



COVID-19: Updates on regulatory and supervisory responses in Asia Pacific

Asia Pacific Centre for Regulatory Strategy

Dear colleagues and clients,

This email provides an overview on the regulatory and supervisory responses to COVID-19 in Asia Pacific from 7 April – 23 April.

Click to navigate:

[Capital](#)

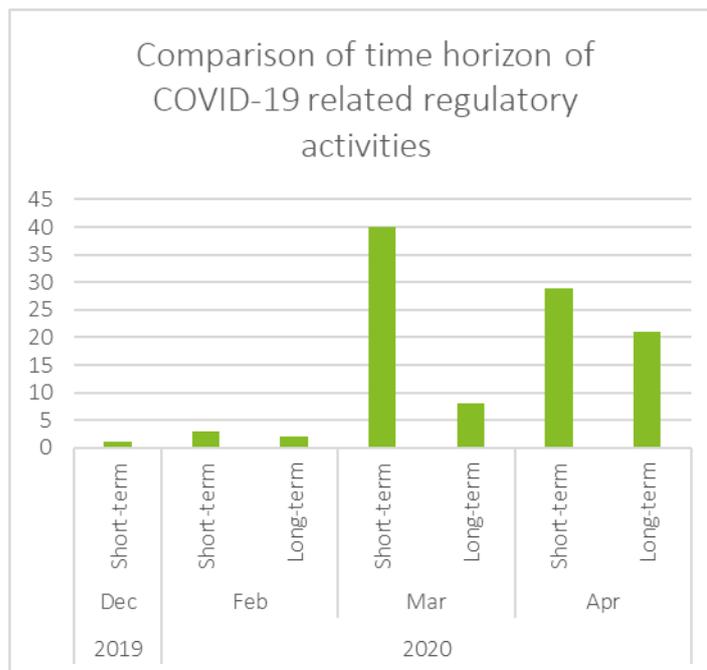
[Liquidity](#)

Regulators in our region have responded in a number of ways and we have broken these categories up into five main categories, also used by the International Institute of Finance (IIF):

- Capital
- Liquidity
- Provisioning, definition of default and non-performing loans (NPL) related measures
- Consultations/ implementation timetables
- Other (reporting, stress testing, conduct, etc.)

As we noted in our last newsletter, we can see how mindsets are beginning to shift towards more long-term thinking as urgent mitigation measures give way to more detailed guidance on how to operate under the current extreme conditions.

Taking a quick look at the divide, we can see that this trend beginning to bear out.



In our analysis we have defined “short-term” activities as those which:

[Provisioning, Definition of Default and NPL-related measures](#)

[Consultations/Implementation Timetables](#)

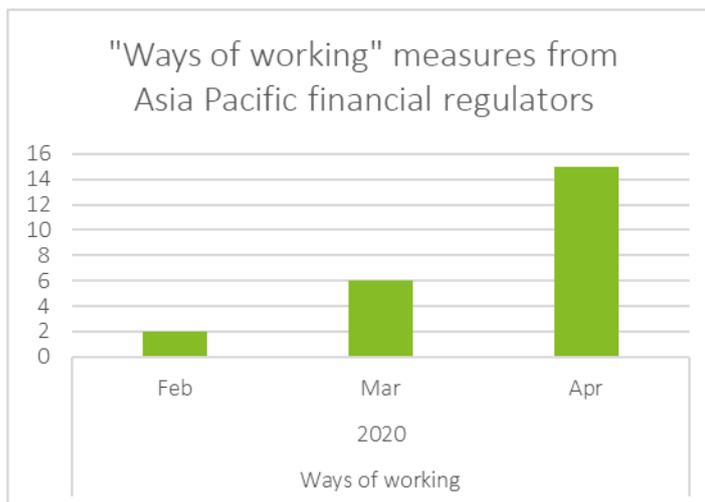
[Others \(Reporting, stress testing, conduct, etc.\)](#)

- Remove/reduce regulatory challenges – extending reporting timelines or deferring initiatives
- Remove some obstacles to continuing to finance the economy – easing capital and liquidity buffers, clarifying NPL/ provisioning requirements etc.
- Ensure ongoing financing for borrowers and liquidity in the market – deferring loan repayments to ease short-term hardship, converting short term revolvers to term loans, lowering interest rates, open market operations to supply liquidity, providing various short-term funding facilities etc.

