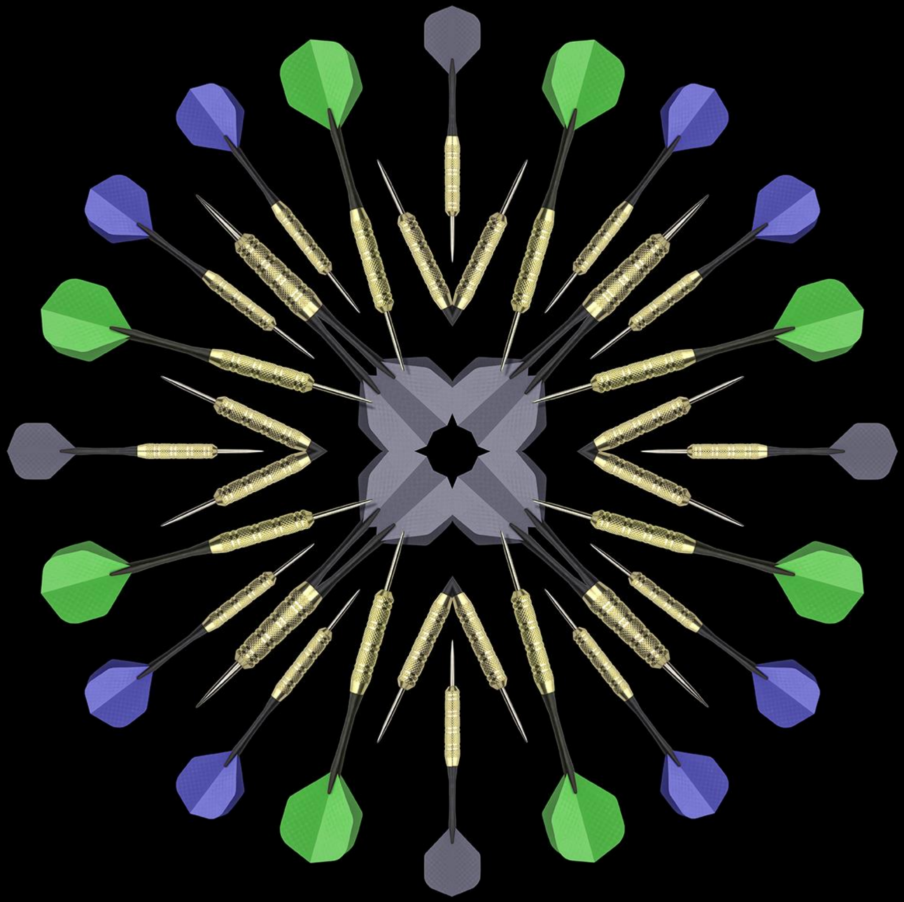


Asia Pacific Financial Services Regulatory Updates

Q1 2020

April 2020

CENTRE *for* REGULATORY STRATEGY ASIA PACIFIC

Introduction

Dear clients and colleagues,

The Deloitte Asia Pacific Centre for Regulatory Strategy is pleased to share with you the key regulatory updates from around our region from Q1 2020.

The most impactful event this past quarter has of course been the spread of COVID-19 and the fall-out from the now global pandemic. It is therefore very natural that there has been a significant break between business as usual regulatory activities pre-COVID and post-COVID. This is particularly relevant for our own region, given that the impacts from COVID-19 were felt first here before spilling over to the rest of the world. You are able to see this abrupt break in each of the jurisdictions – while there are still some business as usual updates, the majority of regulatory activity this quarter is tied to COVID-19.

In light of this, both regulators and financial institutions have been making tough decisions about how to prioritise limited time in a volatile market. In the coming months financial institutions will need to focus on:

- Capital and liquidity stresses
- Operational resilience
- Risk and controls
- Supporting society through the economic disruption

Many planned initiatives and deadlines both locally and globally have also been deferred. For example, the Bank of International Settlements has announced a delay which pushes back **Basel III** implementation deadlines to 2023. Other programmes are still very much on-track, but with an eye to how the situation will develop. An excellent example of this is the UK's Financial Conduct Authority has announcement that the end of 2021 remains the target for the discontinuation of **LIBOR**, though interim deadlines that may be impacted by the virus.

We can see these trends closer to home where the bulk of regulatory attention has been focused on ensuring financial stability. In this vein, many jurisdictions have made adjustments to **prudential standards** or **supervisory approaches**, while there are still some key areas of focus that remain on-trend like **data and technology**. For example, both **Singapore** and **Malaysia** released updates on **digital banks**, **Hong Kong SAR** looked at **algorithmic trading**, while **Indonesia** and **South Korea** released **financial technology strategies**.

While there are changes to regulatory priorities, the ability to respond at short notice to supervisory requests will be key – for example, being able to deploy tactical scenario testing at short notice and having a well-developed set of early warning indicators is imperative. As well, regulators and wider society will be watching and wondering whether financial institutions can show their value as a social utility.

In light of this, the Deloitte Asia Pacific Centre for Regulatory Strategy has been tracking COVID-19 developments on a bi-weekly basis. The latest issue and archive can be found here.

For queries or more information on these updates, to subscribe to our COVID-19 updates, or other regulatory topics, please get in touch.

