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International Regulatory Update Newsletter

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INTRODUCTION

Mayer Brown LLP and Pegasystems welcome you to our newly redesigned International Regulatory Newsletter, which we hope will continue to keep you informed of developments in onboarding and account maintenance areas of the financial services sector.

In this sixth volume of the Newsletter, we provide an overview of topical developments, updates and news stories from around the financial world that may be of interest to you. We highlight due diligence developments and other regulatory updates from the EU, UK, US, Hong Kong and Singapore, as well as news stories that are global in scope. The overviews are arranged geographically and with the most recent developments appearing at the beginning of each section.

For more information on any of the topics mentioned herein, feel free to contact our editors, Nicolette Kost De Sevres (nkostdesevres@mayerbrown.com) and Bradley A. Cohen (bacohen@mayerbrown.com). Your feedback is important to us as we aim to provide a valuable resource to all of our readers. If you have any comments or suggestions for future issues, we would be very glad to hear from you.

EUROPEAN UNION

Onboarding and CDD Developments

POTENTIAL RULESET IMPACT

European Parliament and European Commission reach agreement to bolster EU anti-money laundering counter-terrorism financing rules

On December 15, 2017, the European Parliament and European Commission announced an agreement to strengthen EU rules under the recently amended Fourth Anti-Money Laundering Directive (2015/849/EU) ("AMLD 4"). Among other measures, the new revisions are aimed at (i) increasing transparency requirements for companies and trusts by establishing beneficial ownership registers, (ii) preventing the terrorist financing risks posed by digital currencies, (iii) increasing the safeguards for financial transactions to and from high-risk third countries and (iv) enhancing the access of Financial Intelligence Units to information, including centralized bank account registers. The European Parliament and European Council will now be called on to adopt the proposed directive at first reading.

AMLD 4 was supposed to take full effect on June 26, 2017, but the Directive has not been implemented by all EU countries; the only countries meeting the implementation deadline were the UK, France, Germany, Italy, Spain, Slovenia, Sweden, Austria, Belgium, the Czech Republic and Croatia. Since then, other countries have followed, but nine remaining countries failed to put the rules on their national statute books at all: Bulgaria, Cyprus, Greece, Ireland, Luxembourg, Netherlands, Poland, Romania and Slovakia. A new set of amendments – otherwise known as the 'Fifth' Anti-Money Laundering Directive (2016/0208) – were already proposed by the EU in July 2016 after a warning from the European Central Bank that illegal activities might continue to be financed under the current scope of the AMLD 4.

European Supervisory Authorities drafting new laws to address group-level money laundering risks associated with third-country subsidiaries

On December 6, 2017, the Joint Committee of the European Supervisory Authorities ("ESAs") published draft joint regulatory technical standards (RTS) on the measures credit institutions and financial institutions must take into account to mitigate the money laundering and terrorist financing risks associated with third countries that do not permit the application of group-wide policies and procedures. In cases where third-country laws do not permit the application of some or all of a group's AML/CFT policies and procedures, the RTS requires that firms take effective steps to manage the resultant money laundering and terrorist financing ("ML/TF") risk.

These effective steps may include: (i) obtaining customer consent to overcome restrictions on the ability to share and process customer data; (ii) conducting enhanced reviews to ensure that branches and majority-owned subsidiaries in those jurisdictions are able to adequately assess and manage ML/TF risk; (iii) restricting financial services and products offered by the branch or majority-owned subsidiary in the third country to those presenting a low ML/TF risk and requiring approval from senior management at the group level of all higher risk business relationships; (iv) restricting the ability of other entities in the same group to rely on CDD measures carried out by a branch or majority owned subsidiary in those jurisdictions; and (v) requiring that the risk profile and due diligence information related to customers of such branches and majority-owned subsidiaries are kept for as long as legally possible under the third country's legislation. The ESAs will now submit the RTS to the European Commission for approval.

