



Welcome to our Regulatory Newsletter May 2023

Executive Summary

This month in Singapore, The MAS and Google Cloud entered into a partnership to collaborate on responsible generative artificial intelligence (AI) solutions. The objective is to develop and implement responsible generative AI applications within MAS, while also nurturing the expertise of technologists in the field of AI. The collaboration will focus on three main areas: identifying potential use cases, conducting technical pilots, and co-creating responsible generative AI solutions. Additionally, the partnership will involve joint efforts in technology application development, test-bedding, and supporting the development of technical competencies and AI skills for MAS technologists.

Meanwhile in Hong Kong, The SFC updated its guidelines on anti-money laundering and counter-financing of terrorism (AML/CFT) for licensed corporations and associated entities. The revisions incorporate provisions and guidance related to the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022, which will take effect on 1 June 2023. The amendments cover several areas, including the definition of politically exposed persons (PEPs), the identification of beneficial owners in trust structures, the use of digital identification systems for customer verification, and the inclusion of a new chapter on ML/TF risks associated with virtual assets.

Click onto a region of your interest to read the corresponding regulatory updates and enforcement actions:



Australia



China



Hong Kong



India



Japan



Malaysia



Singapore



South Korea



Taiwan



Australia

On 3 May 2023, the Australian Securities and Investments Commission (“ASIC”) voiced concerns on the standard met in design and distribution obligations (DDO) set upon investment product issuers. The DDO states that investment product issuers and distributors are to ensure products are designed related to consumer needs and distributed in a targeted manner. A risk-based review of how investment product issuers are meeting the DDO found there to be deficient target market determinations. The DDO were introduced as financial products should be targeted to the right people rather than being sold to customers who don’t understand or need them. Investment product issuers have an opportunity to derive value from DDO beyond compliance, such as delivery of customer strategy and product simplification. Furthermore, the reputation and trustworthiness of financial service providers can be improved. For more information, please click [here](#).

On 5 May 2023, ASIC updated the timeframe of which the internal dispute resolution (IDR) was due be implemented. The IDR date reporting framework requires all financial firms to record all complaints received and have an effective complaints record keeping system. ASIC have introduced a staged IDR implementation timeframe which will see all licensees reporting IDR data to ASIC by end February 2024. The IDR is a valuable addition to Australian compliance for financial service providers as it will help increase client confidence in the financial system and strengthen the risk management protocols for companies in the financial sector. Companies will be able to identify trends and act quickly on potential issues with their products or services before formal complaints arise. For more information, please click [here](#).

On 4 May 2023, The Australian Prudential Regulation Authority (“APRA”) opened up a consultation regarding minor amendments to the finalised reporting standards for insurers impacted by the introduction of the Australian Accounting Standards Board 17 Insurance Contracts (AASB17). The consultation period was concluded on 19 May 2023. The AASB17 aims to make the reporting of insurance contracts more standardised, transparent, and comparable to financial statements of insurers. The AASB17 will give investors and other financial stakeholders greater insight into an insurer’s financial performance and risk exposure. For more information, please click [here](#).

On 18 May 2023, APRA introduced its new requirements aimed at improving the preparedness of banks, insurers, and superannuation funds to respond to a crisis. The new standards are designed to ensure that these entities can respond to stress events effectively, with the goal of minimising the financial risk to both consumers and the broader economy. APRA will work closely with these institutions to monitor their compliance with the new requirements and provide guidance where necessary. For more information, please click [here](#).

On 18 May 2023, APRA released a response to its initial consultation regarding proposed amendments to the minimum capital requirements for purchased payment facilities (PPF) providers. The amendments made are a temporary measure ahead of the broader review of the Prudential Standard APS 610 Prudential Requirements for Providers of Purchased Payment Facilities (APS 610). These amendments have been made to provide greater protection to consumers who use PPFs for electronic transactions such as online shopping, bill payments and fund transfers. Customer protection will be enhanced, and the overall integrity of the financial system will be improved. However, operating costs of PPFs may increase potentially leading to higher transaction fees for consumers. For more information, please click [here](#).

On 19 May 2023, The Australian Prudential Regulation Authority (APRA) recently released further details about the Authorised Deposit-Taking Institution (ADI) centralised publication. The centralised publication will provide a single source of data for ADIs’ financial information, which will be used by regulators, researchers, and the general public to assess the performance of the financial sector. Stakeholders will have comprehensive and up-to-date financial information; it will help to promote market discipline and enhance public confidence in the ADI sector. The use of a centralised publication will also help to streamline reporting requirements for ADIs, reducing the burden of compliance and reporting. Overall, the ADI centralised publication is a step towards greater transparency, accountability, and stability in the financial sector. For more information, please click [here](#).

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Enforcement

On 10 May 2023, Capital Investment Partners Pty Ltd (Capital Investment Partners) had its Australian Financial Services (AFS) licence cancelled by ASIC. Capital Investment Partners had ceased to carry on a financial services business. ASIC has the regulatory power to cancel an AFS licence without a hearing if an entity ceases to carry on financial services business. For more information, please click [here](#).