Best Regards,

The ACRS Co-leads

2020 Q1 Asia Pacific Regulatory Updates

Updates are gathered from both before and after the spread of COVID-19; timelines may be subject to change as the situation progresses

Australia

1 APRA's Modernisation of the Capital Adequacy Framework

In December 2019, the Australian Prudential Regulatory Authority (APRA) released an updated prudential standards on operational risk capital requirements (APS 115) and credit risk management (APS 220) as part of its initiative to further modernise the capital adequacy framework in Australia. APS 115 saw revisions to operational risk regulatory capital measurement requirements. Further clarifications can be expected given APRA's intention to publish a new prudential standard that will cover qualitative operational risk matters more broadly. Changes to APS 220 include revised credit risk management requirements for Authorised Deposit-taking Institutions (ADIs) to align with global standards, revised credit standards and simplified asset classification for prudential reporting purposes.

APRA modernises prudential standard on banking credit risk management

APRA finalises updated prudential standard on operational risk requirements for ADIs

2 APRA Policy and Supervision Priorities for 2020

At the end of January 2020, APRA released its policy and supervision priorities for the year ahead. Key themes include a continued focus on Governance, Culture, Remuneration and Accountability (GCRA) through updates to CPS 511 Remuneration, consultations on CPS 510 Governance and CPS 220 Risk Management and the extension of the Banking Executive Accountability Regime (BEAR) to the insurance and superannuation industries; greater focus on resilience to operational and other non-financial risks through formal overarching expectations; and, consultations on a new prudential practice guide covering climate change financial risk.

APRA sets out policy and supervision priorities for 2020

3 ASIC Guidance on Responsible Lending Obligations

In December 2019, the Australian Securities and Investments Commission (ASIC) published updated guidance on the responsible lending obligations within the National Consumer Credit Protection Act to clarify ASIC's expectations of lenders and brokers. Key changes include a greater focus on ensuring a customer-centric approach by promoting the extension of appropriate levels of credit through effective due diligence and assessments using sufficient and reliable information; clearer guidance on the usage of benchmarks in estimating expenses - a key topic during the Royal Commission; and, information on how consumer spending reductions may be considered in assessing ability to pay.

19-342MR ASIC updates responsible lending guidance

4 ASIC Guidance on Design and Distribution Obligations

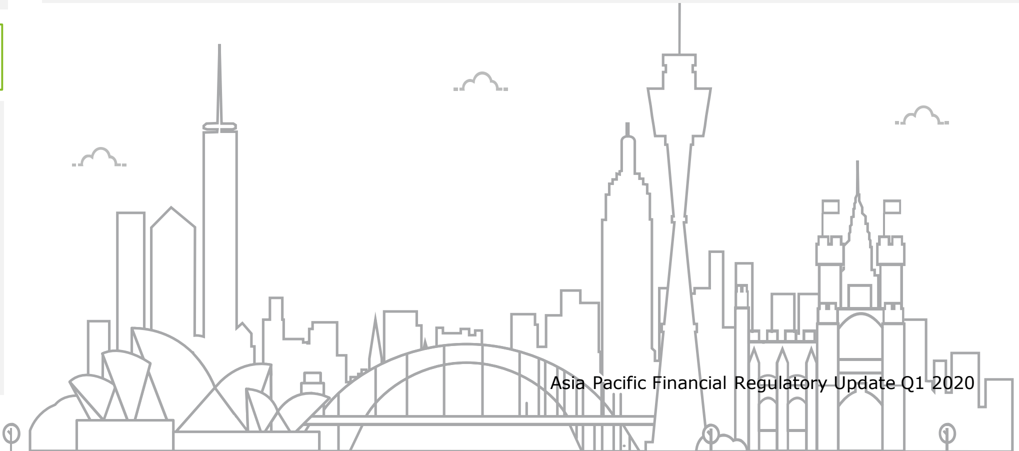
In December 2019, ASIC released for consultation its proposed approach to guidance for the upcoming design and distribution obligations effective in April 2021. These obligations aim to promote better outcomes for consumers and more effective management of financial and non-financial risk by ensuring products are fit-for-purpose at the design and distribution stages of the product lifecycle, and align Australia with comparable jurisdictions in Europe. The paper proposes guidance over the necessary components of an effective product governance framework, as well as clarification of the obligations placed on product issuers and product distributors including the target market determination and what constitutes 'reasonable steps'.

19-369MR ASIC consults on guidance for the new product design and distribution obligations

5 RBA Unveils Package to Support Australian Economy Including QE

In a statement by the Reserve Bank of Australia (RBA) Governor Phillip Lowe on 19 March 2020, it was unveiled that the RBA will now target yields for 3-year Australian Government bonds at the rate of 0.25%, the same as the cash rate. This comes after an emergency meeting held on 18 March 2020 to determine the RBA's response to the economic fallout resulting from COVID-19. The meeting also saw the RBA lower the cash rate 25bps to 0.25%, a new historic low, and offer a AU$ 90 billion term funding facility to Authorised Deposit-taking Institutions (ADIs) at a fixed interest rate of 25bps in order to reduce funding costs for ADIs and encourage ADIs to support businesses during the coming period.

Statement by Philip Lowe, Governor: Monetary Policy Decision



China mainland

1 Administration of Currency Identification and Counterfeit Currency Seizure and Authentication Measures

In January 2020, the People Bank of China (PBOC) introduced guidance that give banking institutions incorporated in the Republic of China (PRC) the mandate to seize any counterfeit currency identified during the conduct of its business These measures apply to financial institutions engaged in activities such as deposit-taking, withdrawals, and currency exchange, as well as to the currency authentication.

Currency Identification and Counterfeit Currency Seizure and Authentication

2 Measures for Registration of the Pledge of Accounts Receivable

These measures were promulgated in accordance with the Property Law of the PRC and other relevant laws and regulations with a view to regulate the registration of the pledge of accounts receivable, and to provide protection over the legitimate rights and interests of parties involved in pledges and of interested persons.

