their non-resident customers. Over 90 jurisdictions have committed to exchange 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.</p> <p>Singapore has however opted for late adoption of CRS and hence first information exchange is expected to take place by September 2018 with first steps to enable such reporting to be implemented in January 2017. However, Singapore-based fund managers with investment funds domiciled in early adopter jurisdictions, such as the Cayman Islands, are reminded of such jurisdiction's 2016 and 2017 implementation timeframes.</p>	January 2017 onward	Yes	Yes	Yes
Licensing of OTC derivatives trading	<p>The MAS proposed to require 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".</p> <p>The consultation closed in July 2015. The MAS will consider the feedback received in the consultation and consult again on measures required to effect the proposed changes.</p>	Tentative	Yes	No	No
Minimum collateral on securities trading	Brokers will collect collateral of at least 5% of customers' net open positions on Singapore Exchange-listed and foreign-listed securities directly from each customer by end of trade day.	Mid 2016	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	<p>The MAS consulted on draft proposed regulations which 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 consultation closed in July 2015. The MAS will consider the feedback received in the consultation and issue its response.</p> <p>The MAS indicated it intended to pass the regulation by the end of 2015 and to 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 which are entered on or after the effective date.</p>	Second half of 2016	Possible	No	No
Reinforcing firms' management of outsourcing arrangements	<p>The MAS proposed to revise its guidelines, which were last updated in 2005, on how financial services firms may outsource services that would otherwise perform in-house like mid or back office support to third parties. The consultation closed in 2014.</p> <p>The MAS is expected to issue its response to the feedback received in the consultation and to allow a certain number of months before any statutory obligation to comply with the proposed changes takes effect.</p>	Tentative	Yes	Yes	Yes
Requirement to formulate and maintain recovery and resolution plans	<p>The MAS proposed to require firms that are considered systemically important or maintain critical functions to have submit and maintain plans for restoring the financial strength and viability of the firm in crisis and orderly resolution. The consultation closed in July 2015. The MAS will consider the feedback received in the consultation and consult again on legislative amendments required to effect the proposed changes.</p>	Tentative	Possible	Possible	Possible
Short position reporting	<p>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.</p>	Mid 2016	No	No	Yes
Singapore-United States Intergovernmental Agreement on FATCA	<p>The Singapore-US Model 1 IGA with the US on FATCA entered into force on March 18, 2015. Singapore-based financial institutions in 2015 have to submit FATCA information to the IRAS relating to Reporting Year 2014 and complete due diligence procedures for certain accounts. They must additionally complete due diligence procedures for preexisting entity accounts with balance or value exceeding US\$250,000 as of June 30, 2014 and preexisting individual accounts with balance or value between US\$50,000 and US\$1 million as of June 30, 2014.</p>	June 30, 2016	Yes	Yes	Yes
Strengthening regulatory protections for high net worth individuals	<p>Currently, an investor who meets certain criteria is automatically classified as an accredited investor to which issuers and intermediaries have fewer regulatory obligations when serving such investors. The MAS will seek Parliamentary approval to amend the criteria that individuals, corporations, and trustees must meet to be eligible to be accredited investors and investors who meet the criteria must actively opt-in to accept fewer regulatory safeguards, failing which they would by default be treated as retail investors.</p>	2016	Yes	Yes	Yes

UNITED STATES



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

UNITED STATES

The regulatory landscape is not retreating in the US, with the financial services industry remaining under intense scrutiny. In particular, firms must be prepared for targeted examinations and remain vigilant in efforts surrounding cybersecurity, conflicts of interest and anti-money laundering.

Current context

The SEC's ability to scrutinize the financial services market increased in 2015. In recent years, the SEC has substantially increased its resources and capabilities to evaluate, assess and examine registered investment advisers, and take action against wrongdoing. And its examinations have become far more targeted now that various divisions of the Commission have built stronger collaborative links.

Conflicts of interest, cybersecurity assessments and AML procedures have been at the top of the SEC's agenda. Additional exam priorities were set out by the Commission's OCIE and AMU at the beginning of 2015.

The AMU has embarked on an aggressive program of hiring financial industry veterans from across the sector. Their experience is being used to investigate suspected misconduct involving registered investment

companies, private equity and hedge funds, and separately managed accounts.

