

Regulatory and legislative environment

The financial services sector, in which AMP operates, is highly regulated and subject to regulatory scrutiny and legislative change, as well as continued media and political focus. AMP supports strong and stable financial systems that are critical to the success of local and global economies, and our ability to meet the needs of our customers. As a participant in these markets, AMP regularly engages with the regulators and legislators who oversee the system to ensure the interests of our stakeholders are represented.

In Australia, AMP's regulators include Australian Prudential Regulation Authority (APRA), Australian Securities and Investment Commission (ASIC) and Australian Transaction Reports and Analysis Centre (AUSTRAC). In New Zealand, AMP Wealth Management's regulator is the Financial Markets Authority (FMA). Through our international business, AMP Capital, our investment activities are also subject to oversight by international regulators including, for example, regulators in the European Union and United States.

AMP also engages with industry bodies more broadly, including as an active participant in multiple industry associations such as the Association of Superannuation Funds of Australia (ASFA), the Australian Banking Association (ABA), the Financial Services Council (FSC), the Alternative Investment Management Association (AIMA), the Australian Financial Markets Association (AFMA) and the International Swaps and Derivatives Association (ISDA).



2021 at a glance

AMP contributed cooperatively and constructively to the regulatory, policy and legislative landscape by:



ENGAGING

with the Australian Government's legislative changes, including Your Future, Your Super reforms and the Retirement Income Review



IMPLEMENTING

legislative and regulatory changes from the Financial Services Royal Commission



WORKING

with supervisory teams from financial services regulators



ADDRESSING

historical matters and regulatory action, including by completing or undertaking appropriate remediation where required

ALIGNED SDG



Regulatory and legislative change approach

We monitor regulatory and legislative changes and engage in important discussions on the potential outcomes for banking, superannuation, retirement incomes, life insurance, financial advice and asset management.

In 2021, we contributed to many of these important policy and regulatory developments, including:

- **Financial Services Royal Commission:** AMP contributed to consultations on Royal Commission-related recommendations, legislation, and regulation on items such as the Compensation Scheme of Last Resort, APRA Prudential Standard CPS 511 Remuneration, Strengthening Breach Reporting, and the 2022 Quality of Advice Review.
- **Retirement Income Review:** Continuing AMP's contribution to the Government's Retirement Income Review, we participated in consultation on the Retirement Income Covenant.
- **Product Design and Distribution:** AMP engaged with industry bodies on compliance with the Product Design and Distribution Obligations legislation.
- **Budget measures:** AMP assessed the impact of the Government's 2021 Federal Budget measures, including the removal of the minimum income threshold

for the superannuation guarantee, changes to the home downsizer scheme, and changes to the voluntary contributions work test. AMP also provided customers and advisers with resources via online webinars.

- **Your Future, Your Super:** AMP continued to assess the impact of the Government's Your Future, Your Super reforms and advocated for enhancements with legislators.
- **Banking Code of Practice:** AMP collaborated with other industry participants through the ABA to respond to the recommendations of the 2021 Review of the Banking Code of Practice.
- **Authorised Deposit-taking Institutions (ADI) Capital Framework Revision:** AMP contributed to APRA consultations on reforms to the ADI capital framework.
- **FASEA Standards:** AMP worked with the FSC to contribute to consultation on the FASEA standards, particularly with regard to managing conflicts.
- **ASIC CP350 – Remediation:** AMP worked with industry bodies to refine the most recent draft of ASIC's updated regulatory guidance in relation to remediation for Australian Financial Services licensees.
- **ASIC CP332:** Promoting access to affordable advice for consumers: AMP made a submission to ASIC to contribute to the discussion on reforms to the regulatory framework for the provision of advice.

Royal Commission recommendations implementation

AMP continues to implement changes to address the 76 recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which is tracked by AMP through 102 measures. Of the 102 measures, 35 are not directly applicable to AMP as they relate to regulators or other industry changes.

As at the end of 2021, AMP has implemented 45 measures. 22 initiatives remain in progress, of which 6 are on track to be completed over 2022, with 16 items under 'watch', partly attributable to delays in the final passing of legislation in 2021 or output of a future regulatory review.

Royal Commission recommendations related measures

	2021	2020
Total measures applicable to AMP (67 out of 102) ¹	67	78
Complete	45	10
In progress	22	36
Legislation in consultation	0	32

¹ Total measures applicable to AMP in 2020 have been restated to 67 due to changes in classification of initiatives.

