



# International Regulatory Update Newsletter

Volume 8 | July 2018

# TABLE OF CONTENTS

Introduction.....	1
European Union.....	2
United Kingdom.....	4
United States .....	6
Hong Kong .....	8
Singapore.....	9
Global .....	10
Key Contacts .....	12
About Pega .....	13
About Mayer Brown .....	14
Additional Pega Contacts .....	15



# 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 eighth 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

### POTENTIAL RULESET IMPACT

*Fifth Anti-Money Laundering Directive text published in Official Journal of the EU following its May adoption by the European Council*

On June 19, 2018, the [text](#) of the latest amendments to EU AML/CFT rules was published in the Official Journal of the EU. EU Member States will have until January 10, 2020 to transpose into national law the requirements of *Directive (EU) 2018/843 of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing* (known as the “Fifth Anti-Money Laundering Directive” or “5AMLD”).

Previously, on May 14, 2018, the European Council (the “Council”) [adopted](#) the Fifth Money Laundering Directive after it was approved by the European Parliament in April 2018. Among other measures, 5AMLD contains amendments 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 Council removes two jurisdictions from the tax haven “blacklist” of non-cooperative jurisdictions for tax purposes*

On May 25, 2018, the Council [agreed](#) to remove two jurisdictions – the Bahamas and St. Kitts – from the EU’s list of non-cooperative jurisdictions for tax purposes, known as the tax haven “blacklist.” The two countries were originally

added to the blacklist in March after their tax rules were deemed to fall behind EU standards. Following commitments from these jurisdictions to reform their tax rules, EU ministers removed them from the “blacklist” and added them to a so-called “grey list” of jurisdictions that have made meaningful commitments at a high political level. The decision, which follows the removal of eight other jurisdictions from the list earlier this year, leaves the following jurisdictions on the blacklist: American Samoa, Guam, Namibia, Palau, Samoa, Trinidad and Tobago, and the US Virgin Islands.

*ESMA publishes its Final Report on Guidelines on certain aspects of the MiFID II suitability requirements*

On May 28, 2018, European Securities and Markets Authority (“ESMA”) [published](#) its Final Report on *Guidelines on certain aspects of the MiFID II suitability requirements* (the “Final Report”). The Final Report summarizes and analyzes responses to ESMA’s Consultation Paper on the draft guidelines regarding the MiFID II suitability requirements, which was published in July 2017. Among other things, the Final Report explains how those responses have been taken into account. The guidelines in the Final Report, which build on the text of ESMA’s MiFID I suitability guidelines, have been broadened to: (i) consider technological developments, in particular the provision of robo-advice; (ii) build on the national competent authorities’ supervisory experience on the application of the suitability requirements; (iii) consider the outcomes of behavior finance studies; and (iv) provide additional details on several aspects that were already considered under the MiFID I guidelines.

## Other Regulatory Developments

### *European Supervisory Authorities issue report on risks and vulnerabilities in the securities, banking and insurance sectors of the EU*

On April 12, 2018, the European Central Bank (“ECB”), the European Banking Authority (“EBA”), and the European Insurance and Occupational Pensions Authority (collectively, the “European Supervisory Authorities” or “ESAs”) issued a [report](#) on the risks and vulnerabilities facing the securities, banking and insurance sectors of the EU (the “Report”). The Report outlines the following key risks and potential sources of instability, among others: (i) sudden repricing of risk premia as witnessed by the recent spike in volatility and associated market corrections; (ii) uncertainties around the terms of the UK’s withdrawal from the EU; and (iii) cyber-attacks. The Report also reiterates the ESAs’ warning to retail investors regarding virtual currencies.

### *European Commission orders European Supervisory Authorities to strengthen coordination of their efforts to fight money laundering*

On May 8, 2018, the European Commission sent a [letter](#) to calling for greater cooperation between AML and prudential supervision (the “Letter”). The Letter highlights several recent high-profile incidents involving European banks’ alleged involvement in money laundering activities as evidence of the clear links between effective AML and financial stability. Among other things, the Letter urges ESAs to better use their authorities to ensure that EU laws are correctly applied. The Letter also invites the chairs of the ESAs to a joint working group with the Commission to identify specific actions that can help improve coordination of AML supervision of financial institutions. The proposed joint working group has until the end of July 2018 to agree, as a first step, on the scope, expected deliverables and actions, and time frame for follow-up work to be conducted by the group.