Registration of the Pledge of Accounts Receivable

3 Draft Interim Rules on Financial Leasing Companies

The interim rules on financial leasing companies (Draft for Comments) was promulgated by the China Banking and Insurance Regulatory Commission (CBIRC) to provide further guidance on the supervision and management of financial leasing companies. The drafted interim rules consist of six areas including general provisions, operating rules, regulatory indicators, supervision, legal responsibilities, and supplementary provisions. The rules are an important measure to improve the regulation of the financial leasing sector and further broaden the financing channels for micro, small and medium-sized enterprises.

Financial Leasing Companies

4 Implementation Rules of CBIRC on the Administrative Licensing of Non-bank Financial Institutions

The Implementation Rules of the CBIRC on the Administrative Licensing of Non-bank Financial Institutions focuses on further regulating and strengthening shareholding management of non-bank institutions to align with relevant policies, further streamlining administrative procedures and approval items, delegating authority, and optimising licensing conditions and procedures. It also enhanced existing relevant rules and regulations as well as tackled emerging issues in the regulatory sphere.

Administrative Licensing of Non-bank Financial Institutions

5 Rules on Handling Reports on Illegal Acts of Banking and Insurance Institutions

The CBIRC recently issued rules on handling reports on illegal acts of banking and insurance institutions that focused on the scope of application, basic principles, acceptance conditions, cases of non-acceptance, and reporting procedures

Reports on Illegal Acts of Banking and Insurance Institutions

6 Interim Rules on Equity Management of Trust Companies

The interim rules clearly define the responsibilities of equity management for trust company shareholders, trust companies, and supervisors at all stages from entry to exit. It consists of six areas including general provisions, shareholder responsibilities of trust companies, duties of trust companies, supervision and management, legal responsibilities, and supplementary provisions.

Equity Management of Trust Companies

7 Actuarial Provisions on Ordinary Life Insurance Products

The CBIRC issued actuarial provisions to provide better protection over the rights and interests of insurance consumers, to develop more risk protection products, and to improve the actuarial regulation of insurance products. These provisions supplement the current supervision policy system by focusing on enhancing three aspects of regulatory objectives including integrating and refining regulatory provisions as well as strengthened the weak links in the actuarial regulatory system.

Actuarial Provisions on Ordinary Life Insurance Products

Hong Kong SAR

1 Common Assessment Framework on Green and Sustainable Banking

Climate change is one of the major risks threatening the well-being of mankind. The Hong Kong Monetary Authority (HKMA) adopts a three-phase approach to promote green and sustainable banking. Phase 1 is the development of a common framework to assess the "Greenness Baseline" of individual banks. Phase 2 involves soliciting feedback from the industry and other relevant stakeholders. Phase 3 revolves over monitoring implementation progress. The HKMA has recently in December 2019 released the common assessment framework. The self-assessment should be approved and signed by the Chief Executive or the Alternate Chief Executive.

Common Assessment Framework on Green and Sustainable Banking

2 Sound risk management practices for algorithmic trading

In 2019, the HKMA conducted a series of thematic on-site examinations on selected AIs that performed algorithmic trading for executing trade orders and market making for foreign exchange-related transactions. The on-site review on selected AIs mainly focused on the AI's risk management activities over the use of algorithmic trading. On conclusion of the on-site review, the HKMA shared its expectations and sound practices adopted by the more advanced institutions to other AIs within the financial sector.

Circular on Sound risk management practices for algorithmic trading
Sound risk management practices for algorithmic trading

3 Revision to the Banking (Exposure Limits) Rules ("BELR")

Revisions and clarifications were made to the following Supervisory Policy Manuals and BELR to enhance measurement and monitoring of large exposure across the AI's books and operations:

- CR-G-8 "Large Exposures and Risk Concentrations"
- CR-G-9 "Exposures to Connected Parties"
- CR-L-1 "Consolidated Supervision of Concentration Risks: BELR Rule 6"
- CR-L-3 "Letters of Comfort: BELR Rule 57(1)(d)"
- CR-L-4 "Underwriting of Securities: BELR"
- BELR Rule 29(2) – Life Insurance Policy as Acceptable Security.

Supervisory Policy Manual (SPM): CR-G-8 "Large Exposures and Risk Concentrations", CR-G-9 "Exposures to Connected Parties", CR-L-1 "Consolidated Supervision of Concentration Risks: BELR Rule 6", CR-L-3 "Letters of Comfort: BELR Rule 57(1)(d)" and CR-L-4 "Underwriting of Securities: BELR"

4 Revision to the Supervisory Policy Manual (SPM)

The HKMA has revised the SPM CA-G-5, SB-2 and LM-1 in order to incorporate certain provisions to keep pace with the latest developments in the global economy.

Supervisory Policy Manual module LM-1 on Regulatory Framework for Supervision of Liquidity Risk, Return of Liquidity Position of an Authorized Institution, and Return of Stable Funding Position of an Authorized Institution
Supervisory Policy Manual (SPM): CA-G-5 "Supervisory Review Process"
Supervisory Policy Manual (SPM) SB-2: "Leveraged Foreign Exchange Trading" (Revised)

5 Countercyclical Capital Buffer (CCyB) Ratio for Hong Kong

In line with the Basel committee decision to defer the Basel III implementation, the HKMA announced the reduction of CCyB from 2.0% down to 1.0%. This move will allow more capital headroom for banks to provide financial support to particular sectors or individuals that are experiencing additional stress due to the COVID-19 situation.