On 10 May 2023, ASIC released a report documenting the 35 interventions it undertook in response to its greenwashing surveillance activities from 1 July 2022 to 31 March 2023. The report notes the increasing prevalence of representations relating to environmental, social and governance credentials by listed companies, managed funds, and superannuation funds. ASIC's Deputy Chair Karen Chester emphasised that the interventions are designed to encourage fair and transparent markets, and that issuers and advisers should make sustainability-related disclosures with reasonable grounds and in compliance with the law. ASIC's report is intended to inform the market on how to prevent greenwashing. For more information, please click [here](#).

On 11 May 2023, ASIC warned credit providers and debt management firms to expect action against predatory lending, high-cost credit, and misconduct that affects vulnerable consumers. ASIC has initiated and concluded court proceedings and has secured more than \$30 million in civil penalties against credit providers. ASIC Deputy Chair Sarah Court said it will focus on fringe entities, unlicensed credit providers, and debt management firms seeking to exploit financially vulnerable consumers. In Q1 2023, ASIC ordered ClearLoans to pay \$6m for acting unfairly with debtors in financial hardship and issued a stop order against Green County's credit products. For more information, please click [here](#).

On 12 May 2023, Former managing director of Australian Mines, Benjamin Bell, was fined \$70,000 and disqualified from managing corporations for two years after admitting to breaching his obligations as a director. In presentations made at investment conferences in Hong Kong and London, Bell falsely claimed that the company had secured funding to construct a plant, as well as misleadingly stating that the value of the offtake agreement with SK Innovation was AU\$5bn despite a discount of 15%. This led to a breach of Australian Mines' continuous disclosure obligations. ASIC, Australia's regulatory body, emphasised the fundamental importance of transparency and regulatory adherence in financial markets. For more information, please click [here](#).

On 17 May 2023, ASIC begun civil penalty proceedings against car finance provider, Money3 Loans Pty Ltd (Money3). Money3 breached responsible lending obligations when providing finance for the purchase of second-hand cars. ASIC alleges that Money3 entered into unsuitable loans with certain consumers and failed to assess those loans as unsuitable, leading to consumers experiencing financial hardship. For more information, please click [here](#).

On 19 May 2023, MLC Limited (MLC) was ordered to pay a \$10m penalty by the Federal Court for failing to pay promised benefits to some customers due to inadequate systems. ASIC also declared that MLC had violated the ASIC Act, Corporations Act, and Insurance Contracts Act. In addition to the penalty, MLC has paid around \$11.8m in remediation to approximately 1,000 customers affected by its inaction, and an adverse publicity notice must also be published on its website. For more information, please click [here](#).

On 22 May 2023, Former Gleneagle Securities fund manager and authorised representative Gregory Tolpigin was banned from providing financial services for three years by ASIC for naked short selling of shares. Tolpigin sold shares through accounts held with Gleneagle Securities and associated entities without owning or borrowing them. He risked settlement failure and distorted the ASX gross short sales report, published daily, which contributes to the integrity of Australia's financial markets. ASIC is reviewing market participants' compliance with short-selling regulations and will continue to identify any breaches and take necessary enforcement action. For more information, please click [here](#).

On 26 May 2023, Former Copper Strike Limited director, Harry Hatch, charged with multiple offences relating to his time as a director of the listed Australian company appeared in the Melbourne Magistrates Court. Hatch has been accused of failing to disclose his interests in shares of Copper Strike as required under the Corporation Act. The case is expected to be heard on August 18, 2023, at the Melbourne Magistrates Court. For more information, please click [here](#).



Mainland China

On May 19 2023, the People's Bank of China ("PBOC") and the State Administration of Foreign Exchange ("SAFE") released policies aimed at improving the management of cross-border funds by multinational corporations. These policies will be implemented as a pilot program in Beijing, Guangdong, and Shenzhen. The main highlights of the policies include the optimisation and integration of existing requirements, increased flexibility for cross-border funds operations, the support for cross-border funds operations in Chinese Yuan and simplified filing procedures



and fund usage review. By implementing these policies, China aims to create a more conducive environment for multinational corporations to manage their cross-border funds, stimulate economic growth, and further integrate with the global economy. The pilot program in Beijing, Guangdong, and Shenzhen will serve as a testing ground for these optimised policies before potential nationwide implementation in the future. For more information, please click [here](#). (Chinese only)

Enforcement

On May 4 2023, the Asset Management Association of China (“AMAC”) imposed penalties on Fujian Mofang Investment Management Co., Ltd. and cancelled their membership, revoking the administrator registration, and imposed warning sanctions on relevant managers. The violations included failure to disclose information in accordance with the fund contract, no qualified fund managers, false submission of registration information, and loss of control of operation and management. For more information, please click [here](#). (Chinese only)

On May 11 2023, AMAC issued a warning sanction against Shenzhen Bisimai Capital Management Co., Ltd due to failure to fulfil the suitability obligations, failure to properly keep investment decision-making documents, and non-compliance with employee requirement. For more information, please click [here](#). (Chinese only)