### *European Central Bank updates its guide to fit and proper assessments for members of management bodies of significant credit institutions*

On May 29, 2018, the ECB published an update to the guide it uses to conduct fit and proper assessments for members of

the management bodies of significant credit institutions under the single supervisory mechanism (SSM). The update brings the guide in line with the guidelines on suitability jointly published by the EBA and ESMA. The guide aims to clarify the ECB’s supervisory policies, processes and practices in order to ensure that legal frameworks within the SSM are as consistent as possible.

### *European Parliament and Council agree to directive imposing new criminal penalties for money laundering*

On June 7, 2018, the European Parliament and Council informally [agreed](#) to impose new EU-wide criminal penalties for money laundering as part of a proposed *Directive on countering money laundering by criminal law*, which was originally proposed in December 2016. The new rules seek to harmonize offenses and sanctions for money laundering, since the definitions of criminal offenses and sanctions vary across the EU. Among other measures, Parliament and Council negotiators agreed on: (i) EU-wide definitions of money laundering-related crimes; (ii) EU-wide minimum penalties for money laundering offenses; and (iii) a commitment from EU Member States to adopt additional sanctions where necessary. The text agreed to by negotiators must now be formally approved by the Civil Liberties Committee, full Parliament and Council before it enters into force.

### *European Banking Authority publishes reports assessing the risks and opportunities of fintech for financial institutions*

On July 3, 2018, the EBA [published](#) the first two reports from its FinTech Roadmap: (1) a thematic report on the impact of FinTech on incumbent credit institutions’ business models and (ii) a thematic report on the prudential risks and opportunities arising for institutions from fintech. The reports fall within the EBA’s newly established FinTech Knowledge Hub and seek to raise awareness within the industry and among its supervisors of the potential prudential risks and opportunities presented by fintech and how it may impact banks’ traditional business models and pose new challenges to incumbents’ sustainability.



# UNITED KINGDOM

## Onboarding and CDD Developments

*UK Joint Money Laundering Steering Group publishes revised AML/CFT guidance clarifying application to the asset finance and syndicated lending sectors*

On May 17, 2018, the UK's Joint Money Laundering Steering Group ("JMLSG") [published](#) revised AML/CFT Guidance for the asset finance and syndicated lending sectors. The JMLSG conducted a consultation on these two portions of the sector-specific guidance contained in Part II of the AML/CFT Guidance. The revised text does not contain any substantive changes, but, rather, it provides additional clarification on the application of the Guidance to these specific sectors. The revisions to the AML/CFT 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.

*UK Sanctions and Anti-Money Laundering Bill receives Royal Assent with new requirement for public registers in British overseas territories*

On May 23, 2018, the *Sanctions and Anti-Money Laundering Bill* (the "Bill") [received](#) Royal Assent. 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 measures, 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; (iii) furthering the interests of national security or international peace and security; or (iv) furthering a foreign policy objective of the UK government. In particular, the Bill provides the power to make regulations aimed at detecting, investigating and preventing ML/TF and to implement global standards and recommendations for effective AML/CFT published by the Financial Action Task Force ("FATF").

The Bill will also require British overseas territories (e.g., Cayman Islands, British Virgin Islands) to introduce and maintain public registers of beneficial owners of legal entities registered in those jurisdictions. More specifically, the intention is to require registration by all legal entities in those British overseas territories that can hold UK property. For any British overseas territory that fails to establish such a register by December 31, 2020, the Secretary of State will publish an Order prescribing the form in which the jurisdiction must do so.

*FCA publishes letter to domestic bank CEOs urging them to increase scrutiny of clients with significant cryptocurrency activities or revenues*

On June 11, 2018, the Financial Conduct Authority ("FCA") published an open [letter](#) urging domestic bank CEOs to enhance their scrutiny of clients who derive significant business activities or revenues from activities related to cryptocurrencies (e.g., Bitcoin, Ether) or other crypto-assets. The "Dear CEO" letter highlights the use of these assets for criminal purposes and reiterates several risk-based actions that banks may consider taking in such circumstances, including "carrying out due diligence on key individuals in the client business including consideration of any adverse intelligence." The letter also recommends that firms assess the risks posed by customers whose wealth or funds are derived from crypto-asset-related activities using the same criteria that it applies to other sources of wealth or funds.

## Other Regulatory Developments

### *UK lawmakers and the Financial Conduct Authority encourage the development and use of fintech to detect and disrupt criminal activities*

On April 16, 2018, the House of Lords' Select Committee on Artificial Intelligence published its [Report](#) of Session 2017-19 entitled *AI in the UK: ready, willing and able?*, in which it encouraged financial services firms, among others, to monitor the development and deployment of artificial intelligence. Additionally, on May 22, 2018, FCA Executive Director of Supervision Megan Butler gave a [speech](#) in London entitled *Turing technology against criminals*, which discussed how fintech can be used by firms to detect and disrupt criminal activities, including money laundering. In her remarks, Ms. Butler promoted firms' use of AI, robotics, natural language processing and machine learning to identify suspicious transactions in real-time using unstructured account and transaction data. She also highlighted other potential areas that could benefit from fintech, including onboarding, account maintenance, client screening and reporting. Ms. Butler encouraged firms to work with regulators when developing their technological systems.

