



# International Regulatory Update Newsletter

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# INTRODUCTION

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

In this seventh 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 European Union, United Kingdom, United States, 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](mailto:nkostdesevres@mayerbrown.com)) and Bradley A. Cohen ([bacohen@mayerbrown.com](mailto: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

*Joint Committee of the European Supervisory Authorities publishes guidance on the use of innovative solutions in the CDD process*

On January 23, 2018, the Joint Committee of the European Supervisory Authorities (“ESAs”) [published](#) an Opinion on the use of innovative solutions by credit and financial institutions when complying with their CDD obligations. In the Opinion, the ESAs note that credit and financial institutions are using innovative solutions to satisfy their anti-money laundering and countering the financing of terrorism (AML/CFT) requirements, such as solutions involving the verification of customers in non-face-to-face situations. The ESAs aim to foster the development of a common understanding between the EU’s national competent authorities on the use of innovative solutions and to encourage such authorities to support these solutions to improve the effectiveness and efficiency of AML/CFT compliance. The Opinion also highlights specific money laundering (ML) and terrorist financing (TF) risk factors associated with innovative solutions, and recommends that national competent authorities consider various internal controls aspects when supervising firms that use such solutions.

*European Council removes eight jurisdictions from the tax haven “blacklist” of non-cooperative jurisdictions for tax purposes*

On January 23, 2018, the European Council (the “Council”) [agreed](#) to remove eight jurisdictions from the EU’s list of non-cooperative jurisdictions for tax purposes, known as the tax haven “blacklist.” The eight countries – Barbados, Grenada, the Republic of Korea, Macao SAR, Mongolia, Panama, Tunisia and the United Arab Emirates – are moved to a separate category of jurisdictions subject to close monitoring. The

decision leaves the following nine jurisdictions remaining on the blacklist: American Samoa, Bahrain, Guam, Marshall Islands, Namibia, Palau, Saint Lucia, Samoa, and Trinidad and Tobago.

### POTENTIAL RULESET IMPACT

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

On January 29, 2018, the legislative text introduced during interinstitutional negotiations to amend the Fourth EU Anti-Money Laundering Directive (2015/849/EU) (“AMLD4”) was approved in committee. The adoption of the so-called “Fifth Money Laundering Directive” in plenary is currently scheduled for April 16, 2018. This follows a December 2017 provisional agreement reached between the European Parliament and the European Commission regarding the amendments, which 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.

*European Parliament votes against motion to remove three countries from “blacklist” of jurisdictions with strategic deficiencies in their AML/CFT regimes*

On January 30, 2018, Members of the European Parliament (MEPs) sitting on the Committee on Economics and Monetary Affairs and the Committee on Civil Liberties, Justice and Home Affairs voted in favor of the European Commission’s decision to keep three countries – Sri Lanka, Trinidad and Tobago, and Tunisia – on the blacklist of high-risk third countries considered to have “strategic deficiencies” in their AML/CFT regimes (in contrast with the tax haven blacklist discussed

above, which identifies non-cooperative jurisdictions for tax purposes). The following week, on February 7, 2018, the full European Parliament backed the decision, despite efforts by some MEPs to remove these countries from the AML/CFT blacklist. The European Parliament has veto power over the inclusion of countries on the AML/CFT blacklist, which the European Commission is obligated to maintain under AMLD4.

## Other Regulatory Developments

### *Foreign Affairs Committee of the European Parliament proposes new regulations targeting low-value terrorist financing*

On February 21, 2018, Foreign Affairs Committee MEPs [announced](#) support for new regulations aimed at cutting off the flow of funds to terrorists, including proactive intelligence sharing between EU countries and tracking transactions more closely. The MEPs urged the European Council, European Commission, and the External Action Service to: (i) improve the proactive information exchange and coordination among financial institutions, law enforcement and intelligence agencies and judicial bodies through a European counter-terrorism financial intelligence platform; (ii) develop a list of individuals and entities operating under opaque regimes and with high rates of suspicious transactions; (iii) oblige banks to monitor pre-paid debit cards such that they can only be reloaded via bank transfers and personally identifiable accounts; and (iv) assess whether virtual currencies and cryptocurrencies, blockchain and other fintech innovations help fund terrorism financing and should be regulated by the European Union.