POTENTIAL RULESET IMPACT

EU publishes tax haven 'blacklist' of nations that are 'uncooperative on tax matters' and potentially subject to economic sanctions

On December 5, 2017, the European Union's Economic and Financial Affairs Council (known as "ECOFIN") released a first-ever list of 17 countries that are "uncooperative on tax matters." This so-called "blacklist" of non-cooperative jurisdictions includes the following countries: American Samoa, Bahrain, Barbados, Grenada, Guam, Korea (Republic of), Macao SAR, Marshall Islands, Mongolia, Namibia, Palau, Panama, Saint Lucia, Samoa, Trinidad and Tobago, Tunisia, and the United Arab Emirates. Since the tax haven blacklist is intended to serve as a tool to deal with external threats to EU tax bases, EU member states were not assessed for it. In addition to the blacklisted jurisdictions, 47 countries have been placed on a so-called "grey list" of jurisdictions that have committed to reform their tax structures. Among them are Switzerland, Turkey and Hong Kong, as well as the British overseas territories and crown dependencies of Jersey, Guernsey and the Isle of Man. The tax haven "blacklist" differs from the "blacklist" being developed by the European Parliament of countries that facilitate money laundering and terrorist financing.

ESMA publishes responses to its Consultation on Guidelines and updates its Q&As on certain aspects of the MiFID II suitability requirements

On October 18, 2017, the European Securities and Markets Authority (ESMA) published responses on its Consultation on draft Guidelines on certain aspects of the suitability requirements set forth in the recast Markets in Financial Services Directive (also known as "MiFID II"). After considering the feedback it receives, ESMA expects to publish final guidelines in Q1/Q2 2018. Additionally, on December 18, 2017, ESMA published an updated version of its Q&As on the implementation of investor protection topics under MiFID II and the Market in Financial Instruments Regulation ("MiFIR"). The new Q&As cover the topics of inducements, suitability, and provision of investment services and activities by third-country firms. The purpose of this Q&A is to promote common supervisory approaches and practices in the application of MiFID II/MiFIR to investor protection topics. MiFID II, which is aimed at strengthening these protections by introducing new requirements and reinforcing existing ones, will apply from January 3, 2018.

Other Regulatory Developments

ESAs publish guidelines to prevent terrorist financing and money laundering in electronic funds transfers

On September 22, 2017, the ESAs published guidelines to prevent the abuse of funds transfers for terrorist financing and money laundering purposes ("Guidelines"). The Guidelines are part of the ESAs' wider work on fostering a consistent AML/CFT approach and promoting a common understanding of payment service providers'' obligations in this area. Among other things, the Guidelines set clear, common regulatory expectations of payment service providers' policies and procedures and clear the way for a more harmonized, EU-wide approach to AML/CFT in the context of funds transfer.

European Central Bank signals that anti-money laundering breaches can serve as a reason for imposing higher capital requirements on firms

In August 2017, the supervisory arm of the European Central Bank ("ECB") issued its priorities for the EU banking sector, which included internal controls and corporate governance weaknesses. The ECB reiterated that AML violations could serve as the basis for imposing higher capital requirements. The ECB's top bank supervisor stated that, while national regulators are tasked with monitoring firms' compliance with AML laws, the ECB has identified conduct risk, including compliance with AML laws, as a key risk for euro area banking. Moreover, the ECB will consider whether there are reasonable grounds to suspect that money laundering has been committed when assessing whether to issue a banking license or considering whether to approve certain proposed acquisitions of the shares and voting rights of a bank.

UNITED KINGDOM

Onboarding and CDD Developments

HM Treasury publishes responses to consultation on Oversight of Professional Body AML and Counter Terrorist Financing (CTF) Supervision Regulations

On December 18, 2017, HM Treasury published its *Anti-money laundering supervisory review: Response to consultation* (the "Response to Consultation"). The Response to Consultation was issued in response to a consultation published in July 2017, which sought views on (i) whether the draft *Oversight of Professional Body AML and Counter Terrorist Financing (CTF) Supervision Regulations* satisfy the government's goal that the Office for Professional Body AML Supervision ("OPBAS") helps to ensure that professional body AML supervisors ("PBSs") comply with their obligations in the MLRs; and (ii) the impact on business from establishing OPBAS. OPBAS is the new watchdog introduced by the Financial Conduct Authority to tackle potential weaknesses with the UK's AML supervisory regime and to work with professional bodies to help ensure compliance with AML regulations.

HM Treasury publishes an advisory notice providing guidance on money laundering and terrorist financing controls in higher risk jurisdictions

On December 4, 2017, HM Treasury published an advisory notice providing guidance on AML/CFT controls in higher risk jurisdictions (the "Advisory Notice"). The Advisory Notice recommends that UK firms consider the latest FATF publication identifying high-risk ML/TF jurisdictions, which was published following the FATF Plenary meeting on November 3, 2017. (See *European Parliament and European Commission reach agreement to bolster EU anti-money laundering counter-terrorism financing rules* at page 2.)