### *UK seeks to reform certain limited partnerships to crack down on their abuse in foreign money laundering schemes*

On April 30, 2018, the UK's Department for Business, Energy & Industrial Strategy [unveiled](#) reforms to curb the abuse of a certain financial instrument for money laundering purposes. While Scottish Limited Partnerships (SLPs) and Limited Partnerships (LPs) are used by thousands of legitimate UK businesses and invest more than £30 billion a year in the UK, SLPs have been exploited in several complex money laundering schemes. The proposed reforms include: (i) requiring a real connection to the UK, including ensuring SLPs conduct business or maintain a service address in Scotland; (ii) registering new SLPs through a company formation agent, which would subject registrants to AML checks; and (iii) empowering the Companies House to remove dissolved and nonoperational LPs from the company registry.

### *Office of Financial Sanctions publishes updated version of its guidance on monetary penalties for breaches of financial sanctions*

On May 21, 2018, the UK's Office of Financial Sanctions Implementation ("OFSI") published an updated version of its [guidance](#) on monetary penalties for breaches of financial sanctions, which was originally published in April 2017. By way of background, the *Policing and Crime Act 2017* establishes HM Treasury's authority to impose monetary penalties for breaches of financial sanctions. OSFI is the part of HM Treasury responsible for applying these powers.

The updated guidance, which replaces and should be referred to instead of the guidance previously issued in April 2017, details the circumstances in which OFSI may impose monetary penalties and the basis for determining the amount of the penalty. In particular, the updated guidance provides greater clarity regarding voluntary disclosure and the tribunal appeal process. OSFI intends to review this guidance next in March 2019.

### *Prudential Regulation Authority publishes policy statement on changes to the PRA's large exposures framework*

On June 2, 2018, the Bank of England's Prudential Regulation Authority ("PRA") [published](#) Policy Statement PS 14/18 on 'Changes to the PRA's large exposure framework' (the "Policy Statement"). The Policy Statement includes feedback to responses received by the PRA and the final decisions regarding updates related to: (i) the PRA's rules on Large Exposures and Regulatory Reporting (Appendix 1); (ii) Supervisory Statement 16/13 'Large exposures' (Appendix 2); and (iii) Supervisory Statement 34/15 on 'Guidelines for completing regulatory reports' (Appendix 3). It also contains a simplified example of the application of the large exposures limit at the level of the UK consolidated group when a firm has a Non-core large exposures group (NCLEG) permission (Appendix 4). The changes proposed in the Policy Statement took effect on June 29, 2018.



# UNITED STATES

## Onboarding and CDD Developments

*Financial Crimes Enforcement Network's final rule on CDD requirements for financial institutions enters into effect*

The Financial Crimes Enforcement Network's ("FinCEN") long-awaited *Customer Due Diligence Rule for Financial Institutions* ("CDD Rule") entered into force on May 11, 2018. Among the CDD Rule's most significant changes for financial institutions are the requirements to: (i) identify and verify the identity of beneficial owners of their legal entity customers during the new account opening process and (ii) develop risk-based procedures for conducting ongoing CDD under their existing AML programs. The CDD Rule was originally published on July 11, 2016, providing covered financial institutions with two years to comply with the new requirements.

*FINRA seeks comment on proposed amendments to the quantitative suitability obligation under FINRA Rule 2111*

On April 20, 2018, the Financial Industry Regulatory Authority ("FINRA") published [Regulatory Notice 18-13](#) seeking comment on proposed rule amendments that would revise the quantitative suitability obligation under FINRA Rule 2111 "to more effectively address instances of excessive trading in customers['] accounts." FINRA proposes removing the control element that currently must be satisfied to prove a violation of the quantitative suitability obligation. However, the amendments would not alter the requirement to prove that the transactions were recommended and that the level of trading was excessive. The comment period closed on June 19, 2018.

*FINRA amends its AML compliance program rule to reflect FinCEN's final rule on CDD requirements for financial institutions*

On May 3, 2018, FINRA published [Regulatory Notice 18-19](#) immediately amending FINRA Rule 3310 (Anti-Money Laundering Compliance Program) to conform to FinCEN's new CDD Rule (as discussed further above). Specifically, FINRA Rule 3310(f) requires that FINRA member firms' AML programs "include appropriate risk-based procedures for conducting ongoing CDD, to include, but not be limited to: (i) understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and (ii) conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information."

