BIIA
Business Information Industry Association

Regulatory Monthly Newsletter

Welcome to the 61st monthly newsletter designed to keep BIIA members informed of the significant developments on the policy dossiers being worked on in geographical territories that members operate in.

BIIA would like to thank its fellow industry association, ACCIS, for allowing us to re-use certain information that they have published on regulatory developments within Europe.

SUMMARY

In last month's newsletter we reported on the **BIIA Middle East and Asia Pacific Regulatory Roundtable** that took place at the end of February and the significant interest by regulators who attended the event in the subject of **Alternative Data.**

As readers will be aware **'The use of new alternative data in credit risk management'** is one of the key topics that will be discussed by an expert panel at the upcoming **2022 BIIA Biennial Conference** to be held in **Singapore** from **May 23rd to 25th**. Following the feedback from regulators at the Roundtable we have decided to hold a special **Regulatory Roundtable on Alternative Data** on **May 23rd, 2022.**

The event is being planned as part of the **2022 BIIA Biennial Conference** (**www.biia.com/2022-biennial-conference**) and will take place both **in person** at the **Park Royal Collection Marina Bay Hotel and via virtual attendance** from **14.00 to 16.00 (Singapore time).** Organising the Roundtable at this time will allow us to involve the panellists who are discussing the subject at the conference in the Regulatory Roundtable so they can share their experiences on the subject and to answer questions regulators may have on how alternative data can be used effectively to support better credit risk management whilst at the same time ensuring there is transparency on the sources and use of the data and consumers and businesses rights are protected.

Information on the panelists is available on the Conference website in the agenda section under session 4 (**www.biia.com/2022-biennial-conference/2022-biennial-conference-agenda**). As with previous Roundtables attendance at the event will be by invitation only. If you are a Regulator in the region and

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would like more information on the Roundtable and how you can attend please contact either Peter Sheerin (sheerinp@biia.com) or Neil Munroe (munroen@biia.com).

In ths month's newsletter we report on a number of development in **credit reporting**, **business information, data privacy, financial services, cybersecurity and artificial intelligence.** As readers will see later on in this newsletter a number of the developments in the business information area have been spurred on by the war in Ukraine and the resulting implementation of sanctions against Russia.

Readesr will also see in the newsletter a continued focus by policy makers and regulators on Artifical Intelligence, something we predicted some months ago. AI will be one of the key topics that will be discussed at the 2022 BIIA Conference. To hear from experts on the subject of AI we strongly suggest you register to attend the conference which you can do **here**.

We are keen to ensure that we cover as many relevant regulatory developments as we can in this newsletter so if you have any items you feel would be worth incorporating please do get in contact with Neil Munroe, Deputy Managing Director and Editor of the Regulatory Newsletter by email @ munroen@biia.com.

Credit Reporting

USA - Credit bureaus to eliminate 70% of medical debt tradelines

On March 18, the three nationwide US consumer reporting agencies — Equifax, Experian, and TransUnion (NCRAs) — **announced** plans to change how medical debt will be reported on credit reports. The joint measures will result in the removal of nearly 70% of medical collection debt records from credit reports.
The announcement included the following three major changes, with implementation starting on July 1:

- Any paid medical collection debt will no longer appear on a co nsumer's credit report;
- The NCRAs will extend the period before an unpaid medical debt can be reported from the current period of six months to one year; and
- In the first half of 2023, the NCRAs will no longer include medical collection debt under $500 on credit reports.

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This change followed a 54-page **report** released by the Consumer Financial Protection Bureau (CFPB) in early March that detailed the effects of medical debt on consumers. The CFPB report focused on issues related to the U.S. health care system and how it is supported by a "billing, payments, collections, and credit reporting infrastructure where mistakes are common, and where patients often have difficulty getting these errors corrected or resolved."

The CFPB report also highlighted the differences between medical debt compared to other types of consumer debts. These differences include that people rarely plan to incur medical debt and that two-thirds of medical debt are the result "of a one-time or short-term medical expenses arising from an acute medical need." Unlike other types of consumer debt, consumers also lack the ability to "shop around" for medical services. Choice in medical services is limited by a number of factors, including insurance networks, emergency need, and a lack of transparency in pricing.