“Long-term” activities include those that:

- Provide longer term funding
- Emphasise doing right by customers and acting in their best interests – rescheduling/restructuring loans or providing appropriate product recommendations
- Encourage or incentivise investments in tech and workforce skills upgrading to promote industry transformation
- Give guidance on how to carry out business as usual activities under the current circumstances, which could morph into regulatory standards for improved business resilience

Looking at our definition of “Long-term” activities, there is a natural distinction between more mechanistic initiatives like long-term funding provision and the other activities which have to do with the behaviours or “ways of working” of actors within the financial system.



Many of the short-term facilitative measures or long-term funding measures have a foreseeable end. The outcomes of measures that impact ways of working are less clear. For example – many Asia Pacific regulators have recommended that financial firms reduce face to face interactions with guidance encouraging work from home measures or onboarding clients remotely. As well, we have seen a number of guidelines on conducting Audit committee or Board meetings remotely. Finally, the bulk of communication from regulators on ways of working has been on ethical conduct and treating customers fairly. Some of these measures certainly have the potential to carry forward long after the acute crisis has passed.

There has been much speculation about how the long-term impacts of COVID-19 and we at the ACRS do not wish to add to the cacophony. However, we would encourage reflection on how these ways of working link up to trends already present in our region. Culture and conduct in financial firms and treatment of customers, ever topical, will likely be under more scrutiny, not just from regulators but from society at large. Digital transformation is another obvious connection as both firms themselves and their customers learn how to operate remotely. Finally, we would like to highlight that while some programmes have been delayed, climate-related risk mitigation being an excellent example of this, they may come back with added impetus to take advantage of a broader zeitgeist which has primed policy makers and the wider

society to be open to change. We would therefore encourage financial institutions to consider how best to maintain focus and momentum on these key topics, despite needing to divert a significant amount of capacity to manage the current crisis.

The ACRS will be providing updates on a biweekly, best-efforts basis. We would like to express our sincere gratitude to all our regular contributors from around the region who lend their expertise and insight to support the creation of this newsletter.

(The lists below are compiled on a best-efforts basis and are not exhaustive.)

Best regards,

The ACRS co-leads – Nai Seng Wong, Jessica Namad, and Shiro Katsufuji

Other Useful Resources

We would like to highlight to our readers research from the International Monetary Fund ([link](#)) and the IIF ([link](#)) which we believe to be invaluable resources for tracking developments both in our region and abroad.

As well, our colleagues in our sister centre in EMEA have published a number of insightful deep-dives on the impacts to financial services by COVID-19 [here](#).

For more financial services and non-financial services industry updates, Deloitte's central repository for COVID-19 information can be found [here](#).

Capital

JP JFSA	Apr 7 & 16	Statement by the Minister for Finance, on maintaining the function of the financial system and financial markets under the declaration of a state of emergency responding to the spread of COVID-19
---------	---------------	--

[Link](#)

In response to the COVID-19 epidemic spread, the Japanese government has declared a state of emergency. The Minister for Finance requested that financial institutions make appropriate efforts to secure necessary business continuity by maintaining financial functions that support economic activities and protecting customers.

[Link](#)

The JFSA reaffirmed their request to financial institutions to maintain financial support to corporates and consumers. This support includes modification of loans, relaxing the repayments of loans, and the flexible application of covenants, etc.

[Link](#)

On 7 April, responding to the COVID-19 epidemic spread, the Japanese government declared a state of emergency covering Saitama, Chiba, Tokyo, Kanagawa, Osaka, Hyogo and Fukuoka. On 16 April, the Japanese government expanded the state of emergency effective for some prefectures to the entire nation. The Minister for Finance again requested financial institutions to make appropriate efforts to secure necessary business continuity, from the viewpoint of maintaining financial functions that support economic activities and protecting customers.