The implementation date for the amendments to FINRA Rule 3310 aligned with the compliance date for the CDD Rule. In November 2017, FINRA published Regulatory Notice 17-40, which provided guidance to member firms on their requirements under FINRA Rule 3310 in light of the CDD Rule.

*Federal Financial Institutions Examination Council updates its examination manual to incorporate CDD and beneficial ownership requirements*

On May 11, 2018, the Federal Financial Institutions Examination Council ("FFIEC") published updates to its Bank Secrecy Act/Anti-Money Laundering examination manual ("BSA/AML Examination Manual") to incorporate new requirements stemming from FinCEN's new CDD Rule. The updates to the BSA/AML Examination Manual cover new [CDD requirements](#) and [beneficial ownership obligations](#) for legal entity customers.

### *U.S. House of Representatives Subcommittee meets to discuss implementation and enforcement of FinCEN's new CDD rule*

On May 16, 2018, the Terrorism and Illicit Finance Subcommittee of the U.S. House of Representatives' Financial Services Committee held a [hearing](#) to examine the implementation and enforcement of FinCEN's new CDD Rule. The goal of the hearing was improving AML efforts while safeguarding the U.S. financial system for its proper use. In April 2018, FinCEN published its most recent guidance on the CDD Rule in the form of [FAQs](#).

## Other Regulatory Developments

### *U.S. Congress passes most significant changes to financial institution regulation rolling since passage of the Dodd-Frank Act*

On May 22, 2018, the U.S. Congress passed the *Economic Growth, Regulatory Relief, and Consumer Protection Act* ("Senate Bill 2155"), the most significant changes to financial institution regulations since the post-financial crisis enactment of the *Wall Street Reform and Consumer Protection Act* (commonly referred to as the "Dodd-Frank Act") in 2010. Among other measures, the legislation: (i) raises the threshold for enhanced prudential supervision of bank holding companies from \$50 billion in consolidated assets to \$250 billion in consolidated assets; (ii) amends 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; and (iii) clarifies the identity due diligence and verification requirements of the BSA that are applicable to online banking services by permitting insured depository institutions, credit unions and their affiliates to rely on scans of driver's licenses and other government-issued personal identification cards for certain transactions submitted through an online banking service.

### *FinCEN issues advisory on human rights abuses enabled by corrupt senior foreign political figures and their financial facilitators*

On June 12, 2018, FinCEN [issued](#) an [advisory](#) to U.S. financial institutions to highlight the link between recent human rights

abuses enabled by corrupt senior foreign political figures and facilitators (the "Advisory"). In the Advisory, FinCEN warns U.S. financial institutions that they may be exposing themselves to risks by holding accounts for these corrupt individuals, either directly or indirectly through correspondent banking relationships. FinCEN reminds U.S. financial institutions of their BSA obligations to report suspected illicit activity by financial facilitators. The Advisory also highlights cases where U.S. financial institutions were sanctioned for providing facilitation services to human rights abusers and others engaged in corruption.

### *U.S. congressional subcommittees hold hearings on issues related to money laundering and terrorism financing*

On June 20, 2018, the U.S. House of Representatives' Financial Services Subcommittee on Terrorism and Illicit Finance held a [hearing](#) entitled "Illicit Use of Virtual Currency and the Law Enforcement Response." Among other topics, the hearing included a discussion of law enforcement's response to the illicit use of virtual currencies ("VCs"), an examination of whether law enforcement is adequately equipped to address this trend and consideration of what additional tools may be required to combat the threat to the U.S. financial system from the illicit use of VCs. The hearing also included a discussion of the issues that law enforcement agencies face when attempting to address this problem and potential legislative solutions. On the same day, the U.S. Senate Banking Committee's Subcommittee on National Security and International Trade and Finance held a [hearing](#) entitled "Combating Money Laundering and Other Forms of Illicit Finance: How Criminal Organizations Launder Money and Innovative Techniques for Fighting Them." Among other issues, the hearing considered potential ways to improve cooperation and coordination between law enforcement officials and how to incentivize and enable financial institutions to adopt innovative AML techniques. Senators suggested encouraging AML innovation by reevaluating the system of regulatory compliance, including the process for filing suspicious activity reports ("SARs"). The hearing comes as the House Financial Services Committee considers a bill (H.R. 6068) that would revise several AML requirements under the BSA, including raising the monetary threshold for filing SARs.