### *European Parliament votes to establish special committee to combat financial crime, tax evasion and tax avoidance*

On March 1, 2018, MEPs voted overwhelmingly in favor of establishing a 45-member special committee on financial crime, tax evasion and tax avoidance. The new inquiry is in part a response to revelations from the “Paradise Papers” last year. The new committee will have 45 members and a 12-month mandate, which began with the MEPs’ vote. The special committee held its first meeting on March 22, 2018.

### *EBA publishes thirteenth Report of the CRDIV-CRR/Basel III monitoring exercise on the European banking system*

On March 6, 2018, the EBA [announced](#) that it has published its thirteenth Report of the CRDIV-CRR/Basel III monitoring exercise on the European banking system (the “Report”). The Report presents aggregate data on EU banks’ capital, leverage, and liquidity ratios assuming full implementation of the CRD IV-CRR/Basel III framework. Overall, the results, based on data as of June 30, 2017, show a further improvement of European banks’ capital positions.

### *ESMA publishes MiFID II double volume cap data limiting amount of trading under certain equity*

On March 7, 2018, the European Securities and Markets Authority (ESMA) [published](#) trading volumes and calculations regarding the double volume cap (DVC) under the Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR). The DVC is a mechanism intended to limit the amount of trading in certain equities on so-called “dark pools.” ESMA intended to implement the DVC in January 2018, but delayed it due to data quality and completeness issues. Since then, ESMA has worked with national competent authorities and EU trading venues to resolve these issues.

### *European Banking Authority publishes FinTech Roadmap detailing conclusions from a consultation on its approach to FinTech*

On March 15, 2018, the European Banking Authority (EBA) published its FinTech [Roadmap](#), shortly after publishing its FinTech [Action Plan](#) on March 8, 2018. The FinTech Roadmap, which includes conclusions from the consultation on the EBA’s approach to FinTech, sets out the results of the EBA’s preliminary mapping of FinTech in the EU and identifies proposals for further EBA work in the following policy areas: authorizations and regulatory sandbox regimes; prudential risks for credit institutions, payment institutions and electronic money institutions; the impact of FinTech on the business models of institutions; consumer protection and retail conduct of business issues; the impact of FinTech on the resolution of credit institutions and investment firms; and the impact of FinTech on AML/CFT.



# UNITED KINGDOM

## Onboarding and CDD Developments

### *[The Sanctions and Anti-Money Laundering Bill progresses through UK Parliament](#)*

On February 20, 2018, the *Sanctions and Anti-Money Laundering Bill* (the “Bill”) received its second reading in the House of Commons as it progresses through the UK Parliament. 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 the United Kingdom to keep its AML/CFT measures up-to-date and aligned 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.

### *[HM Treasury publishes an advisory notice providing guidance on money laundering and terrorist financing controls in higher risk jurisdictions](#)*

On February 27, 2018, HM Treasury [published](#) an advisory notice to call attention to the Financial Action Task Force’s (FATF) recent statement (issued on February 23, 2018) identifying higher risk jurisdictions with strategically deficient AML/CFT regimes (the “Advisory Notice”). The Advisory Notice advises regulated firms to consider taking appropriate action, which may include application of enhanced due diligence measures, to minimize the risks associated with high-risk jurisdictions. For additional information on the latest FATF statement concerning high-risk jurisdictions, please refer to the following development in the Global section: *Financial Action Task Force announces the outcomes from its most recent Plenary meeting held in Paris in February 2018.*

### *[Joint Money Laundering Steering Group receives Ministerial approval of its Guidance on the Money Laundering Regulations 2017](#)*

On March 5, 2018, the Joint Money Laundering Steering Group (“JMLSG”) [received](#) Ministerial approval of its final revised guidance on the prevention of money laundering and the financing of terrorism for the UK financial services industry (the “Guidance”). The revisions to the Guidance, which were finalized in December 2017, are intended to reflect HM Treasury’s new *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017* (“MLRs 2017”), which were published in June 2017 as part of the UK’s implementation of the Fourth EU Anti-Money Laundering Directive.