Investigations by the regulator into registered investment companies have focused on valuation and performance; the advertising of performance; fund governance and marketing; and funds deviating from their own investment guidelines, or pursuing undisclosed strategies.

Among private equity and hedge funds, the AMU has mainly been looking into valuation, compliance and control issues. Undisclosed fees, undisclosed conflicts and valuation are proving to be a particular issue for hedge funds, while undisclosed and misallocated fees and expenses are troubling private equity firms.

When looking at separately managed accounts, the AMU has been concentrating on fee arrangements and compliance.

Looking ahead

Conflicts of interest, cybersecurity assessments and anti-money laundering procedures will continue to dominate the SEC's agenda in 2016. Let us look at each of these in turn.

As a fiduciary, an investment adviser is obliged to fully and clearly disclose its conflicts of interest to clients. Going forward, examiners will look at whether investment advisers are properly discharging their obligation to identify conflicts of interest, and whether they're taking action to eliminate or mitigate them.

The examinations are likely to explore all types of conflicts, including fees and expenses, related-party transactions, compensation for third parties, co-investment and parallel vehicles, and allocations.

In August 2015, the Department of the Treasury's FinCEN proposed new anti-money laundering rules



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for SEC investment advisers. Under the proposals, firms will need to put stringent policies and procedures in place to help identify funds sourced from terrorist financiers and other bad actors, prior to their insertion into the US financial system.

Firms will also be required to establish robust programs to prevent themselves from being used for money laundering purposes, or to finance terrorism. This will entail reporting suspicious activity to FinCEN, in keeping with the requirements of the Bank Secrecy Act. It will also mean filing currency transaction reports to assist the tracking of funds through US financial institutions.

With sophisticated cybercriminals increasingly targeting the financial industry, cybersecurity has escalated as an exam priority.

In September 2015, the SEC brought its first cybersecurity related enforcement action against an investment adviser for inadequate policies and procedures, as well as compromising the personally identifiable information of its clients and contacts. The penalty was levied despite no evidence to suggest any financial harm to clients.

The SEC used the case to remind investment advisers of their obligations under federal securities law to adopt written policies and procedures designed to reasonably protect customer records and information. It also warned that it would continue to enforce this 'safeguards rule'.

In addition, the SEC wants firms to anticipate potential cybersecurity incidents, rather than reacting to breaches as they occur. Under guidance issued in 2014 and 2015, it recommends that advisers put clear procedures in place to safeguard infrastructure, protect data and sensitive information, detect and respond to cybersecurity events, notify authorities and interested parties, and resume operations in a timely manner.

Firms must therefore assess their governance framework, IT infrastructures, and risks specific to their organization. The assessment of the firm's current IT interior and exterior infrastructure is key in identifying vulnerabilities and verifying user privileges. The IT risk assessment needs to follow the guidelines issued by National Institute of Standards and Technology to assist with the development and implementation of a plan which prevents, detects, responds to data loss and/or cyber-attacks, which includes employee training.



Regulatory calendar – United States

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Anticipated/recent adoption date	Broker-Dealer	Private Equity Fund Adviser	Hedge Fund Adviser
Amendments to Form ADV and Investment Advisers Act Rules	<p>The SEC proposed rules, forms and amendments to modernize and enhance the frequency and detail of the information reported by investment companies and investment advisers, including hedge fund and private equity fund managers. The proposals focus on changes to two major areas:</p> <ul style="list-style-type: none"> • Registration and reporting within the Form ADV • Rules of Investment Advisers Act of 1940, as amended: ('Advisers Act') <p>Of the proposed changes to the Form ADV, the most notable include the following:</p> <ul style="list-style-type: none"> • For separately managed accounts, the requirement to disclose the types of assets held and the use of derivatives and borrowings • Modification to specifically allow for certain 'umbrella registration' filings, allowing a group of related entities to file as a single advisory business • Additional disclosure regarding an adviser's business, including information on branch office operations and the use of social media, if applicable <p>The proposed changes to the Advisers Act include an update to Rule 204-2, under which advisers must currently maintain records of performance calculations that are distributed to 10 or more persons. The proposed changes would remove this 10 person threshold and require advisers to maintain all performance information (including calculations) distributed to any person. Final rules are not expected to be published until later this year, however, managers and CCOs should be mindful of the upcoming regulation and potential changes in compliance obligations.</p>	Possibly late 2016	No	Yes	Yes