In a joint statement, the NCRAs recognized that "medical collections debt often arises from unforeseen medical circumstances" and that changes to the way medical debt is reported "are another step we're taking together to help people across the United States focus on their financial and personal wellbeing." **Click on the highlighted text to access the announcement and the CFPB report**

Business information

New Zealand - Proposed new information disclosure requirements for companies, limited partnerships - and their owners

On 22 March 2022, the New Zealand Government announced that it will be introducing the Corporate Governance (Transparency and Integrity) Reform Bill later in 2022, intending to reduce the number of global and domestic criminals who use New Zealand companies and limited partnerships to hide money laundering, tax evasion and the financing of terrorism. In conjunction with this announcement, the Ministry of Business, Innovation and Employment (MBIE) released a Cabinet paper entitled "better visibility of individuals who control companies and limited partnerships" (Paper), which outlined the recommended changes.

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The key proposed changes include:

- Requiring companies and limited partnerships to provide to the New Zealand Companies Office information about their beneficial owners
- Establishing a unique identifier for individuals who hold the positions of beneficial owners, directors, and general partners of these entities.

The proposed changes will apply to all registered companies and limited partnerships, other than listed issuers if they are already subject to equal or more stringent public disclosure requirements.

On beneficial owners the information collected is proposed to include their full legal name, the date and basis on which they are a beneficial owner, an address for service, their date and place of birth, a telephone number and an email address used by the person, their nationalities and countries of residence, and their residential address. The Paper proposes that the definition of "beneficial owner" should capture individuals who:

- Hold, directly or indirectly, a minimum percentage ownership interest in a company or limited partnership, to be prescribed by regulations
- Hold, directly or indirectly, a minimum percentage of the voting rights in a company or limited partnership, to be prescribed by regulations
- Have the right, directly or indirectly, to appoint or remove a majority of the board of directors of a company or general partners of a limited partnership
- Have the right to exercise, or actually exercise, significant influence or control over a company or limited partnership, and/or
- Have the right to exercise, or actually exercise, significant influence or control over the activities of a trust or other organisation which is not a legal entity, but would itself satisfy any of the above conditions if it were an individual.

The obligation of disclosing the beneficial owner's information will fall on the company or limited partnership itself. Shareholders and limited partners will have obligations to take reasonable steps to ascertain whether they are or have become a beneficial owner and to inform their company or limited partnership if they are. Additionally, individuals who are aware or should reasonably be aware, that they are or have become beneficial owners are obliged to provide the necessary information to the company or limited partnership.

It is proposed that law enforcement and certain appropriate agencies (including the Financial Markets Conduct Authority, the Serious Fraud Office, MBIE and the Overseas Investment Office) will have the right to request access to non-public information about a specified individual. Additionally, it is proposed that

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reporting entities under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 will have the right to request access to the residential address of a specific beneficial owner, director or general partner, and may access additional information about a specified individual where they have the prior written consent of that individual concerned.

On unique identifiers (CRI) the Paper proposes introducing this for individuals who are or become beneficial owners, directors or general partners of a company or limited partnership. The CRI will mean that an individual can be linked to all of the director, general partner, and beneficial owner positions they hold.

For address for service it is proposed that directors and shareholders of companies, and general partners of limited partnerships, will be able to request that their residential addresses be supressed from the relevant register if they provide an address for service as an alternative. This will bring these positions in line with beneficial owners, who can provide an address for service. However, it is recommended that creditors, insolvency practitioners, shareholders and other parties should have the right to request access to the residential address of a director or general partner where they have been unable to reach the person using their address for service about a matter related to that person's statutory role or duties.

It is proposed that there will be a transitional period of 6-18 months (with shorter periods applying where the entity is large or has offshore directors or beneficial owners) in which existing companies, limited partnerships and individuals associated with these entities (either as beneficial owners or as directors/general partners) can meet their new obligations. Proposed penalties for non-compliance can apply to both the entity and the individuals, and include, fines, criminal liability (in some cases), and the ability of the Registrar to remove the entity from the relevant register.