Under the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017* ("2017 MLRs"), which were finalized in June 2017, UK firms must apply enhanced customer due diligence to any business relationships or transactions with persons established in high-risk countries. While the 2017 MLRs retained much of the previous *Money Laundering Regulations 2007*, they also introduced a number of changes, such as beneficial ownership requirements and those governing when firms can rely on due diligence conducted by third parties, among other measures.

UK government publishes outcome of second national risk assessment of money laundering and terrorist financing

On October 26, 2017, HM Treasury and the Home Office published the results of their second comprehensive national risk assessment (the "NRA") of money laundering and terrorist financing risk in the UK. The following are several key findings from the NRA:

(i) High-end money laundering and cash-based money laundering remain the greatest areas of money laundering risk to the UK.

(ii) The distinctions between new and existing typologies are becoming increasingly blurred.

(iii) Professional services are a crucial gateway for criminals looking to disguise the origin of their funds.

(iv) Cash, alongside cash-intensive sectors, remains the favored method for terrorists to move funds through and out of the UK.

(v) A wide-ranging set of reforms by government and law enforcement over recent years is still in its early days but starting to take effect.

Recent reforms and the NRA will provide a framework for the Financial Action Task Force's ("FATF") 2017/18 mutual evaluation, its first review of the UK's AML/CFT regime since 2007.

UK Government introduces Sanctions and Anti-Money Laundering Bill into UK Parliament

On October 18, 2017, the UK government introduced the *Sanctions and Anti-Money Laundering Bill* (the "Bill") into the UK Parliament, following an April 2017 public consultation. As proposed, the Bill seeks to enable the UK to continue to implement United Nations sanctions regimes and to use sanctions to meet national security and foreign policy objectives following Brexit. The Bill is also intended to enable anti-money laundering and counter-terrorist financing measures to be kept up to date and to help protect the security of the UK and continue to align the UK with international standards. Among other things, the Bill provides the UK government with the authority to impose sanctions when it deems appropriate for the purposes of (i) complying with UN or any other international obligations; (ii) preventing terrorism, (ii) furthering the interests of national security or international peace and security or (iv) furthering a foreign policy objective of the UK Government. The Bill will have to pass through both houses of Parliament before it can receive royal assent.

FCA publishes report on new technologies and AML compliance

On August 2, 2017, the FCA published a report detailing the findings of its research on emerging technologies and anti-money laundering compliance. The report includes the results of a survey of regulated firms and technology provides on several topics, including how new and emerging technologies can assist with AML compliance, the key challenges that firms face when implementing new technologies for AML compliance, and firms' views regarding how the FCA approaches new technologies.

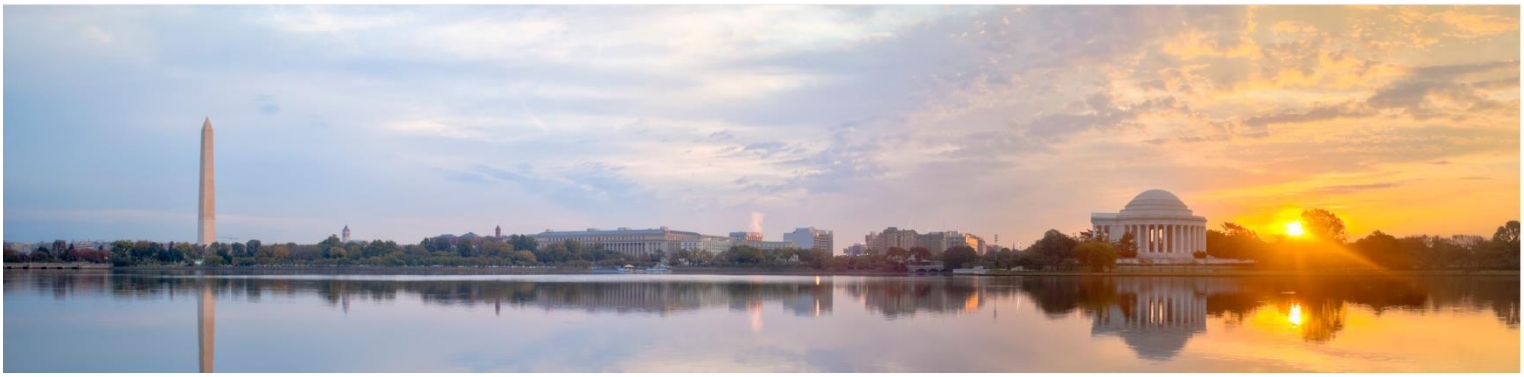
OTHER REGULATORY DEVELOPMENTS

UK government unveils new National Economic Crime Center to coordinate national response to economic crime