On May 11 2023, AMAC imposed penalties on Shanghai Hualing Yunhong Equity Investment Fund Management Co., Ltd. and cancelled their membership, revoking its administrator registration. The violations included: failure to report major matters to the regulator in a timely manner, and failure to have the ability to continue operations. For more information, please click [here](#). (Chinese only)

On May 11 2023, AMAC imposed penalties on Global Moment (Beijing) Investment Co., Ltd. and cancelled its membership, revoking their administrator registration. The violations included: not having a physical working office, inability to obtain timely and effective contact with the legal representative, failure to submit an extension application for some of its fund products under management, and failure to cooperate with regulatory inspections. For more information, please click [here](#). (Chinese only)

On May 12 2023, AMAC imposed penalties on Feng Sheng Wealth Asset Management Limited and cancelled their membership, suspending the acceptance of its private equity fund product filing. The violations included: illegal transfer of funds, direct transfer of fund shares to the personal accounts of relevant investors, failure to fulfil reporting obligations in a timely manner, and failure to fully cooperate with regulatory inspections. For more information, please click [here](#). (Chinese only)

On May 12 2023, AMAC issued a warning sanction to Shanghai Bairui Asset Management Co., Ltd. and suspended the penalty of accepting its private equity product filings for six months. The violations included: illegal facts that promised to investors to protect principal and income in disguise. For more information, please click [here](#). (Chinese only)

On May 12 2023, AMAC publicly condemned Rongrui Investment Fund Management (Beijing) Co., Ltd. and suspended the penalty of accepting its private fund product filing for six months. The irregularities include: the violation of providing the regulator with a legal opinion registered by the administrator that was inconsistent with the facts. For more information, please click [here](#). (Chinese only)

On May 12 2023, AMAC issued a penalty decision against Guangdong Lingxin Private Equity Fund Management Co., Ltd. to cancel its membership and suspend the acceptance of private fund product filings for six months. The violations included: failure to take risk control measures and stop loss as agreed in the contract to the investors. For more information, please click [here](#). (Chinese only)

On May 23 2023, AMAC made a penalty decision against Beijing Guoyi Securities Investment Fund Management Co., Ltd. to cancel its membership and repeal its administrator registration. The violations included: the manager's operations not being within control, information disclosure obligation were not performed as agreed in the contract, some private equity funds fail to perform the filing obligation, misappropriate fund assets, fail to properly keep fund information, and the administrator registration information is not updated in a timely manner. For more information, please click [here](#). (Chinese only)

On 23 May 2023, AMAC imposed a penalty decision on Shanghai Taogu Asset Management Co., Ltd. to cancel its administrator registration. The violations included: lending securities accounts, failing to disclose to investors significant matters affecting their rights and interests, and failing to fulfil their duty of care and diligence. For more information, please click [here](#). (Chinese only)



Hong Kong

On 1 May 2023, the Insurance Authority (IA) issued a press release welcoming the announcement of a new Unilateral Recognition policy for cross-boundary motor insurance between Hong Kong and Guangdong. The scheme will allow Hong Kong private car owners or operators entering Guangdong to purchase a single policy which will provide coverage in both jurisdictions. This will enable cross-border travel to occur without having to purchase separate insurance policies for the two regions. 16 Hong Kong based insurers have been approved to offer such insurance under the new policy. For more information, please click [here](#).

On 15 May 2023, the Securities and Futures Commission (“SFC”) announced that the Swap Connect program was launched. Swap Connect is a mutual access program between Mainland China and Hong Kong which will allow international investors to participate in the Mainland China interbank interest rate swap market through Hong Kong. For more information, please click [here](#).

On 19 May 2023, the SFC launched a consultation on proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs. The proposals include the codification of the existing practices required of the Executive Director of the SFC’s Corporate Finance Division or any delegate of the Executive Director. Other proposals include plans to reduce the environmental impact of published documents relation to the Codes on Takeovers and Mergers and Share Buy-backs. The deadline for comments for the consultation is 23 June 2023. For more information, please click [here](#).

On 23 May 2023, the SFC released the ‘[Consultation Conclusions on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators Licensed by the SFC](#)’. The conclusions are released ahead of the introduction of the Guidelines for Virtual Asset Trading Platform Operators which came into effect 1 June 2023. The conclusions summarise the results of the extensive public engagement in relation to the proposed guidelines and provide the SFC’s interpretations and responses. The new regulations which come into effect will outline requirements such as the safe custody of assets, segregation of client assets, conflicts of interest avoidance amongst others. For more information, please click [here](#).

On 24 May 2023, the SFC released a circular detailing amendments to Anti-Money Laundering and Counter-Financing of Terrorism Guidelines. The amendments came into effect 1 June 2023. Examples of some of the amendments made include the revised definition of a politically exposed person (PEP), revised definition of a beneficial owner which is a trust amongst others. For more information, please click [here](#).

On 25 May 2023, the SFC released a circular announcing that revised versions of the following documents had been published: 1) the financial return form which is required to be submitted by licensed corporations; 2) analysis of client assets for an associated entity which is required to be submitted by associated entities of an intermediary; and 3) audit questionnaire completed by auditors of licensed corporations for submission to the SFC. For more information, please click [here](#).