**NOTE:** MLRs 2017 were previously incorporated into the UK AML workbooks.

### *[HM Treasury publishes AML/CFT supervision report covering 2015 through 2017](#)*

On March 6, 2018, HM Treasury [published](#) its sixth report on AML/CFT supervision (the “Report”), which incorporates activity undertaken in 2015/16 and 2016/17, which supervisors provided to the Financial Action Task Force (“FATF”) to demonstrate the effectiveness of the United Kingdom’s supervisory regime. The Report sets out different aspects of the supervisory regime and provides analysis along with quantitative and qualitative data and case studies illustrating how individual supervisors effectively and efficiently manage risk. Additionally, the Report highlights improvements in several areas, and details the UK’s AML/CFT supervisors’ commitment to further strengthen their approach and tighten the UK’s defenses against money laundering, while minimizing unnecessary burdens on legitimate businesses.

## Other Regulatory Developments

### *Office for Professional Body Anti-Money Laundering Supervision (OPBAS) launches to strengthen UK's AML/CFT defenses*

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS), the United Kingdom's new AML/CFT watchdog, [launched](#) its operations on January 23, 2018. OPBAS is based within the FCA and will work with all the UK's AML supervisors to help improve standards, and with law enforcement to strengthen cooperation. OPBAS will directly oversee the United Kingdom's 22 accountancy and legal professional body AML supervisors to ensure that these organizations meet the standards set forth in the Money Laundering Regulations 2017 and to investigate and penalize those supervisors who fail to do so.

### *PRA publishes final policy statement on Pillar 2 liquidity and supervisory statement on the its approach to supervising liquidity and funding risks*

On February 23, 2018, the UK Prudential Regulatory Authority ("PRA") [published](#) a Policy Statement on Pillar 2 liquidity ("Pillar 2"). The Policy Statement details feedback received by the PRA in response to two consultations held in May 2016 and July 2017, and explains a number of changes the PRA has made to the original proposals. In publishing the Policy Statement on its approach to Pillar 2, the PRA seeks to help firms understand how it assesses liquidity risks, thereby encouraging them to develop better approaches to reduce or manage these risks. On the same day that it published the Policy Statement, the

PRA also [published](#) a revised version of its approach to supervising liquidity and funding risks.

### *HM Revenue and Customs announces call for evidence on the use of large cash transactions*

On March 13, 2018, HM Revenue and Customs ("HMRC") [published](#) a call for evidence entitled *Cash and digital payments in the new economy*. The call for evidence seeks to explore how the UK government can support digital payments, while ensuring that the ability to pay by cash remains for those who require it and cracking down on criminals who use cash for tax evasion and money laundering purposes. With respect to understanding the role of cash in facilitating tax evasion and money laundering, the government wishes to explore what further action it could take to reduce tax evasion, hidden economy, and money laundering risks associated with cash.

### *FCA publishes its Approach to Supervision and its Approach to Enforcement*

On March 21, 2018, the FCA [published](#) its Approach to Supervision and its Approach to Enforcement. The Approach to Supervision details how the FCA aims to be more forward-looking and pre-emptive in its supervision of firms. The Approach to Supervision also endeavors to engage with firms to better understand their business models and the drivers of firm behavior, prioritizing activities according to the greatest risk of harm. On the other hand, the Approach to Enforcement outlines the FCA's powers, how it conducts investigations, and how enforcement sets out to achieve fair and just outcomes in response to misconduct and to ensure FCA rules and requirements are obeyed.