Topic	Update	Anticipated/recent adoption date	Broker-Dealer	Private Equity Fund Adviser	Hedge Fund Adviser
FATCA	In January 2013, the IRS issued the final regulations under FATCA, which was enacted to support the US government in halting overseas investment practices that assisted certain US citizens in evading US tax responsibilities. While FATCA mandates withholding and reporting outside the US and requires FFIs such as banks, offshore funds, certain brokers, trusts and trust companies to provide detailed information about US account holders to the IRS.	Refer to country calendar where funds are domiciled	Possible	Yes	Yes
FinCEN proposal of AML Requirements for Investment Advisers	<p>FinCEN proposed new rules to address money laundering vulnerabilities within the US financial system. These proposed rules would require maintained investment advisers to establish AML programs, which would include the reporting of suspicious activity to FinCEN, pursuant to the Bank Secrecy Act. Additionally, investment advisers will be included in the definition of a 'financial institution,' which would require them, among other things, to file Currency Transaction Reports and to maintain records relating to the transmittal of funds.</p> <p>The proposed rules would apply to investment advisers registered with the SEC, including advisers to certain hedge funds, private equity funds, and other private funds. For the purposes of compliance with such rule, FinCEN would delegate its examination authority to the SEC.</p>	Mid 2016	No	Yes, if SEC Registered	Yes, if SEC Registered
OCIE's 2015 Cybersecurity Examination Initiative	The OCIE of the SEC provided additional guidance on areas of focus for the second round of cybersecurity examinations. Key topics will include an investment adviser's governance and risk assessment, access rights and controls, data loss prevention, vendor management, training, and incident response.	Ongoing	Yes	Yes	Yes

UNITED KINGDOM



SPOTLIGHT ON FINANCIAL SERVICES REGULATION:

UNITED KINGDOM

Financial services regulation in the UK and Europe is becoming increasingly complex as the EU continues to drive reform in the wake of the global financial crisis.

Current context

The AIFMD is now in place in Europe. This directive affects nearly all fund managers with a presence in the EU or European Economic Area, which aren't regulated under the UCITS framework.

The aim of the directive is to establish a stringent regulatory and supervisory framework for AIFMs. Fund managers have struggled with AIFMD's Annex IV transparency reporting rules in particular. These require firms to file highly detailed information up to four times a year on the company and its funds under management. However, it is not yet clear how regulators intend to use the information submitted.

The process of marketing in Europe has also become more bureaucratic with notifications having to be made to individual regulators concerning the intention to market or to passport ones marketing activities into other states.

Another EU directive impacting the financial sector is the CRD IV, which sets out prudential rules for banks, building societies and investment firms. Although the bulk of the rules came into force in January 2014, the legislation is continually being updated and so continues to exercise financial institutions in the UK and Europe.

Meanwhile the UK regulator, the FCA, has been busy enforcing its Principle 11, which states that businesses must be open and cooperative in their dealings with regulators. In particular, the FCA has fined multiple organizations on grounds of misconduct in providing misleading information on its financial crime systems and controls.

Looking ahead

CRD IV will continue to pose challenges in the year ahead. The implementation of standardized reporting is proving especially challenging for investment firms. The

regulation is devised largely with banks in mind, and some of its requirements are proving difficult to transfer to an investment model.

But the main focus for Europe in 2016 and 2017 will be implementing the EU's MiFID II. Top of the MiFID II priority list will be identifying the IT system builds and changes necessary for firms' compliance with the new rules. A detailed understanding and analysis of the impact of the new Directive and Regulation will be essential if financial institutions are to make this happen.

MiFID II will also require businesses to revisit their execution policies and disclose certain information on these on their websites. Also, the rules governing dealing commission being used to pay for research are being significantly tightened under MiFID II.

Other areas for attention due to MiFID II include changes to regulations on transaction reporting and telephone



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recording. The directive broadens the scope of these rules, bringing new types of business under them – asset managers, for example will no longer be able to rely on some of the current exemptions. It also requires firms to report in much greater detail than at present.

For proprietary traders not currently regulated, MiFID II and CRD IV represent a particular headache. The two directives may bring some firms into regulation and simultaneously subject them to complex rules concerning capital. This places an imperative on firms to ensure they are able to operate under the new regime.