On December 11, 2017, the Home Secretary announced a series of measures aimed at tackling high-level economic crimes (e.g., money laundering, fraud bribery, corruption), such as the creation of a National Economic Crime Center ("NECC"). According to the National Crime Agency, the NECC will be a multi-agency center to "plan, task and coordinate operational responses across agencies bringing together the UK's capabilities to tackle economic crime more effectively." The new legislation will permit the NECC to order the Serious Fraud Office to investigate certain economic crimes. As mentioned above (see page 4), the UK is also introducing the Office for Professional Body AML Supervision ("OPBAS"), a new watchdog under the FCA to help tackle potential weaknesses with the UK's AML supervisory regime and to work with professional bodies to help ensure compliance with AML regulations.

UK government pushed to expand EU anti-money laundering rules to include virtual currency exchange platforms and custodian wallet providers

During recent negotiations over the Fourth Anti-Money Laundering Directive (2015/849/EU) ("AMLD 4 or the Directive"), the UK government pushed for amendments to bring virtual currency exchange platforms and custodian wallet providers into the scope of the Directive. (See *European Parliament and European Commission reach agreement to bolster EU anti-money laundering counter-terrorism financing rules* at page 2.) As of December 2017, amendments to AMLD 4 included these changes. By expanding AML/CFT rules under AMLD 4 to include these entities, firms' activities in this space will be overseen by national competent authorities.



UNITED STATES

Onboarding and CDD Developments

FINRA releases guidance on Rule 3310 following FinCEN CDD requirements

On November 21, 2017, the Financial Industry Regulatory Authority ("FINRA") published guidance on FINRA Rule 3310 following the Financial Crimes Enforcement Network's ("FinCEN") recent adoption of the Customer Due Diligence (CDD) rule for financial institutions under the Bank Secrecy Act (the "CDD Rule"). Regulatory Notice 17-40 (the "Notice") advises firms regarding anti-money laundering ("AML") program requirements, including the additional obligation to implement risk-based procedures for conducting ongoing due diligence. More specifically, the CDD Rule focuses primarily on new requirements for covered financial institutions to identify and verify the identity of beneficial owners of legal entity customers. The CDD Rule came into effect on July 11, 2016, and covered financial institutions will have until May 11, 2018 to implement and comply with it.

FinCEN warns financial institutions to guard against corrupt Venezuela money flowing into the US

On September 20, 2017, FinCEN issued an advisory to alert financial institutions of widespread public corruption in Venezuela and the methods Venezuelan senior political figures and their associates may use to move and hide proceeds of their corruption (the "Advisory"). The Advisory also describes a number of financial red flags to assist in identifying and reporting suspicious activity that may be indicative of Venezuelan corruption, such as the abuse of Venezuelan government contracts, wire transfers from shell corporations, and real estate purchases in the South Florida and Houston, Texas regions.

FinCEN announces renewal of existing GTOs targeting certain real estate properties

On August 22, 2017, FinCEN announced the renewal of existing Geographic Targeting Orders ("GTOs") for six months. The GTOs, which were reissued in February 2017, are meant to address the growing money laundering concerns associated with the purchase of residential real estate in certain jurisdictions. The GTOs require that US title insurance companies identify the natural persons behind shell companies used to pay for high-end residential real estate in seven metropolitan areas. Following the recent enactment of the Countering America's Adversaries through Sanctions Act, FinCEN is revising the GTOs to capture a broader range of transactions and include transactions involving wire transfers. Finally, FinCEN also published an advisory providing financial institutions and the real estate industry with information on the money laundering risks associated with real estate transactions, including those involving luxury property purchased through shell companies, particularly when conducted without traditional financing. Such transactions are vulnerable to abuse by criminals seeking to launder illegal proceeds and mask their identities. The Advisory provides information on how to detect and report these transactions to FinCEN.