# HONG KONG

## Onboarding and CDD Developments

*Hong Kong Financial Services and Treasury Bureau publishes Money Laundering and Terrorist Financing Risk Assessment Report*

On April 30, 2018, the Hong Kong Financial Services and Treasury Bureau (“FSTB”) [published](#) its Money Laundering and Terrorist Financing Risk Assessment Report (the “Report”). The Report examines the ML/TF threats and vulnerabilities facing various sectors in Hong Kong and identifies areas for further work. The Report’s assessment is based on extensive consultation, quantitative and qualitative data examination, and direct engagement with regulators, law enforcement agencies, government bodies and private sector entities. The Report assessed Hong Kong’s ability to combat ML as “medium-high,” characterized by “its robust legal framework, high-level political commitment, close partnerships among Government agencies and between the public and private sectors, fair and efficient prosecution and judicial process, and good external and international cooperation.” However the Report also noted several high ML threats posed by fraud, drug-related crimes, corruption and tax evasion.

In response to the ML/TF risks identified in the Report, the Hong Kong government is considering the following five major initiatives to address the concerns: (i) enhancing the AML/CFT legal framework; (ii) strengthening risk-based supervision and partnerships; (iii) sustaining outreach and awareness raising; (iv) monitoring new and emerging risks; and (v) strengthening law enforcement efforts and intelligence capability. In particular, the Hong Kong government intends to pursue ongoing supervisory efforts aimed at promoting the implementation of risk-based AML/CFT systems that can

protect the safety and soundness of financial institutions and the integrity of the jurisdiction’s financial system.

## Other Regulatory Developments

*Hong Kong Monetary Authority issues guidelines to banks on credit risk management for personal lending business*

On May 9, 2018, the Hong Kong Monetary Authority (“HKMA”) issued guidelines to banks on credit risk management for personal lending business (the “Guidelines”). Under the Guidelines, which permit banks to adopt fintech to manage credit risk, a portion of banks’ personal lending portfolio may be carved out as “New Personal-Lending Portfolio” (“NPP”). The NPP portion of the portfolio will not have to adhere to conventional lending practices.

The HKMA stated that banks should use new credit risk management techniques and practices in a responsible manner to “provide customers with adequate information, including key product features and their repayment obligations under the loan product, to enable them to make informed borrowing decisions and avoid over-indebtedness.” The new Guidelines were developed following a consultation between banks and fintech companies as part of the HKMA’s Banking Made Easy initiative.



# SINGAPORE

## Onboarding and CDD Developments

### *MAS announces support for the Wolfsberg Group's new Correspondent Banking Due Diligence Questionnaire*

On April 19, 2018, the Monetary Authority of Singapore (“MAS”) [announced](#) its support for the Wolfsberg Group’s initiative aimed addressing the decline in correspondent banking relationships, namely, its recent Correspondent Banking Due Diligence Questionnaire (“Questionnaire”). 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.

## Other Regulatory Developments

### *Monetary Authority of Singapore signals its intent to introduce legislation to required central clearing of certain OTC derivatives*

On May 2, 2018, the MAS [announced](#) that it will introduce legislation to required over-the-counter (“OTC”) derivatives to be cleared on central counterparties (“CCPs”), with a compliance date of October 1, 2018. The mandatory clearing requirements will cover Singapore-Dollar and US-Dollar fixed-floating interest rate swaps and apply to banks whose gross notional outstanding OTC derivatives exceed \$20 billion. The MAS points out that these banks account for over 90% of Singapore’s OTC derivatives contracts in terms of outstanding notional amount.

### *AML/CFT industry partnership publishes best practices for financial institutions to guard against trade-based money laundering*

On May 14, 2018, Singapore’s AML/CFT Industry Partnership (ACIP) [recommended](#) a set of best practices for financial institutions to protect against trade-based money laundering and abuse of company structures for illicit purposes. The ACIP is a private public partnership established in April 2017 to bring together the financial sector, regulators, law enforcement agencies and other government entities to collaboratively identify, assess and mitigate key and emerging ML/TF risks facing Singapore. The co-chairs are the Commercial Affairs Department of the Singapore Police Force and Monetary Authority of Singapore. ACIP’s Steering Group is currently comprised of the Association of Banks Singapore (ABS) and eight banks.

### *Monetary Authority of Singapore proposes guidelines on provision of financial advisory service and design of advisory and sales forms*

On June 4, 2018, the MAS issued a [consultation paper](#) on guidelines on the provision of financial advisory services and design of advisory and sales forms (the “Consultation Paper”). The Consultation Paper seeks to provide additional clarity on what would constitute the provision of financial advisory service under the Financial Advisers Act (Cap. 110). Additionally, to facilitate clients’ understanding of the financial advisory process and improve the readability of forms typically used during the advisory and sales process, MAS also proposes guidelines that establish key principles financial advisers should incorporate in designing their forms used to conduct fact-finding and needs-analysis and making suitable product recommendations. MAS invited comments on the proposed guidelines, which were due by July 5, 2018.