UK - Companies House transparency reforms to be introduced as part of second Economic Crime Bill

Individual directors and people with significant control (PSCs) of companies, as well as those who present information for filing at the UK Companies House, will have to verify their identities under UK government **plans** published on 28 February 2022.

The proposals were first consulted on in 2019 but have now been accelerated in response to the conflict in Ukraine. The final plans comprise a fundamental change to the purpose and role of Companies House since the creation of the role of registrar of companies in 1844. Companies House will move from being a passive administrator of

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company information to becoming an active gatekeeper and custodian of reliable company information.

The most significant change is that mandatory identity verificatio n for those incorporating and filing with Companies House will be introduced. All new and existing company directors, members of limited liability partnerships (LLPs), general partners of limited partnerships (LPs), PSCs and anyone else submitting filings will need an account at Companies House that has been verified via photographic ID. All entities registered at Companies House will have to have at least one fully verified natural person directly associated with them on the public register.

A director's appointment will only be registered at Companies House if they have a verified account. A director who does not so register at Companies House will commit an offence and may also be liable for a civil penalty. Similarly, a company that is directed by an unverified director will also commit an offence. The process for PSCs is slightly different in that they can be registered without verification but they will be flagged as "not verified". If the PSC does not verify after flagging, they will have committed a criminal offence and may be liable to civil penalty.

Under the proposals a corporate entity will only be able to act as a director of a company if it is an entity registered in the UK. In addition, all of the directors of the corporate director will themselves have to be natural persons and those natural persons will have had to have had their identity verified before the corporate director is appointed. The same restrictions will not apply to corporate members of LLPs or corporate general partners of LPs. Instead, corporate members and corporate general partners will have to provide details of a natural person in a management position who will need to be a verified person.

Alongside the existing role of registering company information and making it available for public inspection, the registrar will be given a new specific role to promote and maintain the integrity of the register.
This new role will be accompanied by new powers for Companies House to query and seek corroboration of information before it is entered on the register. Where a query is raised on the filing pre-registration, the filing will be rejected and a reason provided. Once the query is addressed, the filing may be resubmitted. Where a query is raised after a filing has already been registered, the entity will have 14 days to respond to the query. Where the query is not answered satisfactorily, a range of sanctions (not yet specified) may be

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imposed. The government is intending to produce guidance to help companies understand how and why the querying power may be used and to provide examples of appropriate evidence.

Companies House will also be able to remove more material from the register than is currently permitted. However, some material submitted to Companies House has legal consequence once filed – such as a reduction of capital by solvency statement – so the removal of such material will remain a matter for the courts.

Other confirmed changes in the propsal include:

- Collecting more information on shareholders for the register of members and providing a one-off list of shareholders to Companies House to be updated annually as part of the confirmation statement process.
- Collecting and displaying more information about companies that are claiming an exemption from the requirement to provide PSC information or who register a relevant legal entity as their PSC.
- Enhanced data sharing with other government and private sector bodies and requiring entities which are regulated for anti-money laundering purposes (such as banks, accountancy firms and law firms) to report anomalies in data to Companies House.
- Simplification of the accounts filing process for small and micro-companies and a requirement for iXBRL (Inline eXtensible Business Reporting Language) formats for accounts (as used for filings with HMRC). The government will also continue to explore options to enable a "file once" approach so that companies only have to file their financial information once a year with government, instead of filing different elements of information with each department that requires it, at various times, but unfortunately achievement of that goal looks to still be some way in the future.

Click on the highlighted text to access the UK government plans referred to in this article

Privacy

China - Banking regulator to intensify enforcement actions on personal information protection

China Banking and Insurance Regulatory Commission (CBIRC) plans to initiate an enforcement campaign on personal information protection within the year, in order to urge banks to implement the Personal Information Protection Law (PIPL) that took effect last November. Given the law's extra-territorial effect, foreign banks with or without presences in mainland China may be impact ed.

On 15 March, the World Consumer Rights Day, CBIRC held a press conference where Guo Wuping, head of its Financial Rights Protection Bureau, stated that BIRC

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will initiate an enforcement campaign within this year, to urge banks and insurance companies to implement the PIPL and use personal information in a compliant way.