Other Regulatory Developments

FINRA issues summary report of its broker-dealer examinations in 2017

On December 6, 2017, the Financial Industry Regulatory Authority ("FINRA") issued its summary report containing findings from its 2017 examinations of broker-dealers (the "Report"). FINRA intends for the Report to serve "as another resource that firms can use to strengthen their compliance with securities rules and regulations." From an AML perspective, FINRA observed issues with broker-dealer compliance programs at certain firms, such as failures to

maintain adequate policies and procedures and cases where potentially suspicious activity was not appropriately or adequately escalated. FINRA also assessed compliance with product suitability requirements under Rule 2111, finding that concerns arose more often in connection with certain product classes, specifically unit investment trusts ("UITs") and certain multi-share class and complex products, such as leveraged and inverse exchange traded funds ("ETFs").

FinCEN launches "FinCEN Exchange" to enhance information sharing with financial institutions

On December 4, 2017, FinCEN announced the launch of the FinCEN Exchange program aimed at enhancing the public-private information sharing to combat financial crime. As part of the program, FinCEN will work in close consultation with law enforcement, convening regulator briefings with financial institutions to exchange information "will convene regular briefings with financial institutions to exchange information on priority illicit finance threats, including targeted information and broader typologies." FinCEN believes that this will not only enable financial institutions to better identify risks and focus on high-priority issues, but it will also provide FinCEN and law enforcement with critical information to support measures to disrupt money laundering and other financial crimes.

US federal banking agencies issue final capital rule applicable to national banks and federal savings associations not subject to "advanced approaches"

On November 22, 2017, the Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System ("Federal Reserve"), and the Federal Deposit Insurance Corporation ("FDIC") (collectively, the "Agencies") issued a final rule – applicable to national banks and federal savings associations (collectively, "banks") not subject to "advanced approaches" – that will maintain the capital rules' 2017 transition provisions for several regulatory capital deductions and certain other requirements that are subject to multi-year phase-in schedules ("transitions final rule") in the regulatory capital rules. The final rule will enter into effect on January 1, 2018.

OCC publishes bank supervision operating plan for fiscal year (FY) 2018

On September 28, 2017, the OCC released its supervision operating plan for FY 2018, which provides the foundation for policy initiatives and for supervisory strategies as applied to individual banks. OCC staff members use this plan to guide their supervisory priorities, planning and resource allocations. Supervisory strategies for FY 2018 focus on Bank Secrecy Act ("BSA")/anti-money laundering ("AML") compliance management; cybersecurity and operational resiliency; and commercial and retail credit loan underwriting and, concentration risk management, among other areas. The OCC will provide periodic updates about supervisory priorities through the Semiannual Risk Perspective.

US federal banking agencies issue proposal to simplify regulatory capital rule for banking organizations not subject to "advance approaches"

On September 27, 2017, the OCC, Federal Reserve and FDIC announced a proposed rule intended to reduce regulatory burdens by simplifying several aspects of the agencies' regulatory capital rule. As proposed, the simplified rules would apply only to banking organizations that are not subject to the capital rule's "advanced approaches," which generally include firms with less than $250 billion in total consolidated assets and less than $10 billion in total foreign exposure. The proposal would simplify and clarify a number of the more complex features of the existing capital rule, including those related to the capital treatment for certain acquisition, development, and construction loans, mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest.

FDIC's Supervisory Insights focuses on the Bank Secrecy Act supervision program

On August 30, 2017, the FDIC issued the Summer 2017 issue of *Supervisory Insights*, which includes articles on liquidity risk trends at community banks and the BSA supervision program. The issue provides an overview of the BSA/AML examination, discusses trends in supervision and enforcement, and includes examples of rare but significant failures identified by FDIC examiners in BSA/AML compliance programs.

HONG KONG

Onboarding and CDD Developments

SFC and Hong Kong Police sign Memorandum of Understanding to strengthen cooperation in combating financial crime

On August 25, 2017, the Hong Kong Securities and Futures Commission ("SFC") announced that it has entered into a Memorandum of Understanding ("MoU") with the Hong Kong Police to strengthen cooperation in combating financial crime. The MoU covers a range of matters, including the referral of cases, joint investigations, the exchange and use of information, and the mutual provision of investigative assistance. The MoU also establishes a framework for closer collaboration on policy, operational and training issues.

Other Regulatory Developments

HKMA and SFC issue circular on managing conflicts of interest arising from sale of in-house products within a single financial group

On November 24, 2017, the Hong Kong Monetary Authority ("HKMA") and the SFC issued a circular highlighting observations from their recent joint thematic reviews on the potential conflicts of interest arising from the sale of in-house products by registered institutions and licensed corporations within a single financial group. The reviews mainly focused on issues related to internal controls and compliance.