# GLOBAL

## International Regulatory Developments

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

The Financial Action Task Force (“FATF”) announced the [outcomes](#) of its Plenary meeting held in Paris from June 27, 2018 through June 29, 2018. Among the main issues considered at the June 2018 Plenary were:

- adopting a report to the G20 Finance Ministers and Central Bank Governors regarding the FATF’s response to the increasing use of virtual currencies/crypto-assets for money laundering and terrorist financing;
- adopting a report analyzing the financial flows from human trafficking, both as a money laundering predicate and potential source of terrorist financing;
- adopting a study on the mechanisms and techniques used to obscure or conceal of beneficial ownership and control of illicitly obtained assets;
- identifying jurisdictions with strategic deficiencies in their AML/CFT regimes and those that have developed an action plan with the FATF (including the addition of Pakistan to this list);
- monitoring Iran’s actions to address deficiencies in its AML/CFT system; and
- updates on FinTech & RegTech Initiatives.

The next FATF Plenary meeting is tentatively scheduled to be held in Paris from October 14, 2018 through October 19, 2018.

### *Financial Stability Board publishes report providing a toolkit for firms to mitigate misconduct risk*

On April 20, 2018, the Financial Stability Board (“FSB”) published a report providing a [toolkit](#) for firms to mitigate misconduct risk. The toolkit proposes 19 tools that firms can

use to address the following three overarching issues identified by the FSB through its previous work on misconduct: (1) mitigating cultural drivers of misconduct; (2) strengthening individual responsibility and accountability; and (3) addressing the “rolling bad apples” phenomenon. The toolkit offers several options based on the shared experiences and various perspectives of FSB members in addressing misconduct issues. The report was to the G20 Finance Ministers and Central Bank Governors prior to their meeting in Washington, D.C. in April 2018.

### *Financial Stability Board publishes second consultative document on proposed Governance arrangements for the unique product identifier (UPI)*

On April 26, 2018, the FSB published its second [consultative document](#) on proposed *Governance arrangements for the unique product identifier (UPI)* (the “Consultation”) following an initial consultation conducted in October 2017. The Consultation “sets out proposals for the governance arrangements for a global UPI, as a key harmonised identifier designed to facilitate effective aggregation of transaction reports from over-the-counter (OTC) derivatives markets.” The primary goal of UPI is to identify products that are the subjects of OTC derivatives transactions. Under technical guidance published by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO), each distinct OTC derivative product would have a unique UPI code assigned to it. The Consultation sought comments by May 28, 2018 on targeted questions to assist the FSB with determining the proper governance arrangements for the UPI system. The FSB expects to reach conclusions on the issues presented in the Consultation by mid-2019.

### *Basel Committee on Banking Supervision publishes its 2018-19 work program outlining strategic priorities for policy, supervision and implementation activities*

On June 5, 2018, the Basel Committee on Banking Supervision (“BCBS”) [published](#) its 2018-19 work program outlining the strategic priorities for its policy, supervision and implementation activities. The main themes of the 2018-19 work program include:

- finalizing existing policy initiatives and initiating targeted policy development;
- ensuring full, timely and consistent implementation of the Committee’s post-crisis reforms;
- promoting strong supervision; and
- evaluating and monitoring the impact of post-crisis reforms.

## Developments in Other Jurisdictions

### *Canada publishes proposed amendments to its anti-money laundering and anti-terrorist financing regime*

On June 9, 2018, the Canadian Department of Finance published [proposed](#) *Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2018* (the “Proposed Regulations”). The Proposed Regulations aim to strengthen Canada’s anti-money laundering and anti-terrorist financing (“ATF”) regime by, among other measures: (i) updating CDD and beneficial ownership and reporting requirements; (ii) regulating certain businesses dealing in virtual currencies; (iii) updating the schedules to the regulations; and (iv) clarifying several existing requirements.

The primary goals of the Proposed Regulations are to: (i) bring Canada’s AML/ATF regime into alignment with the FATF standards; (ii) strengthen Canada’s ability to combat money laundering and terrorist financing activities; (iii) improve reporting entities’ compliance with regulatory obligations; and (iv) improve monitoring and enforcement efforts of the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”).