Coming into effect in June 2023, the Hong Kong Companies Registry (CR) announced the release of two new sets of guidelines relating to Anti-Money Laundering and Counter-Terrorist Financing for [Trust or Company Service Providers](#) and [Licensed Money Lenders](#). The new sets of guidelines will dictate the AML/CTF compliance requirements for the relevant company types and will come into effect in June 2023.

Enforcement

On 2 May 2023, the Court of First Instance issued an interim injunction order against Tsang Ching Yi and Barry Kwok Sze Lok which prevents them from dealing assets in relation to an investigation into the insider dealing in the shares of I.T Limited. Both individuals are accused of acting upon inside information in relation to the upcoming privatization of I.T Limited and profiting to the sum of HK\$ 4,123,248. For more information, please click [here](#).

On 3 May 2023, the SFC commenced proceedings against Wu Kam Shing, former executive deputy general manager of China CITIC Bank International Limited (CITIC Bank), for offences relating to insider dealing. Mr. Shing is accused of acting upon inside information about the privatization of Bloomage BioTechnology Corporation Limited (Bloomage) in order to generate profits of roughly HK\$ 3,000,000. For more information, please click [here](#).

On 16 May 2023, the IA banned a former insurance agent for three years due to the use of a false academic transcript in their application to be licensed under the former self-regulatory regime for insurance professionals. The individual used the false transcript in their application to be registered by the Insurance Agents Registration Board (IARB) to provide life and general insurance in 2015. For more information, please click [here](#).

On 18 May 2023, the SFC fined China On Securities Limited (China On) HK\$ 6,000,000 for failures relating to its role as a placing agent in a share placement in 2019. China On were found to have breached numerous sections



of the Code of Conduct and failed to properly safeguard the assets of the vendor in the placement process. For more information, please click [here](#).

On 24 May 2023, the SFC issued disqualification orders against two former directors of Luxey International (Holdings) Limited (Luxey) for offences relating to misconduct in a corporate acquisition. Joseph Lau Chi Yuen and Ching Man Wai were issued bans of eight and five years respectively for their actions which unfairly disadvantaged members of Luxey during the corporate acquisition in question. For more information, please click [here](#).

On 25 May 2023, Sze Chun Wai was fined HK\$ 8,000 for making false representations in relation to his licensing application to the SFC. Mr. Sze was found to have failed to disclose that he was prohibited by a regulator from being employed in a certain industry. For more information, please click [here](#).

On 29 May 2023, the IA banned a former insurance agent for 18 months for fraudulently fabricating a client's instructions and the forgery of the same client's signature. The individual in question attempted to remediate a mistake they had made in relation to the paying of premiums for two insurance policies by forging a letter on behalf of the client without their knowledge and using false information and a false signature. For more information, please click [here](#).

On 31 May 2023, the SFC in collaboration with the Commercial Crime Bureau of the Police conducted a search against a Hong Kong based individual who is accused of engaging in illegal short selling and fraudulent activities. The individual in question is suspected of using false statements to induce two brokerages to execute illegal short sell orders. For more information, please click [here](#).



On 3 May 2023, the Securities and Exchange Board of India ("SEBI") issued a circular regarding the introduction of Legal Entity Identifiers (LEI) for issuers who have listed and/or propose to list non-convertible securities, securitised debt instruments and security receipts. An LEI is a 20-digit number that identifies Legal Entities that undertake any financial transaction in any jurisdiction. As of 3 May 2023, the Reserve Bank of India ("RBI") mandates that non-individual borrowers who have an aggregate exposure of Rs. 25 crores, possess an LEI code. This code can be obtained from the Legal Entity Identifier India Ltd (LEIIL). Should any Legal Entity be in possession of any of the above securities by the 31 August 2023, then by 1 September 2023, they should have obtained an LEI. This circular is relevant as it shows that SEBI are committed to making sure that their practices are in-line with accepted global practices. For more information, please click [here](#).

On 4 May 2023, SEBI issued a circular listing the additional requirements for the issuers of transition bonds. This is one of the sub-categories falling under the updated definition of 'green debt securities'. The updated disclosure requirements can be found in the circular. This circular is important as it shows that SEBI are committed to ensuring that the funds raised as part of the issuing process of the bond are not misappropriated. For more information, please click [here](#).

On 5 May 2023, SEBI issued a circular relating to the Testing framework for the Information Technology (IT) systems of the Market Infrastructure (MIs). MIs (Stock Exchanges, Clearing Corporations and Depositories) are considered key institutions in the operation of the Indian Securities Market. As such it is imperative that their IT systems are rigorously tested to ensure their continued operation. As such in relation to the recommendations of the Technology Advisory Committee (TAC), MIs are instructed to follow the thirteen requirements listed in the circular. The testing frameworks should be submitted to the Standing Committee on Technology (SCOT) within 30 days of this circular's issuance. This circular shows SEBI's commitment to the protection of MIs in the Indian Securities Market and by extension anyone who operates within them. For more information, please click [here](#).