Away from CRD IV and MiFID II, new market abuse and anti-money laundering directives will also drive the need to update policies and procedures when they come into force midway through 2016.

A further regulatory driver in the UK and Europe is undoubtedly the issue of cybersecurity. This will increasingly take center stage in 2016. Regulators in the US and Asia have made several announcements on expectations and guidance relating to this issue, with industry bodies in the UK such as the Alternative

Investment Management Association also providing insight. We can expect the FCA and other European regulators to issue guidance on what they expect of financial institutions in this area over the coming months.

What is key to note on cybersecurity however is that defending against yesterday's attacks and mirroring what others are doing is simply not adequate. Firms must shift their focus to the proactive management of security threats and vulnerabilities specific to their organization. A risk-based security strategy, underpinned by international standards and which includes a comprehensive security gap analysis, remains the best way for firms to shape their cybersecurity solution. With this approach, firms will be in a much stronger position to protect their clients, their trading data and their portfolio information assets.



Regulatory calendar – United Kingdom

For definitions of all acronyms and abbreviations, please refer to the glossary on pages 6 and 7.

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
Common Reporting Standard	<p>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.</p> <p>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.</p>	May 31, 2017 – first reporting to HMRC	Possible	Possible	Yes	Yes	Yes
Consumer Credit	Authorization for all consumer credit firms with interim permissions should be complete. Full FCA consumer credit regime replaces interim permissions regime.	April 1, 2016	No	No	No	No	No
CRD IV/CRR	IFPRU investment firms are now required to hold between 33% and 66% more eligible capital than previously. Firms must put in place extensively enhanced systems and controls including dedicated committees (irrespective of size, risk and complexity) and abide by further restrictions on remuneration. Change in eligible capital definition will affect all CRD IV firms.	Full implementation by January 1, 2019	No	Possible	No	Possible	Yes

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
CRD IV: Recovery and Resolution provisions	<p>Requirements to draw up and maintain Recovery and Resolution Plans will apply to a firm if it is a:</p> <ul style="list-style-type: none"> • IFPRU €730,000 Firm • RRD Financial Institution or RRD Holding Company or RRD Parent Holding Company • Financial Institution that is a subsidiary of any of the following; <ul style="list-style-type: none"> - An EEA Parent Institution - A Parent Institution in a Member State - An RRD Holding Company - An RRD Parent Holding Company • A Qualifying Parent Undertaking that is the Parent Undertaking is an IFPRU €730,000 IFPRU Firm and is any of the following; <ul style="list-style-type: none"> - An RRD Financial Institution - An RRD Holding Company - An RRD Parent Holding Company <p>It will not apply to any other IFPRU Firms (i.e. €50,000 or €125,000 IFPRU Firms) nor any BIPRU Firms unless it is any of those scheduled and subject to the above.</p>	Recovery and Resolution Plans were required to be in place by January 1, 2015 and must be submitted to the FCA within three months of the Reporting Reference Date	No	Possible	No	Possible	Yes
Energy Saving Directive	The effect of the Energy Saving Opportunity Scheme rules may impact PE funds investing in 'large enterprises' in that all portfolio companies may be caught by the requirement to perform Energy Audits.	Ongoing	No	No	Yes	Possible	No
EU Benchmark Regulation	During 2015, continued trilogue negotiations on the draft Benchmark Regulation with a view to reaching agreement. Agreement is expected to be reached by late 2016 to early 2017, following which it will be adopted and published in the Official Journal. The regulation will then come into force on the following day, and apply 12 months from then.	Expected in late 2016 - early 2017	No	Possible	No	No	Possible