Countercyclical Capital Buffer (CCyB) Ratio for Hong Kong

Key Market Events

In view of the global coronavirus (COVID-19) pandemic and the recent spike in COVID-19 cases in Hong Kong SAR, the HKMA and the Insurance Authority (HKIA) announced measures to ease the pressure on the city's monetary and banking systems.

The HKIA allows AIs to adopt temporary facilitative measures such as non-face-to-face method disclosures of product information of Qualifying Deferred Annuity Policy.

The HKMA welcomes measures from AIs such as providing principal moratorium for residential and commercial mortgages, reducing fees for credit card borrowing, and restructuring repayment schedules for corporate loans to help businesses. The HKMA also announced the deferment of the implementation of the final Basel III reform package by one year to 1 January 2023 to allow AIs to respond to the immediate financial stability priorities resulting from the impact of the coronavirus on the global banking system.

Deferral of Basel III implementation and HKMA's supervisory actions in response to Covid-19
Measures to relieve impact of the novel coronavirus
Circular Issued by the Insurance Authority ("IA") on Temporary Facilitative Measures to Tackle the Recent Outbreak of Novel Coronavirus

India

1 Special Measures under Companies Act, 2013 (CA-2013) and Limited Liability Partnership Act, 2008 in view of COVID-19 outbreak

In order to support and to enable both Companies and Limited Liability Partnership (LLPs) to focus their efforts in taking necessary measures to address the economic disruptions brought about by the novel coronavirus (COVID-19) pandemic, the Ministry of Corporate Affairs Government of India rolled out several measures to ease the regulatory burden for these businesses. These measures include:

- No additional fees shall be charged for late filing during a moratorium period from the 1 April - 30 September 2020
- Mandatory requirement to hold meetings of company Boards per the Companies Act, 2013 (CA-13) stands extended until 30 September
- The Companies (Auditor’s Report) Order, 2020 shall be made applicable from the financial year 2020-2021 instead of being applicable from the financial year 2019-2020
- If Independent Directors of a company have not been able to hold a meeting without the attendance of Non-independent directors and members of management, this shall not be viewed as a violation
- Initial requirement under section 73(2)(c) of CA-13 to create deposit repayment reserve of 20% of deposits maturing during financial year 2020-21 before 30 April 2020 is extended to 30 June 2020
- Requirement to comply with rule 18 of the Companies (Share Capital & Debentures) Rules, 2014 to invest or deposit at least 15% of amount of debentures maturing in specified methods of investments or deposits before 30th April 2020 is extended till 30th June 2020
- Newly incorporated companies are given an additional period of 180 more days on top of the initial 180 days under section 10A of the CA-13
- Non-compliance of minimum residency in India for a period of at least 182 days by at least one director of every company, under Section 149 of the CA-13 shall not be treated as a non-compliance for the financial year 2019-20.

[Special Measures under Companies Act, 2013 (CA-2013) and Limited Liability Partnership Act, 2008 in view of COVID-19 outbreak]

2 Steps taken by the Department of Financial Services with regards to Disruption on account of Coronavirus

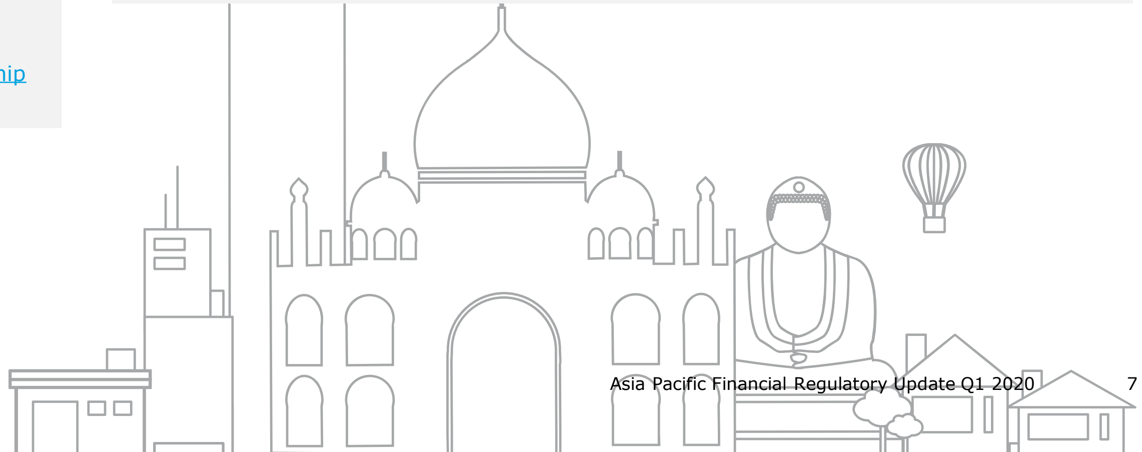
The Directorate General of Foreign Trade has issued the following trade notice after the Department of Financial Services issued the following instruction in view of easing the financial burden on businesses caused by the downturn of economic activities resulting from the COVID-19 crisis. The following measures includes:

- All public sector banks are advised to set up special cells to provide full financial assistance to industry segments and Micro Small & Medium Enterprises unit, provide adequate disclosure to their customers in relation to documents or procedural requirements for fund remittance to ensure no disruptions arising from procedural deficiencies, and proactively identify opportunities to ramp up production to ensure sufficient resources can be provided to affected businesses
- The insurance authority has been requested to review existing insurance products or policies to ensure that there sufficient mitigation measures have been against loss due to abnormal delay in delivery of shipment, and that the terms allow flexibility for modification where necessary.