On 9 May 2023, SEBI issued a circular on registering with the FINNET 2.0 system of Financial Intelligence Unit – India (FIU – India). This circular is to inform all SEBI licensed debenture trustees to register/re-register themselves to the FINNET 2.0 system. This is important as it shows SEBI's commitment to improving their money-laundering supervision in light of the recent FATF mutual evaluation. For more information, please click [here](#).

On 10 May 2023, SEBI issued a circular on Direct Market Access (DMA) to SEBI registered Foreign Portfolio Investors (FPIs) for participating in Exchange Traded Commodity Derivatives (ETCDs). The DMA allows clients of a broker to access the exchange trading system via the brokers existing infrastructure, without requiring manual intervention from the broker. This in turn provides superior accuracy and execution times in comparison to manual order entry. This circular informs market participants that the DMA provision now applies to FPIs for ETCDs. For more information, please click [here](#).

On 19 May 2023, SEBI issued a circular on Risk Disclosures with respect to trading by individual traders in Equity Futures and Options Segments. Given the increased participation that has been noticed in the Indian Securities Market, it has been decided to provide these participants with detailed information relating to the risks involved in



derivatives trading. This shall be displayed on their websites. In addition, all Qualified Stockbrokers shall maintain the Profit and Loss (P&L) data for their clients for 5 years. This is important as it shows SEBI's commitment to ensuring that investors are well informed of the risks relating to trading derivatives. For more information, please click [here](#).

On 19 May 2023, SEBI issued a master circular for Mutual Funds. This circular unifies all circulars relating to Mutual Funds into one location. This shows SEBI's commitment to making sure that all regulations relating to certain aspects of the industry are easy to find and follow. For more information, please click [here](#).

On 22 May 2023, SEBI issued a circular relating to the dematerialisation of securities of Hold Cos and SPVs held by Real Estate Investment Trusts (REITs). This circular mandates that units in a REIT shall only be issued in dematerialised form to any applicant. In addition, for Hold Cos and SPVs their Securities shall also be held in dematerialised form, any existing holdings must be dematerialised by 30 June 2023. This is important as it shows that SEBI wants to facilitate business transactions alongside improving the transparency of these transactions especially in relation to Hold Cos and SPVs. For more information, please click [here](#).

On 25 May 2023, SEBI issued a circular on the Model Tripartite Agreement between the Issuer Company, Existing Share Transfer Agent and New Share Transfer Agent as per Regulation 7(4) of SEBI (Listing Obligation and Disclosure Requirements Regulation, 2015). The circular lays out a model Tripartite Agreement that should be used along with listing the relevant regulations to which this agreement applies. This is important as it shows that SEBI are committed to ensuring all parties are protected equally. For more information, please click [here](#).

On 25 May 2023, SEBI issued a circular on the comprehensive guidelines for the Investor Protection Fund (IPF) and Investor Services Fund (ISF) at Stock Exchanges and Depositories. This circular provides a list of the modifications made to the current guidelines relating to the IPF and ISF. This has been done based on the feedback received from market participants. This is important as it shows that SEBI are committed to improving past legislature to modernise it and keep it relevant to global developments. For more information, please click [here](#).

Enforcement

On 6 May 2023, the Reserve Bank of India ("RBI") imposed a fine of ₹10.00 Lakh on the National Urban Co-operative Bank Limited, Pratapgarh for contravening sections of the Banking Regulation Act. This is a result of an investigation that revealed that the National Urban Co-operative Bank has agreed to a fresh loan/ advances despite being told to stop such activities by the RBI. For more information, please click [here](#).

On 8 May 2023, the RBI imposed a fine of ₹1,73,75,000 Rupees on The Hong Kong and Shanghai Banking Corporation for contravening the Credit Information Companies Rules. The inspection revealed that HSBC gave incorrect credit information in relation to a number of expired credit cards. For more information, please click [here](#).

On 22 May 2023, the RBI imposed a fine of ₹4.00 Lakh on Rain Bow Finance India Ltd. Chennai, Tamil Nadu for contravening directions given in a Master Direction. An investigation revealed it was in non-compliance with this Master Circular as Rain Bow Finance had not created a contingent provision against standard assets and had a high leverage ratio. For more information, please click [here](#).

On 22 May 2023, the RBI imposed a fine of ₹2.00 Lakh on M/s Srestha Finvest Limited, Chennai, Tamil Nadu for contravening the directions issued with regards to obtaining prior approval in the case of an acquisition of a Non-Banking Financial Company. An investigation revealed that Ms. Srestha Finvest had not obtained prior-approval from the RBI before changing over 30% of the director. For more information, please click [here](#).

On 26 May 2023, the RBI cancelled the Certificate of Registration for New Link Overseas Finance Limited. For more information, please click [here](#).

On 26 May 2023, the RBI imposed a fine of ₹84.50 Lakh on the Central Bank of India for contravening certain provisions in relation to fraud categorisation and reporting alongside a Master Circular on Customer Service in Banks. An inspection revealed that the Bank of India had failed to report certain accounts to the RBI for fraud within 7 days of a Joint Lenders Forum decision. In addition, it recovered SMS Alert Charges from its customers on a flat basis rather than on an actual usage basis. For more information, please click [here](#).