The purposes and reasons of this move were also indicated under a risk alert published by CBIRC on 14 March, which pointed out that some financial institutions and Internet platforms' violations of the PIPL have posed significant risks to the rights and interests of financial consumers. Typical violations mentioned in the risk alert include excessive collection of personal information, implied or bundled consent, using personal information for purposes outside the scope consented by the consumers, and improper collection of personal information from external sources. The risk alert also indicated that CBIRC is likely to prioritise the enforcement actions on personal banking business, though it will likely also look at corporate banking business and internal management of banks.

EU/US - EU and US Reach Agreement in Principle on Privacy Shield 2.0

On March 25, 2022, the EU Commission and US announced that an agreement in principle on a new framework for transatlantic data flows had been reached (see the Commission's statement **here**, **here**, and **here**, and the US White House's statement **here**).

The Commission and the U.S. published draft factsheets outlining the agreement (see the Commission's factsheet **here** and the U.S. factsheet **here**). This agreement will form the basis for an adequacy decision in the EU and an executive order in the US, which both parties will draft as a next step.

The announcement follows lengthy negotiations that began shortly after the Court of Justice of the EU's ("CJEU") Schrems II judgment on July 16, 2020, which annulled the EU-US Privacy Shield. There, the CJEU held that the US did not provide an "essentially equivalent" level of data protection to that found in the EU, due in part to extensive powers grant ed to US law enforcement and intelligence agencies to access data and an absence of effective legal remedies for EU residents.

According to the published factsheets, the US has made "unprecedented commitments" that build on the safeguards that were in place under the annulled Privacy Shield framework with the aim of addressing issues identified in the Schrems II decision. The new framework will:

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- strengthen the privacy and civil liberties safeguards governing U.S. signals intelligence activities through binding safeguards limiting U.S. intelligence authorities' access to data to what is necessary and proportionate to protect U.S. national security;
- establish a new, multi-layered redress mechanism with independent and binding authority composed of individuals chosen from outside the U.S. Government who will have full authority to investigate and adjudicate claims, as well as impose remedial measures, as needed; and
- enhance the U.S.' existing rigorous and layered oversight of signals intelligence activities.

Just as with the annulled Privacy Shield, U.S. companies will need to self-certify their adherence to the Privacy Shield 2.0 once it is released.

This framework will offer organisations another option when transferring personal data from the EU, alongside EU contractual clauses and other means.. However, any new framework is certain to be pressure-tested before the EU courts, and at least one privacy advocacy group has, issued a statement challenging the legality of the agreement (see NOYB statement here). **Click on the highlighted text to access the various documents mentioned.**

Singapore - Data breach penalty increased to 10% of turnover, from 1st October

Non-compliance with Singapore's Personal Data Protection Act will now attract a higher penalty of up to 10 per cent of local annual turnover for organisations whose turnover exceeds S$10 million. This change, which was passed in November 2020, will take effect on 1st October this year."Organisations must cont inue to take ownership and be held accountable, especially those that hold sizeable volumes of data," Singapore's Minister of Communications and Information said.

Among the number of changes to Singapore's data protection law that took effect in February last year, it is now mandatory to report to the commission within 3 calendar days from discovering a notifiable breach. A notifiable breach is one that affects more than 500 individuals or poses a significant impact of harm to any 1 individual.

Data

Australia - Government to introduce new disinformation and misinformation laws

On 21 March 2022, the Australian Government announced its plan to introduce new legislation to combat harmful disinformation and misinformation online and released a report prepared by ACMA in June 2021 regarding existing disinformation and misinformation regulation.

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In the second half of 2022, the Australian Federal Parliament is expected to introduce legislation to expand the Australian Communications and Media Authority (**ACMA**)'s powers so as to hold big tech companies accountable for harmful content on their platforms.

This announcement follows:

- the introduction of the voluntary and industry-led Australian Code of Practice on Disinformation and Misinformation (Code), in February 2021, which has since been adopted by eight digital platforms, including Google, Facebook, Microsoft, Twitter, TikTok, Redbubble, Apple and Adobe;
- the presentation of ACMA's report on the on the adequacy of di gital platforms' disinformation and news quality measures (including on the Code) to the Government in June 2021 (released to the public on Monday); and
- the consideration by the Government of the additional measures put in place by industry to combat harmful misinformation and disinformation in relation to COVID-19 and the recent Russian invasion of Ukraine.