# UNITED STATES

## Onboarding and CDD Developments

### *Senate Banking Committee holds hearings as lawmakers voice support for updating anti-money laundering rules*

In January 2018, the U.S. Senate's Committee on Banking, Housing, and Urban Development (the "Banking Committee") conducted two hearings on "Combating Money Laundering and Other Forms of Illicit Finance." The first [hearing](#) ("Opportunities to Reform and Strengthen BSA Enforcement") was held on January 9 and the second [hearing](#) ("Administration Perspectives on Reforming and Strengthening BSA Enforcement") was held the following week on January 17. At the first hearing, the U.S. Treasury Department's (the "Treasury Department") Undersecretary for Terrorism and Financial Crimes testified that requirements for banks to report Suspicious Activity Reports ("SARs") to the Treasury Department's Financial Crimes Enforcement Network ("FinCEN") may need to be reevaluated. The hearings also included discussions of a recent proposal to require companies to maintain and report beneficial ownership information to the Treasury Department. This proposal comes as FinCEN's final rule on CDD ("CDD Rule"), which requires covered financial institutions to report such information from their customers, will enter into effect on May 11, 2018.

### *FINRA's Annual Regulatory and Examination Priorities Letter highlights AML programs and suitability obligations as areas of focus in 2018*

On January 8, 2018, FINRA [published](#) its 2018 Regulatory and Examination Priorities Letter identifying topics that FINRA will focus on in the coming year ("Priorities Letter"). Among its the areas of focus for 2018, FINRA will continue to assess the adequacy of firms' AML programs, particularly with respect to: (i) firms' policies and procedures to detect

and report suspicious transactions; (ii) resources for AML monitoring; and (iii) independent testing required under FINRA Rule 3310(c). Additionally, FINRA will continue to assess the adequacy of firms' controls to meet their suitability obligations, including: (i) how firms identify products that are subject to new product vetting; (ii) the vetting process itself; and (iii) the supervisory systems and controls firms establish to ensure that recommendations are suitable and that personnel are appropriately educated and trained. The Priorities Letter follows FINRA's December 2017 publication of its summary report containing findings from its 2017 examination of broker-dealers.

### *SEC includes anti-money laundering programs in its 2018 National Examination Program Examination Priorities*

On February 7, 2018, the U.S. Securities and Exchange Commission's (SEC) Office of Compliance and Inspections issued its report on 2018 [National Examination Program Examination Priorities](#) (the "Report"). The Report confirms that the SEC intends to examine whether entities it regulates are appropriately adapting their AML programs to address their obligations, including customer due diligence requirements. In particular, the Report states that the SEC will examine whether such entities are: (i) taking reasonable steps to understand the nature and purpose of customer relationships; (ii) filing timely, complete, and accurate SARs; and (iii) conducting robust and timely independent tests of their AML programs.

### *FinCEN issues advisory to financial institutions based on Financial Action Task Force's list of jurisdictions with strategically deficient AML/CFT programs*

On February 9, 2018, FinCEN [issued](#) an advisory on the FATF's updated list of jurisdictions with strategic deficiencies in their AML/CFT regimes. The advisory

encourages US financial institutions to consider these changes when reviewing their obligations and risk-based policies, procedures, and practices with respect to the jurisdictions identified by the FATF. For additional information on the latest FATF statement concerning high-risk jurisdictions, please refer to the following development in the Global section: *Financial Action Task Force announces the outcomes from its most recent Plenary meeting held in Paris in February 2018.*

#### POTENTIAL RULESET IMPACT

##### *FinCEN publishes Frequently Asked Questions regarding CDD requirements for financial institutions under new CDD Rule*

On April 3, 2018, FinCEN [published](#) Frequently Asked Questions (“FAQs”) to assist covered financial institutions in understanding the scope of its new CDD Rule, which enter into force on May 11, 2018. The FAQs cover a range of questions regarding the CDD Rule, including those related to: (i) the beneficial ownership threshold; (ii) the collection of beneficial ownership information; (iii) the identification and verification of beneficial owners and legal entity customer representatives; and (iv) the definition of legal entity customer. FinCEN previously published FAQs on the CDD Rule in July 2016.