Japan

On 12 May, the Financial Services Authority (henceforth referred to as "FSA") compiled and published the draft changes to the Capital Adequacy Ratio Regulations. The changes aim to simplify and heighten transparency for comparable short-term securitisations, as well as introduce a 100% floor for securitisations backed by non-performing loans. For more information, please click [here \(Japanese only\)](#).



On 12 May, the FSA announced revision changes to the regulations relating to the terminology, style, and method of making financial statement reports. In particular, the revision seeks to clarify the criteria when submitting securities notifications when the Financial Services Commissioner recognises there is a lack of public benefit and investor protection, and the company is based outside of Japan. For more information, please click [here \(Japanese only\)](#).

Enforcement

On 12 May, the Kanto Local Finance Bureau (henceforth referred to as “KLFB”) issued a business improvement order to Supremes for failure to release the monthly reports required by the Tokai Finance Bureau detailing the return of client assets following Supremes' cessation of its crypto asset business in June 2018. Upon investigation, it was found that the last report was dated March 2020, placing the last released monthly report at over 2 years ago. Additionally, it was found that Supremes still holds ¥810,000 worth of crypto assets for 1,960 customers. The terms in the issued business improvement order states that the company must appropriately manage the remaining crypto assets it holds during the abolition process of its crypto business, and that it must submit a monthly report with details on the plan and timeline for the return of customer assets. For more information, please click [here \(Japanese only\)](#).

On 23 May 2023, the FSA released a surcharge payment order issued to an agent who was involved in the insider trading of Buysell Technologies Co., Ltd. The respondent was ordered to pay a surcharge of JPY 3.03M by 24 Jul 2023. For more information, please click [here](#).

On 23 May 2023, the FSA received a recommendation from the Securities and Exchange Surveillance Commission (“SESC”) for a surcharge payment order issued for market manipulation regarding one issue of JESCO Holdings Inc. The respondent was ordered to pay JPY 2.66M by 24 July 2023. Please click [here](#). (Japanese only)



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Korea

On 8 May 2023, the Financial Services Commission (“FSC”) in South Korea announced a set of measures aimed at facilitating corporate merger and acquisition (M&A) activities. The FSC plans to seek regulatory improvements on corporate M&As, strengthen support for corporate restructuring through M&As, support strategic M&A activities in line with industrial restructuring demand, and make domestic rules on corporate M&As more consistent with global standards. In regard to seeking regulatory improvements on corporate mergers and acquisitions (M&As), the burden of securing funds beforehand will be eased when making a public takeover bid. The process of converting CBs (convertible bonds) and BWs (bonds with warrants) will be streamlined as the electronic securities depository (Korea Securities Depository) will be allowed to get investor information directly from securities firms and process the conversion of CBs and BWs electronically. The investment banks are allowed to extend credit of up to 100 percent of their equity capital for the businesses for the purpose of refinancing their M&A-related debt as refinancing loans. For *strengthening support for corporate restructuring through M&As*, South Korean authorities will adjust the mandatory bid rule currently in place to ensure it places no constraints on carrying out corporate mergers and acquisitions (M&As) efficiently, and set up corporate restructuring innovation funds worth KRW1 trillion in 2023 to provide liquidity to corporate M&A activities. For *making domestic rules on corporate M&As more consistent with global standards*, the South Korea authorities will establish a more specific set of rules of conduct for the third party performing the review to ensure the appropriateness of the merger price in a merger between a listed company and



an unlisted company. In terms of providing support for strategic mergers and acquisitions (M&As) in future strategic sectors, the South Korea authorities will provide support for investment and loan programs as well as various consulting services to facilitate companies to acquire technological competitiveness via a takeover of a foreign tech company or business expansion overseas. Additionally, a special lending program and an investment fund will be created at the Industrial Bank of Korea to promote smaller-scale M&A activities by start-ups and small and medium-sized enterprises (SMEs). For more information, please click [here](#).

On 25 May 2023, The FSC in South Korea announced plans to pre-emptively respond to real estate private funds (PF) risks of securities firms. The FSC will strengthen its monitoring of the real estate PFs and securities firms and take pre-emptive measures to prevent potential risks. Firstly, the FSC encourages the authorities regarding the conversion of asset-backed securities, including PF-ABCPs, into longer-term maturity loans by lowering the application of risk weight on the net capital ratio for loans from 100% to 32%. This will allow securities firms to match the duration of real estate projects with the maturity of the loans. Second, the authorities will expedite write-offs of non-performing loans and extend liquidity support to stabilise PF-ABCPs backed by securities firms. Lastly, the authorities will reassess how risk weights are applied to securities firms' net capital ratio, particularly in regard to real estate PF, to minimize regulatory arbitrage between the two different types of financing. For more information, please click [here](#).