Although the Australian government acknowledged the "positive steps taken by industry", it has stated that "more protections must be provided to Australians online." Consultation is expected to occur regarding such protections in the coming weeks, however at this stage they are likely to comprise:

- empowering ACMA with new information-gathering powers (including powers to make record keeping rules) to incentivise greater platform transparency and improve access to Australia-specific data on the effectiveness of measures to address disinformation and misinformation;
- empowering ACMA with reserve powers to register and enforce industry codes or make industry standards; and
- establishing a Misinformation and Disinformation Action Group (including participants from both the public and private sector) designed to collaborate and share information on emerging issues and best practice responses to disinformation and misinformation.

Financial Services

Singapore - New Financial Services and Markets Bill to Enhance Monetary Authority of Singapore's Powers

The Financial Services and Markets Bill 2022 (FSM Bill), the goal of which is to address risks and challenges that impact institutions across the financial sector in Singapore, was recently moved for first reading in the

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Parliament of Singapore on 14 February. The bill will grant the Monetary Authority of Singapore additional regulatory powers to address misconduct, cryptoassets, and technology risks and to deal with various financial institutions, including banks, insurers, financial advisers, virtual asset service providers, trustees for collective investment schemes, trustee-managers of business trusts, licensed trust companies, and operators of payment services.

The FSM Bill contains new provisions relating to the following areas:

- A harmonized and expanded power to issue prohibition orders
- Regulating virtual asset service providers (VASPs) created in Singapore for anti-money laundering and countering of financing of terrorism (AML/CFT) purposes
- A harmonized power to impose requirements on technology risk management
- Providing mediators, adjudicators, and employees of an operator of an approved dispute resolution scheme with statutory protection from liability

Provisions that impose requirements on different classes of financial institutions (FIs) across the financial sector in specific areas are also shifted from the Monetary Authority of Singapore Act 1970 to the FSM Bill.

Artificial Intelligence

EU - Artificial Intelligence Act

The European Parliament's timeline on the AI Act has been slightly modified. According to the new dates, the co-rapporteurs for IMCO, Brando Benifei, and for LIBE, Dragos Tudorache, will publish their joint draft report on 11 April. The consideration of amendments is pencilled in for a month later, on 11 May, and the deadline for am endments to the draft report for 18 May.

First draft reports from Committees for Opinion are due to be published shortly, with leaked versions of the draft report of the Committee on Industry, Research and Energy (ITRE), and the Committee of Legal Affairs (JURI), starting to circulate in Brussels.

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In the Council, the Presidency has not yet scheduled the next meeting of the Working Party on Telecommunications and Information Society.

Editors note

The topic of the EU Artifical Intelligence Act was the main subject of discussion at the last BIIA Regulatory Affairs Forum where our guest speaker, Enrique Velázquez, Director General of ACCIS, provided a comprehensive update on the development of AI regulation in the European Union. Should readers be interested in hearing a recording of the Forum and seeing a copy of the presentation made by Enrique please contact Neil Munroe at munroen@biia.com

Singapore and US - Singapore and U.S. announce partnership on AI and cybersecurity

On 30 March 2022, the US Department of Commerce, Singapore's Ministry of Trade and Industry, and Singapore's Ministry of Communications and Information announced three new areas of cooperation, including the alignment of Artificial Intelligence (AI) frameworks and toolkits, and collaboration on cybersecurity in Southeast Asia.

This is on the back of the Memorandum of Understanding, the Partnership for Growth and Innovation (PGI), which was signed by Singapore's Minister for Trade and Industry Gan Kim Yong and U.S. Secretary of Commerce Gina Raimondo in October 2021. The PGI is aimed at achieving inclusive growth for the economies of the U.S. and Singapore, and their respective regions, by strengthening collaborations in new and forward-looking areas.