From a due diligence perspective, the Proposed Regulations would expand the ability of reporting entities to rely on customer identification that has already been conducted by other entities. Currently, reporting entities may rely on

information collected by an agent, an affiliate or a subsidiary. Under the Proposed Regulations, in order to rely on other information provided by third parties, reporting entities must request and obtain information on the method of identity verification either immediately or within three days of making the request. The amendments would also permit reporting entities to rely on identity verification information provided by a foreign affiliate, subject to a risk assessment based on the country in which the third party operates (*e.g.*, FATF member, country with similar AML/ATF regime).

Comments on the Proposed Regulations may be submitted to the Department of Finance within 90 days following their publication in the *Canada Gazette*.

# CONTACTS

## Mayer Brown Team (Editors)

**Nicolette Kost De Sevres**

Partner, Washington DC / Paris

+1 202 263 3893 / +33 1 53 53 88 22

[nkostdesevres@mayerbrown.com](mailto:nkostdesevres@mayerbrown.com)

**Bradley A. Cohen**

Associate, New York

+1 212 506 2259

[bacohen@mayerbrown.com](mailto:bacohen@mayerbrown.com)

## Pega Team

**Reetu Khosla**

Global Director of Risk, Compliance & Onboarding

+1 617 866 6423

[reetu.khosla@pega.com](mailto:reetu.khosla@pega.com)

**Fabio Urso**

Director, Industry Principal – CLM & KYC

+31 6 26952817

[fabio.urso@pega.com](mailto:fabio.urso@pega.com)

# 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 more than 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.

Please visit [www.mayerbrown.com](http://www.mayerbrown.com) for comprehensive contact information for all Mayer Brown offices.

# PEGA CONTACTS

## CORPORATE HEADQUARTERS

One Rogers Street  
Cambridge, MA 02142-1209  
U.S.A.  
Phone: 1-617-374-9600  
Fax: 1-617-374-9620

## NORTH AMERICA OFFICE LOCATIONS

### Bedford, NH

8 Commerce Dr.  
Suite 3B  
Bedford, NH 03110  
U.S.A.

### Bethesda, MD

4800 Hampden Lane  
Suite 200  
Bethesda, MD 20814  
U.S.A.

### Chicago, IL

Three First National Plaza  
70 West Madison  
Suite 1400  
Chicago, IL 60602  
U.S.A.

### Detroit, MI

400 Renaissance Center  
Suite 2600  
Detroit, MI 48234  
U.S.A.

### Irving, TX

222 West Las Colinas Blvd.  
Suite 1650  
North Tower Millennium Center  
Irving, TX 75039  
U.S.A.

### Jersey City, NJ

Antenna  
111 Town Square Place  
Jersey City, NJ 07310  
Phone: 1-201-239-2300  
Fax: 1-201-239-2315  
U.S.A.

### New York, NY

1120 Avenue of the Americas  
4th Floor  
New York, NY 10036  
U.S.A.

### Santa Clara, CA

5201 Great America Parkway  
Suite 320  
Santa Clara, CA 95054  
U.S.A.

### Toronto, ON

The Exchange Tower  
130 King Street West  
Suite 1800  
Toronto, ON M5X 1E3  
Canada

## EUROPEAN OFFICE LOCATIONS

### European Headquarters

#### United Kingdom: Reading

One Reading Central  
3rd Floor  
23 Forbury Road  
Reading  
Berkshire  
RG1 3JH  
Office: +44 (0) 118 9591150  
Fax: +44 (0) 118 959 1174

#### France: Paris

6 Avenue Marceau  
7th Floor  
Paris 75008  
France  
Office: +33 (0) 170950951

#### Germany: München

Gmunder Straße 53  
81379 München  
Deutschland  
Office: +49 89 540 320

#### Italy: Milan Duomo

Via Torino 2  
Milan, 20123  
Italy  
Office: +39 02 725461  
Fax: +39 02 58215 400

#### Poland: Kraków

Antenna Poland  
Bonarka4Business (Building A)  
ul. Puzkarska 7f  
30-644 Kraków  
Phone: +48 12 297 24 00  
Fax: +48 12 297 24 01

#### Poland: Warsaw

Ilzecka 26  
Warsaw 02-135  
Poland  
Office: +48 (0)225 757 211  
Fax: +48 (0)225 757 001

#### Russia: Moscow

Regus Moscow  
125047, Moscow, 4th Lesnoy Lane, 4  
Tel: +7 495 641 37 42

#### Spain: Madrid

Paseo de la Castellana 95  
15th floor  
28046 Madrid  
Office: +34 91 418 69 29  
Fax: +34 91 418 69 99

#### Sweden: Stockholm

Östermalmstorg 1, 4th floor  
114 42, Stockholm  
Office: +46 8 5025 65 48  
Fax: +44 118 959 1174