[Steps taken by the Department of Financial Services with regards to Disruption on account of Coronavirus]

Key Market Events

Due to the current health emergency of international concern, global and local business operations have slowed down. In view of this, certain relaxations have been announced by the Government of India with respect to regulatory compliance that would enable companies to focus on continuity and contingency plans to address COVID-19 crisis and to minimise the negative economic impact on the business industry.



Introduction
Australia
China mainland
Hong Kong SAR
India
Indonesia
Japan
Malaysia
New Zealand
Singapore
South Korea
Taiwan
Contact

Indonesia

1 Securities Company Financial Reports

The financial accounting standards in the convergence program of financial accounting standard statements have been revised to the International Financial Reporting Standards (IFRS). This regulation covers several matter as following:

- The obligation of securities companies to arrange and present financial statements based on the provisions of laws and regulations in the capital market sector concerning Guidelines of Securities Companies Accounting, whether it is for the need to publish to the public or to Financial Services Authority
- The obligation of securities companies to implement the most recent standards of the Financial Accounting Standard issued by Financial Accounting Standards Board of Indonesian Institute of Accountants and Sharia Accounting Standards Board of Indonesian Institute of Accounts (DSAS IAI) as long as it is not stated otherwise by Financial Services Authority in the case if there is any changes in Standar Akuntansi Keuangan (SAK) and the most recent SAK issued by DSAK IAI.

OJK Regulation No. 1/POJK.04/2020 regarding Securities Company Financial Reports

2 Statutory Reserve in Rupiah and Foreign Currency for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units

In order to maintain macroeconomic and financial system stability and encourage the momentum of domestic economic growth in the midst of a slowing global economy, the fulfilment of the minimum statutory reserves in foreign exchange for conventional commercial banks have been adjusted. This regulation reduced the Statutory Reserves in foreign currencies from 8% to 4%, by fulfilling:

- The daily portion of the statutory reserve requirement reduced from 6% to 2%
- The average statutory reserve requirement remains 2%

Other provisions, including procedures for meeting the statutory reserve requirements and sanctions, have not changed. However, the calculation methodology to meet the fulfilment of the reserve requirement has been adjusted following the change in the amount of the reserve requirement above.

Statutory reserve in rupiah and foreign currency for conventional commercial banks, sharia commercial banks, and sharia business units

3 Application of anti-fraud strategy for commercial banks

This strategy sets out the Financial Service Authority (OJK) expectations of an anti-fraud strategy. The strategy provides regulatory guidance over fraud classification, fraud risk assessment and mitigation actions, and senior management governance over the implementation of the anti-fraud strategy. Banks will be required to submit those information to the OJK.

The application of anti-fraud strategy for commercial banks

4 Maximum limits of granting credit and provision of major funding for commercial banks

The OJK imposed a credit limit and notified of an amendment to the provision of major funding for commercial banks. The upcoming amendments will include arrangements regarding prime banks as well as central counterparties and reporting.
Maximum limits of granting credit and provision of major funding for commercial banks

Key Market Events

The OJK prepares five 2020 strategic policies which are expected to create a competitive financial services ecosystem and play an optimal role in promoting higher quality economic growth.

The five strategic policies will focus on: (1) Increasing economies scale in financial services; (2) Narrowing the regulatory and supervisory gap between the financial services sectors; (3) Digitalisation of financial products and services as well as the use of technology to support regulatory compliance; (4) accelerate the provision of public financial access and the application of better market conduct and consumer protection; and, (5) Development of Sharia economic and financial ecosystems. The OJK will also look to strengthen regulations for the fintech industry to reduce the numbers of illegal fintech companies.

Due to the recent COVID-19 pandemic, it is generally understood that regulators may need to exercise forbearance and flexibility in this difficult environment. The OJK has issued several policies which will provide additional stimulus for Indonesia’s financial industry ensure stability during the current situation.

Japan

1 Coronavirus Outbreak

The Financial Services Agency (JFSA) provided temporary fund relief measures to eligible businesses affected by the downturn of economic activities resulting from the ongoing COVID-19 pandemic. The JFSA announced that Financial Institutions (FIs) affected by COVID-19 may raise a request for an extension of the annual disclosure documents submission deadline. The JFSA also called on FIs to adopt measures to safeguard the health and safety of all employees and clients. On 7 February 2020, the Minister for State of Financial Services released a statement requesting for FIs to perform the following measures:

- Give appropriate support to the business sector clients, including providing advice to business managements and financial support to the business, by responding to loans requests or by modification loan installments and payments, and other flexible support in general financial services.
- Collect in formation on the COVID-19 and make necessary reports the national authorities,
- Give necessary alerts and measures to ensure the health and safety of the employees.

Notice on Establishment of FSA Consultation Hotline Related to COVID-19

The Bank of Japan (BOJ) announced emergency policy actions to address risks arising from the COVID-19 pandemic. On 16 March 2020, the BOJ decided to implement additional monetary easing measures by expanding its asset purchase programs. Additionally, the BOJ announced several additional measures will be implemented to provide financial support to businesses and banks in order to ensure financial stability and to sustain economic growth amid the global pandemic. These measures were undertaken so as to provide necessary funding to businesses and include expanding the purchases of corporate bonds, Commercial Papers, Exchange-Traded Funds, and Japan Real Estate Investment Trusts.

Enhancement of Monetary Easing in Light of the Impact of the Outbreak of the Novel Coronavirus (COVID-19)
Introduction of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19)

2 Regional Banks

On 7 February 2020, the JFSA released a draft paper titled "Core Issues for Contributing to the Enhancement of Regional Financial Institutions' Business Management and Governance – The Shift from the 'Formalities-Oriented' Approach to 'Substance-Oriented (Future-Oriented)' Approach". The consultation paper is "primarily intended for the presidents and the boards of directors of regional banks to assess and review the state of their business management and governance by outlining the core issues for contributing to the enhancement of the effectiveness of their business management and governance."