ID BI	Apr 15	Incentives for banks that provide funds for certain economic activities to support handling economic impacts due to COVID-19 outbreak
-------	--------	--

[Link](#)

The BI has released incentives for banks to provide funds for certain economic activities to mitigate the economic impacts of the COVID-19 outbreak which include export activities; import activities; MSME Activities (Micro Enterprises, Small and Medium Enterprises); and/or economic activities in other priority sectors determined by BI.

IN SEBI	Apr 21	Measures to further facilitate fund raising from capital markets in the backdrop of COVID-19 pandemic
---------	--------	--

[Link](#)

In the wake of challenges to the Indian economy arising out of the COVID-19 pandemic and with a view to improving access to funding to corporates through capital markets, SEBI has decided to grant certain temporary relaxations from the regulatory provisions related to rights / public issuances by listed entities. It has relaxed measures for rights issues in terms of minimum subscriptions, flexibility on issue size and validity of SEBI observations.

Liquidity

TH BOT Apr 7 Measures to assist SMEs during COVID-19

[Link](#)

The BOT and the Ministry of Finance have announced several measures to assist SMEs to manage the impact of the COVID-19 crisis:

- Measure 1: A loan payment holiday of six months for all SMEs with a credit line not exceeding 100 million baht, to provide much-needed liquidity to the SMEs.
 - Measure 2: Soft loans to support liquidity for SMEs with a credit line not exceeding 500 million baht, with a concessional interest rate of 2% per annum and interest-free for the first 6 months.
 - Measure 3: Market liquidity enhancement to stabilize the corporate bond market
 - Measure 4: Reducing the Financial Institutions Development Fund (FIDF) fee to ease the loan interest burden of businesses and households.
-

NZ FMA Apr 9 Expanded Large Scale Asset Purchase

[Link](#)

The RBNZ will purchase NZ\$33 billion of New Zealand government bonds, across a range of maturities, in the secondary market over the next 12 months.

The programme aims to provide further support to the economy, build confidence, and keep interest rates on government bonds low

JP JFSA Apr 16 Notice regarding the handling of bills and cheques, etc. in consideration of the impact of the COVID-19 (novel coronavirus) infection

[Link](#)

The JFSA requested that financial institutions handle unpaid cheques and bills in a flexible manner. For bills that are overdue because of the impact of the COVID-19 infection, collection is to be conducted through negotiations with related financial institutions as needed. With regard to bills and cheques for which payments are impossible due to the impact of the COVID-19 infection, consideration should be given to the publication of such cases in the Report of Dishonoured Instruments and issuance of an order of suspension of transactions.

IN RBI Apr 17 RBI lowers Liquidity Coverage Ratio

[Link](#)

Banks are currently required to maintain a LCR of 100% with effect from 1 January 2019. In order to accommodate the burden on banks' cash flows on account of the COVID-19 pandemic, banks are permitted to maintain LCR as follows:

From the date of circular to 30 September 2020 – 80%. 1 October 2020 to 31 March 2021 – 90%. 1 April 2021 onwards – 100%. Banks shall prepare LCR restoration plans upon breach of the aforesaid prescribed LCR requirement, for scrutiny by the Department of Supervision, Reserve Bank of India.

SG MAS Apr 17 New Facility at interest rate of 0.1% to help banks and finance companies lower cost of loans to SMEs

[Link](#)

MAS has launched the MAS SG\$ Facility for ESG Loans (the Facility), in partnership with Enterprise Singapore (ESG), to lend Singapore Dollars (SG\$) at an interest rate of 0.1% per annum to eligible financial institutions, to support their lending to SMEs under the ESG Loan Schemes. The ESG Loan Schemes comprise the Enhanced Enterprise Financing Scheme - SME Working Capital Loan (EFS-WCL) and the Temporary Bridging Loan Programme (TBLP). The

Facility will help financial institutions to make loans to SME borrowers more affordable.