HKMA gazettes three pieces of legislation to revise capital and liquidity rules under the Banking Ordinance

On October 20, 2017, the HKMA announced that it gazetted three pieces of legislation to implement international capital and liquidity standards. The two sets of rules primarily seek to implement the Basel III-related capital and liquidity standards that are scheduled to take effect from January 1, 2018. These cover the net stable funding ratio and leverage ratio requirements, as well as the regulatory treatment of an authorized institution's securitization exposures and expected loss provisions under Hong Kong Financial Reporting Standard 9.

Hong Kong government gazettes amended Banking Bill to implement international standards for recovery planning and financial exposure limits

On October 13, 2017, the Hong Kong government gazetted the Banking (Amendment) Bill 2017 (the "Bill") in an effort to strengthen the resilience of Hong Kong's banking system in accordance with international regulatory standards. The Bill seeks to implement the latest standards published by the Basel Committee on Banking Supervision regarding financial exposure limits of authorized institutions by empowering the Hong Kong Monetary Authority ("HKMA") to establish rules for such limitations. In accordance with the recommendations of the Financial Stability Board, the Bill also empowers the HKMA to require authorized institutions to maintain, revise or implement a recovery plan, which should explain the measures that the institution can take to stabilize and restore its financial resources and viability in the event that it comes under severe stress.

SINGAPORE

Onboarding and CDD Developments

MAS gazettes (Sanctions and Freezing of Assets of Persons – Democratic People's Republic of Korea) (Amendment No. 2) Regulations 2017

On November 16, 2017, the Monetary Authority of Singapore ("MAS") published an announcement addressing the recent FATF Statement concerning jurisdictions with strategically deficient AML/CFT regimes and reminded financial institutions of their obligations under the *MAS (Sanctions and Freezing of Assets of Persons – Democratic People's Republic of Korea) (Amendment No. 2) Regulations 2017* (the "Amended Regulations"). The Amended Regulations are intended to incorporate recent UN Security Council Resolutions prohibiting financial institutions from establishing, maintaining, or operating any joint venture or cooperative entity with any person in, or national of, the Democratic People's Republic of Korea. The Amended Regulations came into effect on November 4, 2017.

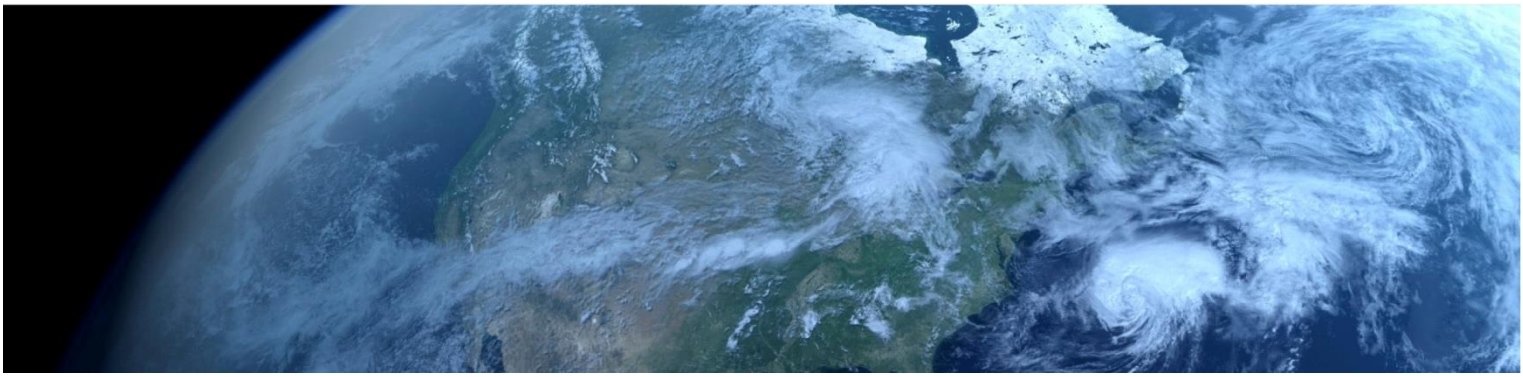
Other Regulatory Developments

MAS publishes responses to feedback on proposed amendments to capital framework for securitization exposures and interest rate risk in the banking book

On November 29, 2017, MAS published its response to feedback received in relation to its January 2017 consultation on proposed amendments to the capital framework for securitization exposures and interest rate risk in the banking book under MAS Notice 637 (the "Response"). MAS notice 637 will take effect on January 1, 2018. The Response only covers responses received by MAS regarding proposed amendments on securitization exposures; MAS intends to eventually publish responses received on proposed amendments on interest rate risk in the banking book. The amendments are intended to align Singapore's securitization framework and its requirements for banks incorporated in Singapore with standards issued by the Basel Committee on Banking Supervision.