The timing of the release of this paper could signal that the JFSA is turning its focus to monitoring the sustainability of the regional banks' business models given the prolonged low interest rates and the slower economic activities in regional areas around Japan. The JSFA may call for dialogues with regional banks' senior stakeholders in order to obtain an understanding of the banks' corporate vision, business strategy, business planning, cost and benefits analysis, business process review.

Core Issues for Contributing to the Enhancement of Regional Financial Institutions' Business Management and Governance – The Shift from the 'Formalities-Oriented' Approach to 'Substance-Oriented (Future-Oriented)' Approach

3 LIBOR Transition

The JFSA and the BOJ jointly released a report showing the results of LIBOR transition surveys that were conducted up until the end of 2019. The survey from participants include banks, brokers, dealers, and insurance companies operating in Japan covers two major aspects of the LIBOR transition namely:

- The market sizes of LIBOR referenced financial products
- LIBOR transition preparation status of surveyed participants.

The report highlighted customer services (client outreach and fallback provisions, etc.) and IT systems as focus areas for the JFSA and BOJ future monitoring efforts. Legal issues regarding the existing corporate bonds referencing LIBOR is one of the main issue that will have to be properly addressed during the transition.

Summary of Survey Results on the Use of LIBOR and Main Actions Needed
Preparation for permanent cessation of LIBOR

Malaysia

1 Statutory Reserve Requirement

The Statutory Reserve Requirement (SRR) is a monetary policy instrument available to the Bank Negara Malaysia (BNM) for the purposes of liquidity management. Effectively, banking institutions are required to maintain balances in their Statutory Reserve Accounts (SRA) equivalent to a certain proportion of their eligible liabilities (EL), this proportion being the SRR rate. Effective 20 March 2020, the SRR rate for banking institutions is 2.0% of EL.

Statutory Reserve Requirement

2 Licensing Framework for Digital Banks

The Bank Negara Malaysia on 3 March 2020 issued an updated exposure draft on the licensing framework for digital banks that incorporates the proposed simplified regulatory framework for digital banks applicable during the foundational phase. The simplifications aim to reduce regulatory burden for new entrants that have strong value propositions for the development of the Malaysian economy, whilst safeguarding the integrity and stability of the financial system.

Framework for Digital Banks

3 Domestic Systemically Important Banks (D-SIB) Framework

The Bank Negara Malaysia on 20 February 2020 issued the policy document on Domestic Systemically Important Banks (D-SIB) framework, which sets out the Bank's assessment methodology to identify D-SIBs in Malaysia, and the inaugural list of D-SIBs. The inaugural list of D-SIBs was also revealed: Malayan Banking Berhad and CIMB Group Holdings Berhad (Bucket 2), and Public Bank Berhad (Bucket 1).

Domestic Systemically Important Banks (D-SIB) Framework

4 Exposure Draft on Recovery Planning

Bank Negara Malaysia on 17 January 2020 issued the exposure draft on recovery planning. The exposure draft sets out the Bank's expectations and policy requirements on the development and maintenance of recovery plans for financial institutions.

Exposure Draft on Recovery Planning

Key Market Events

The Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) twice in this quarter; (1) by 25 basis points to 2.75% on 22 January 2020 and (2) by a further 25 basis points to 2.50% on 3 March 2020. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 2.75 percent and 2.25 percent, respectively.

New Zealand

1 Reserve Bank Lowers OCR to 0.25%

On 16 March 2020, the Reserve Bank of New Zealand (RBNZ) reduced the Official Cash Rate (OCR) from 1.0% to 0.25% for at least the next 12 months. This is a result of the negative implications of the novel coronavirus (COVID-19) pandemic on the New Zealand economy which warrants further monetary stimulus.

This is the lowest the OCR has been in New Zealand's history which demonstrates the Monetary Policy Committee's view on the economic impact that COVID-19 will have on the New Zealand economy. By providing guidance that the OCR will stay the same for at least 12 months also offer clarity to the financial sector that a negative OCR will not be implemented during this time.

OCR reduced to 0.25 percent for next 12 months

2 Capital Adequacy Requirements Implementation Delayed

At the end of 2019 the RBNZ released the final decisions from its comprehensive review of the capital framework for banks, which concluded that there should be a significant increase to the minimum capital ratio of banks. The aim was to enhance the resiliency of New Zealand banking system to financial and economic shocks.

While these requirements were due to come into effect middle of 2020, the RBNZ has since delayed the start date of the increased capital requirements for banks by 12 months to 1 July 2021 due to the COVID-19 crisis.

By delaying the start date of the requirements, the RBNZ aims to provide banks with more capital headroom to promote lending during times of economic uncertainty. The RBNZ estimates that banks will have enough headroom to supply NZ$ 47 billion more lending than would have been the case if the requirements were to come into effect.

RBNZ Capital Review - Decisions 2019
RBNZ to delay the capital framework implementation

3 Financial Markets Authority (FMA) Extending Deadline for Financial Reporting

Due to the impact of COVID-19, a number of entities and audit firms are finding it challenging to provide audited financial statements by the timeframes prescribed in the Financial Markets Conduct Act 2013. In response the Financial Markets Authority New Zealand (FMA) granted affected entities an additional two months submission extension.