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
European Long Term Investment Funds Regulation	<p>The European Commission in June 2013 proposed to introduce a new regulatory framework for closed-ended funds through which retail investors will be able to invest in long-term projects. This will be of interest to UK AIFMs, EEA AIFMs, UK depositories of AIFs and UCITS providing services to UK ELTIFs and advisors and distributors of ELTIFs.</p> <p>ELTIFs are a new type of fund which focus on attracting non-bank financial investors to fund long-term infrastructure projects and unlisted small or medium sized enterprises in the EU. The aim of the regulation is to create a cross-border framework for this type of investment and stimulate demand from institutional and/or retail investors seeking long-term investments.</p> <p>ELTIFs will operate within the AIFMD regime and managers will be required to be authorized as full-scope AIFMs. The fund will require authorization by the FCA (if domiciled in the UK).</p>	2017	No	No	Possible	Possible	Possible
EMIR	<p>EMIR will affect any managers of AIFs domiciled in the EEA, or which trade derivatives with EEA counterparties. Counterparties (including AIFs) were required to have pre-Legal Entity Identifiers in place and to report certain derivative transactions to a trade repository from February 12, 2014, as well as collateral and valuation data from August 12, 2014, to trade repositories.</p> <p>Initial variation margining requirements for non-centrally cleared trades will apply from September 1, 2016 for the largest institutions. This will be followed by an annual phase in such that all other institutions that are within scope above a minimum threshold will be subject to initial margin from September 1, 2020.</p>	September 1, 2016 - September 1, 2020	No	Possible	Possible	Possible	Yes

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
Extension to AIFMD passport	<p>On July 30, 2015, ESMA published its advice and opinion on the extension of the AIFMD passport to non-EU AIFMs and to EU AIFMs marketing non-EU AIFs. Key points from this are:</p> <ul style="list-style-type: none"> • There are no significant obstacles to extending the passport to Jersey, Guernsey and Switzerland (although subject to the passing of some legislative amendments in the case of Switzerland) • ESMA will need to further review the supervisory regimes in place in the US, Hong Kong and Singapore before it can comment on whether the passport should be extended to these jurisdictions • Although ESMA advises that the AIFMD is causing no major impediments to the European funds market, it recommends a further opinion in the future when it has had more time to fully evaluate the marketing regime • ESMA has provided its opinion and advice to the European Parliament, the Council and the Commission, who may decide to extend the AIFMD passport by passing a Delegated Act or consider waiting until ESMA has provided further advice in this respect • ESMA intends to deliver further submissions regarding the extension of the AIFMD passport to other non-EEA jurisdictions, such as the Cayman Islands, in the coming months 	2016	No	No	Possible	Possible	No

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
FATCA	FATCA and UK FATCA has been in force since July 1, 2014. It requires that UK FIs (including investment funds, amongst others) identify and report on US, Crown Dependencies and Gibraltar tax payers to the HMRC.	<p>May 31, 2016 for reporting under FATCA and UK FATCA</p> <p>June 30, 2016 – due diligence on existing low value individual accounts</p> <p>June 30, 2016 – due diligence on existing entity accounts over US\$250,000</p>	Possible	Possible	Yes	Yes	Possible
Fourth Money Laundering Directive	<p>The MLD4 has now been adopted. Key changes for investment firms:</p> <ul style="list-style-type: none"> • It clarifies when SDD or EDD is appropriate • It widens the definition of PEPs to include individuals (including family members and known close associates) who hold prominent positions in their home country; makes EDD mandatory for them; and increases the time that PEPs remain PEPs after ceasing to hold the position • Tax crimes have long been predicate offences in the UK. This now applies to other EU jurisdictions • Reduces the cash payments threshold from €15,000 to €7,500 • There should be greater transparency of the beneficial ownership (being 25% or more) of companies and trusts (although the provisions are open to wide interpretation and implementation will vary between countries) <p>A revised Funds Transfer Regulation will also increase transparency of payments originating outside the UK. (Beneficiaries of payments over €1,000 must now be identified).</p>	June 26, 2017	Yes	Yes	Yes	Yes	Yes