## Other Regulatory Developments

### *Office of the Comptroller of the Currency highlights the threat of money laundering in its Semiannual Risk Perspective*

On January 18, 2018, the OCC reported its [Semiannual Risk Perspective for Fall 2017](#) (the “Report”), which highlighted certain credit, operational, and compliance risks as key concerns for the federal banking system. In particular, the Report concludes that compliance risks remain elevated as banks continue to manage money laundering risks, among others, in an increasingly complex risk environment. With respect to money laundering risks, the Report found that banks’ challenges with complying with BSA/AML requirements persist in part due to dynamic methods of money laundering and terrorist financing. While noting that bank offerings developed on new technological platforms may increase access to financial products and services and provide convenience to customers, the Report also warned that these

platforms may create vulnerabilities that criminals can exploit as vehicles for money laundering. Finally, the Report stressed that the OCC expects banks to be aware of regulatory changes, such as FinCEN’s CDD Rule, and to ensure that they comply with new regulatory requirements by implementing processes to address these developments.

### *GAO publishes report on the Bank Secrecy Act and derisking along the Southwest border*

In February 2018, the U.S. Government Accountability Office (“GAO”) issued a [report](#) on the BSA entitled *Derisking along the Southwest Border Highlights Need for Regulators to Enhance Retrospective Reviews* (the “Report”). The Report was issued in response to Southwest border residents and businesses reporting difficulty accessing banking services in recent years, including experiencing bank account terminations. The Report: (i) describes the types of heightened BSA/AML compliance risks that Southwest border banks may face and the BSA/AML compliance challenges they may experience; (ii) determines the extent to which banks are terminating accounts and closing bank branches in the Southwest border region and their reasons for any terminations and closures; and (iii) describes what Southwest

### *Senate passes bill which would rollback certain post-financial crisis banking rules implemented as part of the Dodd-Frank Act*

On March 14, 2018, the U.S. Senate passed the *Economic Growth, Regulatory Relief and Consumer Protection Act* (“Senate Bill 2155”), which aims to rollback several post-financial crisis banking rules implemented as part of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (“Dodd-Frank Act”). If enacted, Senate Bill 2155 would, among other measures: (i) raise the threshold for enhanced prudential supervision of bank holding companies from \$50 billion in consolidated assets to \$250 billion in consolidated assets; (ii) amend the “Volcker Rule,” which restricts banks’ ability to engage in proprietary trading and prohibits them from owning or investing in hedge funds or private equity funds, to exempt certain banks with less than \$10 billion in consolidated assets. Senate Bill 2155 now moves to the U.S. House of Representatives.



# HONG KONG

## Onboarding and CDD Developments

*Securities and Futures Commission publishes circular to licensed corporations on compliance failures in the distribution of fixed-income and structured products*

On January 25, 2018, the Securities and Futures Commission (“SFC”) [issued](#) a circular to all licensed corporations (“LCs”) on compliance failures in the distribution of fixed-income and structured products (the “Circular”). In the Circular, the SFC stated that it identified these compliance failures during its on-site inspections and investigations of the distribution of complex bonds and structured products by LCs. In particular, the Circular highlights LCs’ obligations to: (a) maintain adequate oversight and monitoring to ensure product due diligence is properly conducted and put in place appropriate measures, systems and controls to ensure that the features and risks of each investment product are appropriately considered; (b) provide staff with adequate training on the investment products they distribute and how to appropriately inform clients of the features and risks associated with products, particularly complex and risky products; (c) implement proper policies and procedures, ensure sufficient guidance is provided to staff and establish appropriate monitoring procedures in order to identify when suitability obligations have been triggered; (d) regularly conduct a holistic assessment of the suitability framework to ensure compliance with suitability obligations, which includes management supervision, know your client, product due diligence, suitability assessment, the sales process, record retention and staff training; and (e) maintain adequate records to document compliance with suitability obligations and to enable reviews or investigations to be carried out by the LCs, their auditors and the SFC.

The Circular reminds LCs that the suitability assessment is important for investor protection and confirms that reviewing compliance with suitability obligations is an SFC priority. Furthermore, the SFC expects the board and other senior management of each LC to maintain effective oversight of the firm’s business activities and to put in place appropriate systems and controls to ensure full compliance with the relevant regulatory requirements governing the distribution of investment products.