Efficiency, effectiveness and baseline review

4 Reserve Bank Announces New Facility

The RBNZ announced a new facility to support banking system liquidity. From 20 March 2020, the RBNZ will offer to lend funds through the Term Auction Facility (TAF). The facility will operate in a similar manner to the RBNZ's Open Market Operation (OMO) and will be used to inject cash into the banking system using approved eligible collateral noted on the RBNZ's website.

RBNZ announces new facility

5 Reserve Bank Launches Streamlined Whistleblowing Policy

As part of the RBNZ's push to increase confidence and trust in New Zealand's financial sector, the RBNZ has streamlined its external whistleblowing policy for employees of the Bank's regulate entities, providing a clearer pathway for current and previous employees of banks and insurers to report misconduct to directly to the RBNZ. This can be done either through a email address specifically for whistleblowing or a phone number.

Reserve Bank Whistleblowing Policy Streamlined
RBNZ Whistleblowing Policy

Key Market Events

Over the past few weeks the impact of COVID-19 on the world's economy has been increasing resulting in businesses closing down, redundancies, and share prices falling.

To help support the New Zealand financial sector during this time there has been a move by regulators, such as the RBNZ, to issue an announcement saying that they will be either delaying or slowing down their regulatory initiatives for at least the next 6 months. The most significant example of this is the delaying of capital adequacy requirements.

While it is an uncertain time for many the RBNZ's Governor, Adrian Orr, has announced that the RBNZ has confidence in the ability of all New Zealand banks to respond to the impacts of COVID-19. New Zealand bank's have robust risk management procedures in place that will help them to continue to support their customers and their staff.

New Zealand Banks are prepared
RBNZ to delay regulatory initiatives

Singapore

1 MAS Reiterates the Importance of Climate Change-Risk

The Monetary Authority of Singapore (MAS) reiterated its position on taking climate change-related risks seriously as a financial supervisor through the inclusion of climate change-related risk in a future Industry-Wide Stress Test and developing a grant scheme for green and sustainability-linked loans, which could potentially be more relevant to Small and Medium-sized Enterprises (SMEs).

Reply to Parliamentary Question on including climate change-related risk in MAS' annual industry-wide stress test
Reply to Parliamentary Question on Green Bond Grant Scheme

2 Private Banking Sales and Advisory Practices

MAS published its findings from the thematic inspections on the sales and advisory practices of selected financial institutions operating in the private banking industry over 2018 and 2019. The information paper highlights inspection observations and MAS' supervisory expectations that relevant financial institutions should benchmark themselves against. Key themes covered are Governance, Investment Suitability, Pricing Controls and Disclosures, and Culture and Conduct.

Private Banking Sales and Advisory Practices

3 Payment Services Act Comes Into Force

MAS announced the commencement of the Payment Services Act, which will enhance the regulatory framework for payment services in Singapore, strengthen consumer protection and promote confidence in the use of e-payments.

Payment Services Act Comes Into Force

4 MAS and ACRA Launch Variable Capital Companies Framework

MAS and the Accounting and Corporate Regulatory Authority launched the Variable Capital Companies (VCC) framework. The VCC is a new corporate structure that can be used for a wide range of investment funds and provides fund managers greater operational flexibility and cost savings.

MAS and ACRA Launch Variable Capital Companies Framework

5 MAS Receives 21 Applications for Digital Bank Licences

MAS announced that it has received 21 applications for digital bank licences as at the close of application on 31 December 2019. This comprises 7 applications for the digital full bank licences, and 14 applications for the digital wholesale bank licences. Successful applicants will be announced in June 2020 and are expected to commence business by mid-2021.

MAS Receives 21 Applications for Digital Bank Licences

Key Market Events

In light of novel coronavirus (COVID-19) situation, MAS advised financial institutions to adopt recommended measures following the raising of the Disease Outbreak Response System Condition (DORSCON) Alert Level from Yellow to Orange on February 9th. And, on February 14th, MAS welcomed measures by financial institutions to support customers facing the impact of COVID-19.

MAS Advises Financial Institutions to Adopt Recommended Measures for DORSCON Orange
MAS Welcomes Measures by Financial Institutions to Support Customers Facing the Impact of COVID-19

South Korea

1 Strengthens Short-selling Rules on the Stock Market

The South Korean government decided to tighten regulations regarding stock short-selling for three months starting from 10 March 2020, in response to the recent market volatility. Measures include:

- The designated scheme prohibits next trading day of short-selling of stocks with an abnormal increase in short-selling trading volume and price drop rate
- The government will lower the bar for designating the above overheated short-selling stocks
- The period of the short-selling ban on any designated stocks will be extended from 1 to 10 trading days.

Government Strengthens Short-selling Rules

2 Improve Regulatory Framework on Hedge Funds

Increasing concerns over hedge funds mis-selling, inadequate liquidity management and unlawful and/or unfair activities highlighted the need for regulatory framework reforms.

On 14 February 2020, the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS) unveiled results of an evaluation conducted on the hedge fund market and the suggested measures to improve its regulatory framework.