On 26 May 2023, The FSC held a meeting with the Financial Supervisory Service, the Korea Exchange, and the Korea Financial Investment Association for finalising plans to overhaul regulations on contracts for difference (CFD) trades. The FSC will work to reduce the risks associated with CFD trading, improve transparency in the industry, and strengthen investor protection measures, which have become increasingly popular in South Korea. To improve transparency in the industry, the FSC announced that the total and item-by-item CFD balances will be disclosed to the investors for reference purposes, which will also allow the market participants to check the inflow of leveraged investment funds. In regard to enhancing the investor protection measures, the FSC suggested the financial authorities put on hold the new CFD transactions for three months. The new CFD transactions will be resumed upon the finalisation of setting up of a required system and an internal control framework for the securities firms. For more information, please click [here](#).

Enforcement

A media search did not find any relevant enforcement for Korea during May.

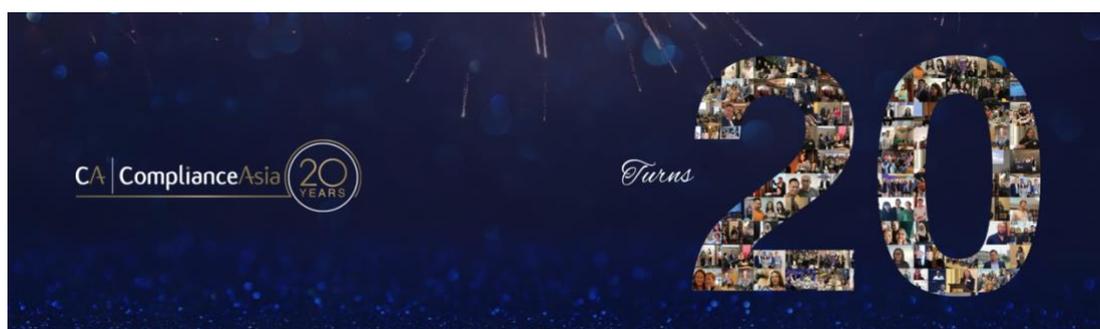


Malaysia

A media search did not find any relevant regulatory updates for Malaysia during May.

Enforcement

On 22 May 2023, the Securities Commission Malaysia ("SC") announced an action against Huobi Global Limited and its CEO, Leon Li, for operating a digital asset exchange (DAX) in Malaysia without proper registration. As a result, the SC has issued a public reprimand and ordered Huobi Global Limited to cease its operations in the country, including disabling its website and mobile application on various platforms. Huobi Global Limited has also been directed to stop circulating advertisements to Malaysian investors. The SC's decision is based on concerns regarding the platform's compliance with local regulations and the protection of investors' interests. The SC advises Malaysian investors to cease trading on Huobi Global Limited and withdraw their investments while urging them to only engage with registered Recognised Market Operators (RMOs) that comply with Malaysian securities laws to ensure investor protection. For more information, please click [here](#).





Singapore

On 2 May 2023, the United States Department of the Treasury (Treasury) and the Monetary Authority of Singapore (“MAS”) carried out a cross-border cybersecurity exercise to strengthen protocols for information exchange and incident response coordination in the face of cyber threats targeting banks operating in both jurisdictions. The exercise aimed to ensure a timely and effective responses to cyber incidents with cross-border impact, reflecting the growing need for coordinated international efforts to address cybersecurity challenges in the interconnected financial ecosystem. For more information, please click [here](#).

On 5 May 2023, the MAS announced the imposition of an additional capital requirement on DBS Bank Ltd (DBS Bank) in response to the widespread unavailability of its digital banking services on 29 March 2023 and a subsequent disruption on 5 May 2023. This additional requirement, combined with the one imposed in February 2022, amounts to approximately S\$1.6 billion in total additional regulatory capital. The multiplier for operational risk on DBS Bank's weighted assets has been increased 1.8 times from the previous 1.5 times imposed in 2022, and further adjustments may be made based on ongoing reviews. DBS Bank has been directed by MAS to conduct a comprehensive review of its IT resiliency, management oversight, staff competencies, operational processes, system resiliency, and architecture design for its digital banking services. Immediate steps to enhance system resiliency and recoverability, such as improved monitoring, comprehensive testing, and additional redundancies, are also required. Ms. Ho Hern Shin, Deputy Managing Director (Financial Supervision) at MAS, emphasised the seriousness of the matter and the need for DBS Bank to address the underlying issues leading to these disruptions. For more information, please click [here](#).

On 22 May 2023, the MAS launched the Financial Sector Artificial Intelligence and Data Analytics (AIDA) Talent Development Programme as part of the National AI Programme in Finance. The program aims to address the shortage of AIDA talent in the financial sector and enhance deep AI capabilities. The launch event was officiated by Mr. Tan Kiat How, Senior Minister of State, Ministry of Communications and Information. An AIDA Talent Consortium has been established, bringing together key financial institutions (FIs) and training institutions to collaborate on the talent development program. A survey conducted by MAS revealed that 44% of local FIs identified the shortage of AIDA talent as a major challenge in adopting AIDA. The AIDA Talent Development Programme will aggregate FIs' talent demands, collaborate with training providers and educational institutions, and develop tailored training programs and modules. The consortium will publish a whitepaper outlining the AIDA talent landscape, skills progression pathway, and case studies in the second half of 2023. By fostering AIDA adoption and equipping the local workforce with in-demand technical skills, MAS aims to support the growth and evolution of the financial sector. For more information, please click [here](#).