## Other Regulatory Developments

*SFC published circular to licensed corporations and associated entities regarding amendments to the AML/CFT Guidelines*

On February 23, 2018, the SFC [published](#) in the Gazette two revised guidelines – the *Guideline on Anti-Money Laundering and Counter-Terrorist Financing* and the *Prevention of Money Laundering and Terrorist Financing Guideline issued by the SFC for Associated Entities* – to incorporate provisions reflecting relevant amendments in the recently enacted Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018. Among the key provisions are those related to: (i) aligning the threshold of defining beneficial ownership with the FATF standard and international practice; (ii) introducing flexibility to measures permitted to be taken for verifying a customer’s identity; and (iii) permitting financial institutions to rely on foreign financial institutions within the same financial group as intermediaries to carry out CDD measures. These revised guidelines came into effect on March 1, 2018. The SFC suggests that licensed corporations and associated entities review their existing policies and procedures in light of the changes in the revised guidelines and take any necessary steps to ensure continued compliance with all applicable requirements of these guidelines.



# SINGAPORE

## Onboarding and CDD Developments

### POTENTIAL RULESET IMPACT

*The Monetary Authority of Singapore issues new guidance to financial institutions on the use of innovative technology for customer onboarding*

On February 7, 2018, the Monetary Authority of Singapore (MAS) [announced](#) new guidance (Circular No. AMLD 01/2018) to financial institutions (FIs) on the use of innovative technology solutions to facilitate non-face-to-face (“NFTF”) customer onboarding (the “Circular”). In the Circular, MAS expresses support for the use of technology to improve the customer onboarding experience while adequately assessing and managing ML/TF risks. In particular, the Circular: (i) provides guidance regarding FIs’ use of MyInfo as a verified source of identification information; (ii) highlights considerations relating to the use of NFTF verification measures; and (iii) provides further examples of NFTF measures that FIs may employ as additional checks to manage the risk of impersonation. MAS considers MyInfo, which has been available for private sector use since the end of 2017, to be a reliable and independent source for the purposes of verifying the customer’s name, unique identification number, date of birth, nationality and residential address. Accordingly, where MyInfo is used, MAS will not require FIs to obtain additional identification documents to verify a customer’s identity, and will also not expect FIs to separately obtain a photograph of the customer.

The Circular also clarifies MAS Guidelines on CDD measures to be applied where the customer’s identity is obtained electronically through other NFTF means, such as the transmission of scanned or copied documents. In such cases, FIs should apply additional checks to mitigate the risk of impersonation, such as: (i) holding real-time video conference that is comparable to face-to-face communication, in addition to providing electronic copies of identification documents; (ii)

verifying the identity of a customer through a document the customer has signed with a secure digital signature using a set of Public Key Infrastructure-based credentials issued by a certified Certificate Authority under the Electronic Transaction Act; and (iii) using new technology solutions, including, but not limited to, biometric technologies (e.g., fingerprint or iris scans, facial recognition), which should be linked incontrovertibly to the customer. Finally, the Circular makes clear that FIs relying on new technology solution(s) to perform NFTF CDD should ensure that these solutions continue to facilitate CDD measures that are at least as robust as those performed with face-to-face contact.

### Other Regulatory Developments

*MAS claims no evidence of AML lapses by Singapore banks as part of “Russian Laundromat” money laundering scheme*

In response to a question posed by a Member of Parliament on January 8, 2018, the Chairman of MAS [confirmed](#) that its probe into “The Russian Laundromat” money laundering scheme has thus far revealed no evidence of major lapses in AML controls at Singapore banks. “The Russian Laundromat” money laundering scheme is alleged to have laundered over US\$20 billion from 19 Russian banks between 2011 and 2014, using banks in 96 countries. It was originally uncovered by the Organised Crime and Corruption Reporting Project (OCCRP), an international non-governmental organisation (NGO) consortium.



# GLOBAL

## International Regulatory Developments

### *Financial Action Task Force announces the outcomes from its most recent Plenary meeting held in Paris in February 2018*

The Financial Action Task Force (“FATF”) [announced](#) the outcomes of its Plenary meeting held in Paris from February 21, 2018 through February 23, 2018. Among the main issues considered at the February 2018 Plenary were:

- adopting a new CFT operational plan and a statement on the actions taken under the 2016 CFT strategy;
- identifying jurisdictions with strategic deficiencies in their AML/CFT regimes and those which have developed an action plan with the FATF;
- monitoring Iran’s actions to address deficiencies in its AML/CFT system;
- revisions on information sharing to the FATF Methodology;
- updates on recent developments on de-risking;
- improving the understanding of virtual currencies risks; and
- updates on FinTech & RegTech Initiatives.