Key Measures include:

- Enhanced market discipline by prohibiting fund managers from appraising asset values at their own discretion on cross-trading as well as strengthening rules to provide more information to investors to help them understand risks
- Additional measures on vulnerabilities of maturity mismatch, complexity of investment structure, and leverage through total return swap agreements are included to achieve a minimum regulatory framework
- The financial regulators will bolster the supervision and inspection of the hedge fund market

Measures to Improve Regulatory Framework on Hedge Funds

3 Scale-up Strategy for Fintech Industry

On 25 February 2020, the FSC announced its key policy plan for financial technology (fintech) and digital finance, which includes:

- Advancing digital finance
- Promoting data economy
- Cultivating the fintech industry and other services
- Working on regulatory reforms in the fintech and digital sectors
- Strengthening the foundation for innovation

Fintech and Digital Finance Policy for 2020

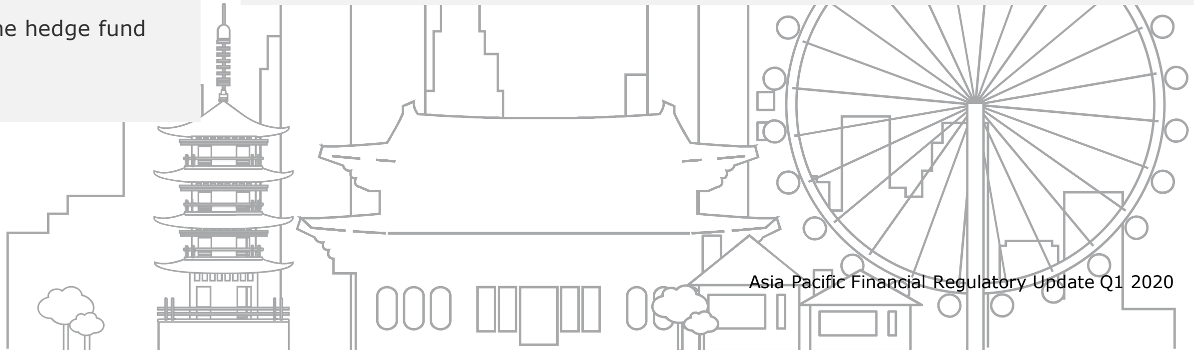
4 Regulatory Reform for Big-Data Economy

On 9 January 2020, the National Assembly passed the revision bill on the Credit Information use and Protection Act to encourage businesses to employ big data in new innovative services such as MyData (a global public policy non-profit active in South Korea that promotes the individual's right to control the use of their data) businesses and to strengthen information security.

The government efforts include:

- Collaborating with successful MyData operating working groups to establish standards for scope of data usage, security & authentication and authorisation methods
- Establish specific measures to improve the information security
- Set up big data infrastructures to support the creation of data ecosystem.

Revised Credit Information Act Promotes Big Data and Information Security in Financial Sectors



Taiwan

1 Regulations Governing the Capital Adequacy and Capital Category of Banks

On 23 December 2019, the Taiwan Financial Supervisory Commission (FSC) announced enhancements to existing regulations governing capital adequacy and capital classification, and reporting requirements over its capital allocation, capital adequacy self assessment and the management self assessment of the relevant risks to the FSC.

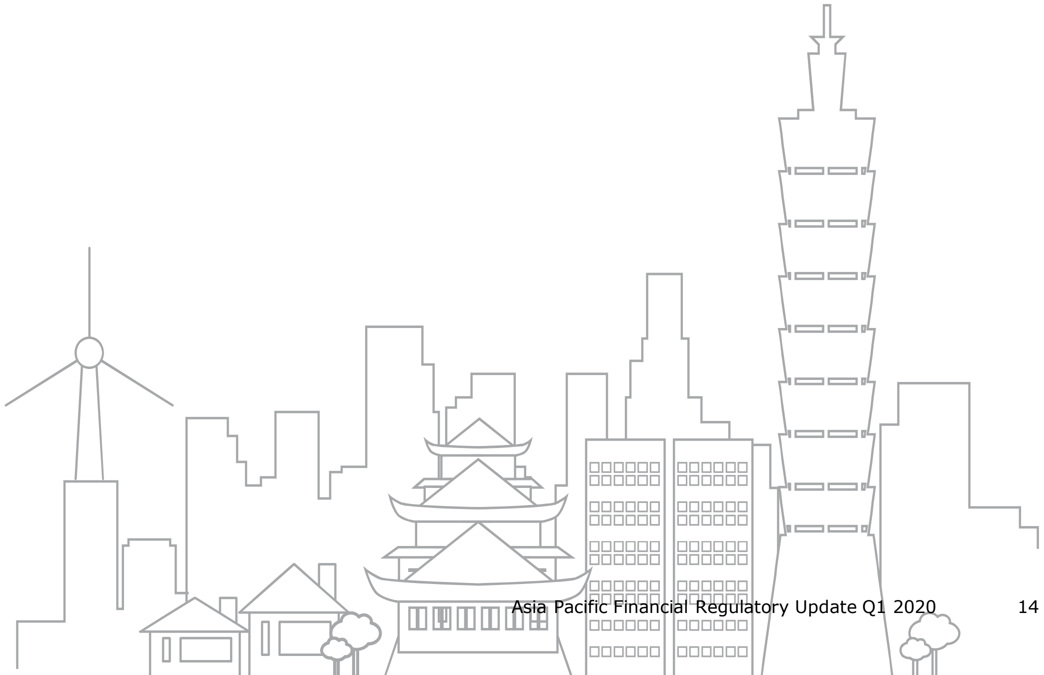
In order to provide D-SIBs with a higher risk-bearing capacity whilst capitalizing on business development, the new requirements of the enhanced supervision measures are as following:

- Imposing a 4% Additional Capital Buffer Requirements
- Reporting requirement of D-SIB Contingency Plans for Business Crisis
- Mandatory requirement to conduct and report 2 year stress test result

Regulations Governing the Capital Adequacy and Capital Category of Banks

Key Market Events

“FinTech Taipei 2019” was held on 29 and 30 November 2019. With the participation of more than 240 institutions, startups from 13 countries (including 5 unicorns from the US and the UK), 30 keynote speakers and 155 demo shows, it attracted more than 48,000 visitors to the exhibition.



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