MAS reiterates commitment to anti-money laundering and countering the financing of terrorism in light of ongoing 1MDB investigation

The MAS recently reiterated its commitment to AML/CFT measures in an October 2017 statement responding to developments in the investigation of Malaysia's state fund 1MDB. The MAS statement stated that the regulator "takes a serious view of the matter and will take firm action against any financial institution or individual that is found to have breached MAS' requirements relating to anti-money laundering and countering the financing of terrorism. As our supervisory probe is still ongoing, we are unable to provide more information at this juncture." As part of the 1MDB investigation, regulators in Singapore are investigating a $1.4bn transfer of funds on behalf of Indonesian clients.



GLOBAL

FATF and Basel Committee Developments

Financial Action Task Force announces the outcomes from its most recent Plenary meeting held in early November 2017

The Financial Action Task Force ("FATF") announced the outcomes of its Plenary meeting held in Buenos Aires from November 1, 2017 through November 3, 2017. Among the main issues dealt with at the November 2017 Plenary were:

- the adoption of a report on the financing of recruitment for terrorist purposes;
- the adoption of revisions to Recommendations 18 and 21 on information sharing and the adoption of guidance on private sector information sharing;
- the adoption of a supplement to the 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion, including additional information on CDD measures (the "Financial Inclusion Guidelines");
- an update on Iran's engagement with FATF; and
- approval of a statement about the proliferation financing risk emanating from the Democratic People's Republic of Korea.

As mentioned above, the Plenary adopted financial inclusion as a top priority, warning that an overly cautious approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate businesses and consumers from the banking system. To this end, the Plenary adopted the supplement to the Financial Inclusion Guidelines, which provides examples of CDD measures adapted to the context of financial inclusion. Among other things, the supplement aims to encourage countries to use the flexibility of the FATF Recommendations to provide sound financial services to the financially excluded, who may lack traditional forms of identifying documentation and whose information may be difficult to verify.

The Plenary also took various steps related to its guidance on information sharing, which it described as "one of the cornerstones of a well-functioning AML/CFT framework and a key to promoting financial transparency and protecting the integrity of the financial system." According to FATF, consultation with the private sector highlighted the need to clarify certain FATF requirements on information sharing and to take additional action to address obstacles to information sharing at national and international levels.

Specifically, FATF revised the Interpretive Note on Recommendation 18 to clarify the requirements on sharing of information related to unusual or suspicious transactions within financial groups. These revisions also include a requirement to provide this information to branches and subsidiaries when necessary for AML/CFT risk management. FATF also adopted revisions to Recommendation 21 to clarify the interaction of these requirements with tipping-off provisions. Finally, as mentioned above, FATF adopted Guidance on Private Sector Information Sharing, which "identifies the key challenges that inhibit sharing of information to manage ML/TF risks, both group-wide within financial groups, and between financial institutions which are not part of the same group." This guidance also articulates how the FATF standards on information apply, highlights examples of how relevant authorities can facilitate information sharing, and provides examples of constructive engagement between the public and private sectors.

Basel Committee on Banking Supervision publishes 13th progress report on adoption of the Basel regulatory framework

On October 18, 2017, the Basel Committee on Banking Supervision ("BCBS") published its "13th progress report on adoption of the Basel regulatory framework" (the "Report"), which provides an update on the implementation of the Basel III standards by each member jurisdiction. The Report covers

the status of adoption of the Basel III risk-based capital standards, the liquidity coverage ratio ("LCR"), the net stable funding ratio ("NSFR"), the standards for global and domestic systemically important banks ("SIBs"), the leverage ratio, the large exposure framework, the interest rate risk in the banking book ("IRRBB"), and the disclosure requirements. In order to be compliant with Basel III standards, each member should be subject to an evaluation of the adequacy of its national laws and regulations.

Basel Committee on Banking Supervision completes its review of the implementation of the liquidity coverage ratio for all member jurisdictions

On October 18, 2017, the BCBS, in the framework of the Committee's Regulatory Consistency Assessment Program ("RCAP"), completed its review of the implementation of the liquidity coverage ratio for all member jurisdictions by publishing assessment reports for Australia, Brazil, Canada and Switzerland. These reports demonstrate that the liquidity coverage ratio standards in each member jurisdiction were compliant with the Basel regulatory framework.