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
MAR	<p>MAR will entirely replace the existing MAD and much of the current UK guidance, such as the 'Code of Market Conduct' will no longer be applicable. The new MAR regime will bring within its scope all financial instruments traded on MTFs and OTFs, and will amend the definitions of insider dealing and market manipulation to include commodity derivatives, cross-market and benchmark manipulation.</p> <p>There is a new reporting obligation to the regulators of suspicious orders, as well as transactions (STORs).</p>	<p>July 3, 2016 – MAR to apply in member states</p> <p>January 3, 2017 – MAR provisions with dependencies on MiFID II. MiFID II proposed extension to January 3, 2018 awaiting ratification</p>	Yes	Yes	Yes	Yes	Yes
MiFID II/MiFIR	<p>MiFID II/MiFIR will drive fundamental changes in the EU securities markets across the full lifecycle of products and services. It is expected that almost no business or operating model of relevant financial firms will remain unaffected. Both the Regulation and Directive to amend the original MiFID were published in the Official Journal on July 2, 2014 and were scheduled to apply from January 3, 2017. However, on February 10, 2016, the European Commission proposed a one year extension to the application date of MiFID II to 'take account of the exceptional technical implementation challenges faced by regulators and market participants.' This proposal requires ratification by the EU Parliament and European Council. If approved, MiFID II would apply from January 3, 2018.</p> <p>The Level 2 Implementing Measures are expected to be finalized by Q2 2016. The FCA issued its first MiFID II consultation on markets issues in December 2015, with other consultation papers due later in 2016.</p> <p>The scope of the reporting changes brought by MiFID II is extensive, ranging from new conduct of business rules, transparency for non-equities, commodities trading restrictions, to the regulation of 'dark' trading.</p>	<p>July 2, 2014 - entered into force</p> <p>July 3, 2016 - transposition into national law</p> <p>January 3, 2017 - application date. Proposed extension to January 3, 2018 awaiting ratification</p>	Yes	Yes	Yes	Yes	Yes

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
Packaged Retail Investment and Insurance-based Investment Products Regulations	This will require that investors in qualifying PRIPs be provided with standard, transparent information in the form of a KID. Confirmed by the EU legislative bodies in April 2014, it will come into force two years from its publication in the Official Journal later this year, with ESMA to produce Regulatory Technical Standards later this year.	Mid 2016	Possible	No	Possible	Possible	Possible
REMIT Transaction Reporting	<p>Article 7 of Regulation (EU) No 1227/2011 (REMIT) stipulates that the ACER shall collect the data for assessing and monitoring wholesale energy markets as provided for in Article 8 of REMIT, which is the EU regulation on energy market integrity and transparency in force since December 28, 2011.</p> <p>All participants trading wholesale gas or electricity contracts for delivery in Europe on organized market places (i.e. exchanges and broker platforms) have an obligation to report information about their trading activity to ACER from October 7, 2015 (both transactions and orders).</p> <p>Reporting of OTC transactions conducted outside of organized market places will commence in April 2016.</p> <p>REMIT Transaction Reporting User Manual was published by ACER in January 2015.</p>	April 7, 2016 – reporting of OTC transactions conducted outside of organized market places	No	Possible	No	No	Possible

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
Senior Management Regime and Certification Regime	<p>The Government has announced that it is intending to extend the SMR and CR to include all regulated financial services firms. This is a departure from the original position that implementation should be for the banking sector only. The new regimes will replace the current Approved Persons Regime.</p> <p>The SMR will require firms:</p> <ul style="list-style-type: none"> • To map senior management's roles and responsibilities • To assess (at least annually) individuals' fitness and propriety • To seek regulators' pre-approval for individuals wishing to carry out Senior Management Functions <p>Regulators' pre-approval of other staff will not be required, but firms will be required to assess and monitor the fitness and propriety of any staff who pose a risk of significant harm to the firm and any of its customers (for example, staff who give investment advice).</p> <p>New Conduct Rules will set out basic standards of behavior that all those covered by the new regimes must meet.</p>	<p>March 7, 2016 – Implementation for banks, building societies, credit unions and PRA – regulated investment firms</p> <p>During 2018 – Implementation for financial advisers, asset managers, stock brokers and consumer credit</p>	Yes	Yes	Yes	Yes	Yes

Topic	Update	Key Date(s)	Advisor Arranger/ CAD Exempt	Broker	Private Equity	Hedge Fund/ Investment Manager	Investment Bank
Solvency II	Asset managers may need to report underlying assets to clients which are insurers in order for the insurer to comply with this directive.	January 1, 2016	No	No	Possible	Possible	No – provided no insurance arm
UCITS V & UCITS VI	<p>Agreement has been reached on the new UCITS V Directive, which sees the extension of the existing regime into three new areas: depositories; sanctions for breaches; and remuneration policies and practices. These seek to mirror the rules in place under AIFMD and other regulatory initiatives.</p> <p>Member states now have two years to transpose the directive into national law, while ESMA is expected to publish guidance in this area.</p> <p>In addition, the European Commission is due to publish its proposed UCITS VI Directive; this is to address eligible assets and the use of derivatives, depositary passporting, and improvements to UCITS IV.</p>	March 18, 2016 - UCITS V	Possible	No	No	Possible	Possible



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