The next FATF Plenary meeting will be held in Paris from June 24, 2018 through June 29, 2018.

### *Basel Committee on Banking Supervision publishes report providing guidance on key implications of fintech developments for banks*

On February 19, 2018, the Basel Committee on Banking Supervision published its [report](#) entitled *Sound Practices on the implications of fintech developments for banks and bank supervisors* (the “Paper”). The Paper assesses the impact of fintech on the banking industry by focusing on three technological developments (big data, distributed ledger technology and cloud computing) and three fintech business

models (innovative payment services, lending platforms and neo-banks). Among its considerations, the Paper stresses that banks must have in place effective processes for monitoring and reviewing new products, services or delivery channels for compliance with applicable regulatory obligations, including AML/CFT requirements.

#### POTENTIAL RULESET IMPACT

### *Basel Committee on Banking Supervision welcomes Correspondent Banking Due Diligence Questionnaire recently published by the Wolfsberg Group*

On March 6, 2018, the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI), the Financial Action Task Force (FATF) and the Financial Stability Board (FSB) announced their support for the [Correspondent Banking Due Diligence Questionnaire](#) (“Questionnaire”) recently published by the Wolfsberg Group. The Questionnaire is aimed at standardizing the collection of information that correspondent banks request from other banks when opening and maintaining correspondent banking relationships, including information related to their ownership, the products and services they offer and their AML/CFT programs. The Questionnaire also represents a larger effort to recognize “know-your-customer” utilities as an effective and efficient tool to support due diligence processes. In addition to the Questionnaire, the Wolfsberg Group also published several guidance materials related to the new Questionnaire, including FAQs and a Glossary.

### *Financial Stability Board publishes updated data on correspondent banking relationships*

On March 6, 2018, the Financial Stability Board (FSB) published a [report](#) containing updated data on correspondent banking relationships as part of its plan to address the decline in such

relationships. Among other things, the report found that the reduction in the total number of active correspondents, as measured by the number of banks that have sent or received messages via SWIFT, continued in the first half of 2017.

*IOSCO publishes report highlighting product suitability risks among senior investors and proposes sound practices for regulators*

On March 12, 2018, the Board of the International Organization for Securities Commissioners (“IOSCO”) [published](#) a report entitled “Senior Investor Vulnerability” (the “Report”). The Report reveals that seniors are at a higher risk of being misled by others than younger counterparts. More specifically, the risks posed to senior investors include those related to unsuitable investments, financial fraud, and the affects that their diminished cognitive capacity has on their financial decision-making. Additionally, the Report provides a list and description of sound practices for both regulators and financial services providers and includes a non-exhaustive bibliography of literature that may be helpful to regulators and others. The Report suggests that sound practices for financial services providers might include: (i) offering support to senior investors experiencing a life event during the product lifecycle; and (ii) providing training and support for employees of financial services firms.

## Developments in Other Jurisdictions

### POTENTIAL RULESET IMPACT

*Swiss Financial Market Supervisory Authority launches consultation on due diligence requirements for onboarding clients via digital channels*

On February 13, 2018, the Swiss Financial Market Supervisory Authority (FINMA) [published](#) an amended circular and launched a consultation on FINMA Circular 2016/7 “Video and online identification,” which came into force nearly two years ago. FINMA’s consultation seeks input on the amended circular, which is intended to take into account technological advances, adapted processes, and new risks that have emerged since the circular’s original publication. Specifically, the video identification process now requires checking at least three randomly selected visual security features of identification documents rather than reading the single-use password (TAN). Additionally, for due diligence requirements related to online identification, FINMA will now permit transfers from a bank in a FATF member state rather than mandating that such transfers originate from a bank in Switzerland. The consultation ran until March 28, 2018.

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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](http://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, IROCC, 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](http://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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