#### Switzerland: Zürich

Dreikönigstrasse 31a  
8002 Zürich  
Switzerland  
Office: +41 (0)44 208 31 95  
Fax: +41 (0)44 208 35 00

#### The Netherlands: Amsterdam

Vinoly building, 8th floor  
Claude Debussylaan 20b  
1082 MD  
Amsterdam  
The Netherlands  
Office: +31 (0)20 3057490  
Fax: +31 (0)20 3057499

#### Turkey: Istanbul

Palmiye Cad. B39A No:20  
Göksu Evleri Anadolu Hisari Beykoz  
Istanbul 34815  
Office: +90 (216) 465 8600

## ASIAN OFFICE LOCATIONS

### Asia Pacific Headquarters

#### Australia: Sydney

Level 7, BT Tower  
1 Market Street  
Sydney NSW 2000  
Office: +61 2 9581 7000  
Fax: +61 2 9283 9015

#### Australia: Brisbane

Level 21, 345 Queen Street  
Brisbane Queensland 4000  
Phone: +07 3012 6065

#### Australia: Canberra

Tower A, Level 5,  
7 London Circuit  
Canberra, ACT, 2601  
Phone : +61 2 6169 4083

#### Australia: Melbourne

Suite 703-704, Level 7,  
530 Little Collins Street  
Melbourne VIC 3000  
Office: +61 3 9909 7135  
Fax: +61 3 9909 7788

#### China: Beijing

Suite 208, Tower W1  
Oriental Plaza  
1 East Chang An Avenue  
Dongcheng District  
Beijing, China  
Office: +8610 8518 9279

#### China: Hong Kong

45/F, The Lee Gardens  
33 Hysan Avenue  
Causeway Bay, Hong Kong  
Office: + 852 3180 1720  
Fax: + 852 3180 2299

#### India: Bengaluru

Pegasystems Worldwide India Private  
Limited  
Block No. 9A  
Ground floor & First floor Pritech Park  
SEZ (Behind Ecospace)  
Located at Survey no's: 51 to 64/4  
Bellandur Village  
Varthur Hobli  
Bengaluru – 560 103  
India  
Office: +91 80-33143400

#### India: Bengaluru

Antenna India Private Ltd  
3rd Floor  
Industrial Layout #32  
Lusker Hosur Road (Next to Forum  
Mall)  
Salarpuria Tower 2  
Bengaluru – 560095  
India  
Phone: +91 80 4900 4000  
Fax: +91 80 40175525

#### India: Hyderabad

Raheja Mindspace, SEZ Building 12A  
Mindspace Cyberabad, Survey No-64  
HITECH City, Madhapur  
Hyderabad - 500081  
India  
Office: + 91 40 3055 5600

#### Japan: Tokyo

Hirakawacho Court 8F  
1-1-1 Hirakawacho, Chiyoda-ku  
Tokyo, Japan 102-0093  
Office: +81-3-3221-2455  
Fax: +81-3-3221-2361

#### Singapore

Centennial Tower, 34-01  
3 Temasek Avenue  
Singapore 039190  
Office: +65 6549 7856  
Fax: +65 6549 7011

#### Thailand: Bangkok

Office 504 at the Bangkok, Gaysorn  
Plaza  
No 999 Gaysorn Shopping Centre  
5th Floor, Unit 5B-1, Phoenchit Rd  
Lumpini, Patumwan Bangkok  
10330 Thailand

## 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 areas such 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.

Please visit [www.mayerbrown.com](http://www.mayerbrown.com) for comprehensive contact information for all Mayer Brown offices.

Mayer Brown comprises legal practices that are separate entities (the "Mayer Brown Practices"). The Mayer Brown Practices are: Mayer Brown LLP and Mayer Brown Europe-Brussels LLP, both limited liability partnerships established in Illinois USA; Mayer Brown International LLP, a limited liability partnership incorporated in England and Wales (authorized and regulated by the Solicitors Regulation Authority and registered in England and Wales number OC 303359); Mayer Brown, a SELAS established in France; Mayer Brown Mexico, S.C., a sociedad civil formed under the laws of the State of Durango, Mexico; Mayer Brown JSM, a Hong Kong partnership and its associated legal practices in Asia; and Taulil & Chequer Advogados, a Brazilian law partnership with which Mayer Brown is associated. Mayer Brown Consulting (Singapore) Pte. Ltd and its subsidiary, which are affiliated with Mayer Brown, provide customs and trade advisory and consultancy services, not legal services.

"Mayer Brown" and the Mayer Brown logo are the trademarks of the Mayer Brown Practices in their respective jurisdictions.

© 2018 The Mayer Brown Practices. All rights reserved.