On 25 May 2023, the 10th Asian Monetary Policy Forum (AMPF) commenced in Singapore, bringing together policymakers and academics to discuss the challenges faced by monetary policy in the current macroeconomic and financial landscape. The forum, held over two days at Shangri-La, Singapore, featured distinguished speakers who addressed various topics, including the interactions between the housing market, household debt, and the business cycle in the Asian context. Notable figures such as Professor Amir Sufi from the University of Chicago Booth School of Business and Mr. Heng Swee Keat, Deputy Prime Minister and Coordinating Minister for Economic Policies, delivered keynote speeches during the event. The AMPF, a collaboration between ABFER, the University of Chicago Booth School of Business, NUS Business School, and MAS, aims to foster intellectual discourse and promote financial resilience and sustainable growth in the region. For more information, please click [here](#).

On 31 May 2023, the MAS and Google Cloud signed a Memorandum of Understanding (MoU) to collaborate on responsible generative artificial intelligence (AI) solutions. The partnership aims to advance the development and utilization of responsible generative AI applications within MAS while fostering the growth of technologists with deep AI expertise. The MoU outlines cooperation in three key areas: identifying potential use cases, conducting technical pilots, and co-creating solutions in responsible generative AI; collaborating on technology application development and test-bedding; and supporting the development of technical competencies and AI skillsets for MAS technologists. Both parties expressed their commitment to information security, data governance, and promoting responsible AI practices. This collaboration is expected to inspire wider adoption of responsible generative AI in the financial sector, contributing to Singapore's position as a leading financial hub. For more information, please click [here](#).

Enforcement

On 5 May 2023, following investigations by the Commercial Affairs Department (CAD), the MAS, and the Accounting and Corporate Regulatory Authority (ACRA), former Chief Executive Officer of Hyflux Ltd (Hyflux), Ms Lum Ooi Lin, has been charged with additional offences under the Companies Act (CA). These charges are related to her failure to exercise reasonable diligence as a director. The charges include the omission of disclosing restricted bank balances totaling US\$114 million in Hyflux's unaudited financial statements for various periods. Ms Lum also faces earlier charges for disclosure-related offences and failure to ensure compliance with accounting standards. Another



independent director, Mr Lee Joo Hai, has been charged for negligence in connection with Hyflux's failure to disclose information. If convicted, the accused persons face imprisonment and fines. The auditors of Hyflux, KPMG LLP, have also faced regulatory actions by the Public Accountants Oversight Committee (PAOC) regarding the relevant financial statements. Due to ongoing civil proceedings, further information cannot be disclosed at this time. For more information, please click [here](#).

On 23 May 2023, the MAS issued an 8-year prohibition order (PO) against Mr Yeo Siew Liang James, a former insurance agent of AIG Asia Pacific Insurance Pte Ltd (AIG) and Liberty Insurance Pte Ltd (Liberty), following his conviction for corruption offences. The PO, effective from 22 May 2023, prohibits Mr Yeo from engaging in insurance intermediary business or participating in its management under the Insurance Act 1966. Mr Yeo was found guilty of giving bribes amounting to \$71,211.00 and \$21,363.30 to an Indonesian Embassy official and another individual respectively, in exchange for favorable treatment towards AIG and Liberty. These actions were undertaken without the knowledge of the insurance companies. The conviction led to Mr Yeo receiving a 15-month prison sentence and a fine of \$21,363.30. For more information, please click [here](#).

On 30 May 2023, the MAS issued a 2-year prohibition order (POs) against Ms Madison Lin (formerly known as Ms Lin Pei Li), a former representative of Standard Chartered Bank (Singapore) Limited (SCB), following her conviction for forgery. The POs, effective from 30 May 2023, prohibit Ms Lin from engaging in regulated activities, and participating in the management or becoming a substantial shareholder of any capital markets services firm under the Securities and Futures Act 2001 (SFA). She is also prohibited from providing financial advisory services or being involved in the management or holding positions in licensed or exempt financial advisers under the Financial Advisers Act 2001 (FAA). Ms Lin was convicted for fraudulently altering an SCB Statement of Accounts of one client to misrepresent the account holder. Her conviction resulted in a fine of \$4,000 under section 465 of the Penal Code. MAS found her actions inconsistent with performing financial advisory services and carrying out regulated activities in an honest manner. For more information, please click [here](#).



Taiwan

On 9 May 2023, the Financial Supervisory Commission ("FSC") announced amendments to the Securities Investor and Futures Trader Protection Act with the intention of improving corporate governance standards and improving protections for investors. Proposed measures include the relaxation of expenditure restrictions placed upon the Investor Protection Centre, the public announcement of the results of enforcement proceedings to allow investors to access the information more clearly, amongst others. For more information, please click [here](#).

Enforcement

A media search did not find any relevant enforcement for Taiwan during May.

Suggestions

Please send any comments or suggestions or other information you would like included in the next issue to communications@complianceasia.com. In addition, if there are others in your organisation who you believe will benefit from this newsletter, please do let us know.



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