Under the PGI, both sides will be advancing cooperation in: (a) digital economy and smart cities; (b) energy and environmental technologies; (c) advanced manufacturing and supply chain resilience; and (d) healthcare. Amongst other things, planning is underway to boost the regional development of digital trade standards; expand participation in the Asia-Pacific Economic Cooperation (APEC) Cross Border Privacy Rules (CBPR) System to facilitate global interoperability between different data privacy regimes; and support the growing need for U.S. and Singapore companies to operationalize trustworthy and responsible uses of AI applications.

Both countries also plan to collaborate on cybersecurity best practices, including on regional capacity building programmes on smart cities through the ASEAN-Singapore Cybersecurity Centre of Excellence.

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UK - Bank of England and UK FCA Highlight Key Challenges and Risks of use of AI in Financial Services

The Bank of England (Bank) and the UK Financial Conduct Authority (FCA) published their final report of discussions from the UK Artificial Intelligence Public-Private Forum on February 17. Over quarterly meetings and seve ral workshops conducted since October 2020, the Bank and the FCA jointly facilitated dialogue between the public sector, the private sector, and academia in order to deepen their collective understanding of artificial intelligence (AI) and explore how to support the safe adoption of AI. This initiative was incorporated into the UK National AI Strategy.

The report does not detail any new regulatory guidance; instead, it explores the various barriers to adoption, challenges, and risks of the use of AI in financial services and indicates certain themes in the Bank's and FCA's thinking. The following are some of the key takeaways from the report:

- **AI begins with data**: The importance of the availability and quality of data used by AI systems is a key theme in the report. Notably, unstructured data sourced from third-party providers is called out as presenting additional challenges of quality, provenance, and— potentially—legality. The changing role of data in the AI lifecycle raises questions on adapting governance structures (see below) and AI-specific data standards within an organization.
- **Model risk**: The report notes that most of the risks related to the use of AI models in financial services are not new and can arise in the use of non-AI models. The scale at which AI is beginning to be used, the speed at which AI systems operate, and the complexity of the underlying models is new. Complexity is the main challenge for managing risks arising from AI models; in particular, the complexity of inputs (such as many input layers and dimensions), relationships between variables, the intricacies of the models themselves (e.g., deep learning models), and the types of outputs. Identifying and managing change in AI models, as well as monitoring and reporting their performance, are also key parts of ensuring that models behave as expected.
- **Explainability**: Being able to explain model outputs is described in the report as "vital". The Bank and FCA suggest that approaches to managing explainability should not just focus on the features and parameters of models, but also on consumer engagement and clear communications. This issue brings together both model risk and governance considerations.
- **Governance**: Existing governance frameworks and structures provide a good starting point for AI models and systems, though the report notes that they should reflect the risk and materiality of each use-case and cover the full range of functions and business units. A centralized body within firms should set the AI

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governance standards, with business areas being accountable for the outputs, compliance, and execution against the governance standards.

To support further discussion with a wider set of stakeholders, the Bank and the FCA will publish a Discussion Paper on AI later in 2022. **Click on the highlighted text to access the report**

Cybersecurity

Singapore - Singapore reviews cybersecurity laws to enhance resilience of Singapore's cyberspace

Singapore's Cybersecurity Agency will be conducting a review of the Cybersecurity Act to better reflect the fast-changing digital economy. There will be a public consultation in early 2023 to solicit views from the wider community.

In addition, the Cybersecurity Co de of Practice, applicable to 11 critical information infrastructure (CII) sectors, will also be updated to better deal with new and emerging threats such as ransomware and domain-specific risks such as 5G. Such CII sectors are: Aviation, Banking & Finance, Energy, Government, Healthcare, Infocommunications, Land Transport, Maritime, Media, Security & Emergency Services and Water.

Examples of the enhancements include:

a. Adopting a threat-based approach to identify threat actors' common tactics and techniques used in a cyber-attack lifecycle;
b. Allowing the flexibility to add domain-specific practices, e.g. use of 5G technologies, on an ad-hoc basis to the relevant CII sectors and/or specific CII Owners to implement.

CII owners' feedback will be taken into consideration and the enhanced code issued in the second quarter of 2022.

More information on the latest regulatory developments from across the globe is available on the BIIA website in the Regulatory section

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