Developments in Other Jurisdictions

POTENTIAL RULESET IMPACT

Switzerland launches consultation on new draft of the FINMA Anti-Money Laundering Ordinance

On September 4, 2017, the Swiss Financial Market Supervisory Authority ("FINMA") launched a consultation on its new draft of the FINMA Anti-Money Laundering Ordinance ("AML Ordinance"). The proposed amendments to the AML Ordinance include follow-up measures formulated in response to FATF's mutual evaluation report on Switzerland. In its fourth country evaluation, FATF determined that arrangements in Switzerland for combating money laundering and the financing of terrorism were broadly positive, but it also noted a series of shortcomings, which resulted in the country entering FATF's enhanced follow-up procedure. The revision of the AML Ordinance is one of the measures required so that Switzerland can successfully exit this procedure. Among other measures, the proposals would require the verification of information on beneficial ownership and the mandatory updating of client information on a regular basis. The consultation ended on October 16, 2017.

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ABOUT PEGA

Pegasystems (Pega) develops strategic applications for sales and onboarding, marketing, service, and operations. Pega's applications streamline critical business operations, connect enterprises to their customers seamlessly in real-time across channels and adapt to meet rapidly changing requirements. Pega's Global 500 customers include the world's largest and most sophisticated enterprises. Pega's applications, available in the cloud or on-premises, are built on its unified Pega 7 platform, which uses visual tools to easily extend and change applications to meet clients' strategic business needs. Pega's clients report that Pega gives them the fastest time to value, extremely rapid deployment, efficient reuse and global scale. www.pega.com.

Source: Chartis 2017 RiskTech Quadrant® for Know Your Customer (KYC) systems

PEGA CLIENT LIFECYCLE MANAGEMENT (CLM) & PEGA KNOW YOUR CUSTOMER (KYC)

The Pega CLM and Pega KYC applications provide the only globally scalable solution for large, complex financial institutions to manage multijurisdictional, multiproduct onboarding with predefined industry best practices across all lines of business. Pega KYC is a robust, industry-leading rules-driven application, allowing global banks to manage and drive complex regulatory requirements as part of onboarding and client life cycle management. Pega KYC allows for specialization of due diligence requirements by region, line of business and risk. It has extensive out-of-the-box functionality, including 7,200+ preconfigured rules covering major jurisdictions (including AML/CTF, FATCA, CRS, FINRA, MiFID II, IIROC, EMIR, Dodd-Frank and suitability) that are developed and updated quarterly by a global team of lawyers, ex-regulators, and policy makers. Pega KYC uses driver data (booking jurisdiction, customer type, product, risk) to drive the right KYC types at the right time, reusing due diligence when available. With the ability to quickly and easily maintain due diligence requirements with zero-coding, Pega KYC allows banks to stay compliant with the constantly evolving regulatory landscape while improving onboarding time and time-to-revenue.

Fully integrated with Pega KYC, Pega CLM manages complex, multijurisdictional and multiproduct onboarding. CLM was developed using best practices from over 10 years of experience delivering onboarding and complex orchestration solutions. It simplifies very complex onboarding, ensuring parallel processing of hundreds of cases for multiple functional areas, such as KYC, Credit, Legal and Operations. CLM comes preconfigured with customer journeys from onboarding through to offboarding, providing a global experience for the bank and client. Pega's global team of experts have deployed and built onboarding and KYC solutions for more than 30 of the world's largest financial institutions. For more information, visit www.pegaonboarding.com.

ABOUT MAYER BROWN

Mayer Brown is a global legal services organization advising clients across the Americas, Asia, Europe and the Middle East. Our presence in the world's leading markets enables us to offer clients access to local market knowledge combined with global reach.

We are noted for our commitment to client service and our ability to assist clients with their most complex and demanding legal and business challenges worldwide. We serve many of the world's largest companies, including a significant proportion of the Fortune 100, FTSE 100, CAC 40, DAX, Hang Seng and Nikkei index companies and more than half of the world's largest banks. We provide legal services in such areas as banking and finance; corporate and securities; litigation and dispute resolution; antitrust and competition; US Supreme Court and appellate matters; employment and benefits; environmental; financial services regulatory and enforcement; government and global trade; intellectual property; real estate; tax; restructuring, bankruptcy and insolvency; and wealth management.

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