REGULATORY AND LEGISLATIVE ENVIRONMENT

International regulatory change

AMP operates in several jurisdictions globally, primarily through our asset management business AMP Capital. Each jurisdiction has different requirements, which continue to evolve. The AMP Capital Enterprise Risk Management team monitors and assesses global regulatory change for impacts on our business. The team includes a network of jurisdictional risk and compliance professionals located in our global offices who assist to understand the impacts of regulatory change and support implementation change activity where required.

AMP Capital is also an active member of several global industry bodies and committees which support us in understanding and meeting changing global regulatory obligations.

In 2021, key activities included:

- Executing on plans to transition away from the use of the London Inter-bank Offered Rate (LIBOR).
- Implementation of the investment firms prudential regime (IFPR) in the UK.
- Facing into foreign direct investment rules put in place in response to growing global national security concerns.
- Ensuring compliance with new individual accountability and conduct rules in Singapore.

Regulator engagement

In 2021, AMP updated its Regulator Engagement Policy and Procedures to drive better coordinated, higher quality and more timely engagement with our regulators, and to reflect the new Strengthening Breach Reporting regime.

AMP has a dedicated Regulatory Relations team, that manages regulatory relations across AMP by providing oversight, review and challenge on material regulatory interactions. The team also acts as a primary point of contact for regulators and provides data to assist AMP in meeting regulatory commitments.

AMP has worked constructively with the supervisory teams at ASIC, APRA and AUSTRAC, and attended over 230 regulatory meetings in 2021.

This approach has driven greater transparency, as well as improved the quality and timeliness of our regulatory commitments and interactions.

Regulator monitoring

	2021	2020	2019
Regulatory commitment ¹	900	1,090	1,346

¹ Includes activities requested by regulators or activities we have advised we will complete. This number does not include commitments relating to litigation matters nor the demerger.

Governance, Risk and Compliance (GRC) system

AMP has a central GRC system to raise and manage incidents, issues, breaches, risks, controls and compliance obligations. The system utilises technology and data analytics to provide reporting and insights into AMP's Compliance and Risk Management Frameworks.

This platform provides a clearer view of the events and potential problem areas which create risk for AMP, and the activities we undertake to control and manage those risks.

In 2021, AMP further invested in this system to enhance obligations modules, licence management for regulated roles in the organisation and support tracking of adviser status. Updates to the system were also implemented to meet the new ASIC breach reporting regime which came into effect in October 2021.

Political donations

AMP does not make direct donations to political parties in Australia. AMP does participate in various political party forums to maintain dialogue and contribute to better policy outcomes for our customers and stakeholders.

Addressing historical matters and regulatory actions

AMP has been addressing several historical matters raised at the Financial Services Royal Commission and elsewhere, and since 2018 has taken action to strengthen controls, accountability and processes, improve compliance and risk management, and remediate impacted customers.

While these matters are largely historical and AMP has either completed or is in the process of undertaking remediation, we continue to transform our business and governance to continually improve our standards.

In 2021, AMP acknowledged two civil penalty proceedings commenced by ASIC in the Federal Court concerning allegations of historical breaches. One was in relation to the charging of Plan Service Fees, a matter that AMP self-reported to ASIC, and remediated in 2019, and the other involved the deduction of insurance premiums and advice fees from the accounts of deceased customers, which was also self-reported to the regulator, and remediated in 2019.

AMP's Superannuation Trustees (AMP Superannuation Limited and N.M. Superannuation Proprietary Limited) entered an enforceable undertaking (EU) with APRA for historical matters in the Superannuation business. APRA has acknowledged that AMP has addressed and completed remediation for several matters. One further matter is currently in the process of being remediated and AMP is revisiting its remediation approach in relation to another matter. At the completion of this EU, AMP envisages that all outstanding matters referred to APRA by the Financial Services Royal Commission will be concluded.



Future outlook

2022 will be another year of significant regulatory and legislative change as AMP:

- Works constructively with the governments, regulators, advisers, trustees and other bodies to ensure that as the Government's significant legislative agenda is implemented, the outcomes are clear, simple and meet the best interests of customers.
- Ensures that a client and member centric approach is taken to improve outcomes.
- Invests further in the GRC system to enhance the current modules to address other focus areas, including licence management.
- Continues to implement and complete measures arising from the recommendations of the Royal Commission.