In pricing SME loans, financial institutions typically take into account their cost of funds, their cost of underwriting, and a credit spread to reflect the risk profile of the borrower. By providing financial institutions funding at the low interest rate of 0.1% per annum, for a two-year tenor, the Facility reduces the financial institutions' cost of funds for loans made under the ESG Loan Schemes.

This will help SMEs manage their cash flow better amidst the current COVID-19 pandemic. Mr Ravi Menon, Managing Director, MAS, said, "The MAS Facility works in tandem with the ESG Loan Schemes to help lower borrowing costs for SMEs.

With the Government sharing 90% of the risk on such loans and MAS providing funding at almost zero cost under the Facility, banks and finance companies will be able to make more loans to SMEs and at lower cost - in fact, we expect them to do so. Together with the various relief measures that banks and finance companies are providing SMEs as part of the package announced by MAS on 31 March 2020, this latest initiative will help provide strong support to our SMEs, which are a vital part of our economy."

HK HKMA Apr 22 HKMA introduced a USD Liquidity Facility

[Link](#)

The HKMA announced the introduction of a temporary US Dollar Liquidity Facility (the Facility) to make available US dollar liquidity assistance for licensed banks. Amid considerable volatilities and uncertainties in the global financial markets brought about by the spread of the coronavirus infections, the HKMA uses the funds obtained through the Federal Reserve's FIMA (foreign and international monetary authorities) Repo Facility to introduce the Facility to help alleviate tightness in the global US dollar interbank money markets. A total of US\$10 billion is currently available under the Facility.

US dollar liquidity will be provided to licensed banks through competitive tenders in the form of repurchase transactions for a term of 7 days, settled on the day following the tender. Starting from 6 May 2020, the HKMA will

conduct a tender every week (normally on Wednesday). In each tender each bank may submit one valid bid, which must be at least US\$100 million and an integral multiple of US\$100 million.

Provisioning, Definition of Default and NPL-related measures

SK FSC Apr 13 FSC issues advice regarding IFRS9 application

[Link](#)

The FSC and the FSS issued guidance on 10 April recommending companies and auditors against a mechanical application of IFRS 9 standards for determining their expected credit losses (ECLs) during the COVID-19 crisis.

HK HKMA Apr 17 The Banking Sector Launches Pre-approved Principal Payment Holiday Scheme for Corporate Customers

[Link](#)

The HKMA, together with the Banking Sector SME Lending Coordination Mechanism, has announced the launch of a Pre-approved Principal Payment Holiday Scheme for eligible corporate customers. All corporate customers that have an annual sales turnover of HK\$800 million or less — estimated to cover more than 80% of all corporate borrowers in Hong Kong — and that have no outstanding loan payments overdue for more than 30 days are eligible for the Scheme. Under the Scheme, all loan principal payments of eligible customers falling due within a 6-month period between 1 May and 31 October will be pre-approved for deferment. Principal payments of loans (including revolving facilities) will generally be deferred by 6 months, whereas trade facilities, given their short-term nature, will be deferred by 3 months. In accordance with the HKMA's existing loan classification guidelines, deferments of principal payment under the Scheme will not by themselves render the loan account to be downgraded to a lower category.

Consultations / implementation timetables

NZ FMA **Apr 9** **Deferred Regulatory Initiatives**

[Link](#)

A number of regulatory initiatives are being deferred during the COVID-19 crisis. These deferrals will enable banks and other financial services firms to focus their efforts more effectively on continuing to operate smoothly and providing credit and other support to individuals and businesses.

SG MAS **Apr 9** **Virtual banking license award delay**

[Link](#)

MAS announced that it will extend the assessment period for the award of digital bank licences. Successful applicants will be informed in 2H 2020 instead of June 2020 as originally intended. The global escalation of the COVID-19 pandemic has prompted the implementation of enhanced safe distancing measures in Singapore, and many companies are allowing staff to work from home to the extent possible. In view of these developments, MAS will extend the assessment period for the award of digital bank licences. This will allow the digital bank licence applicants to dedicate their resources and attention towards managing the immediate impact of the COVID-19 pandemic on their businesses. It will also enable MAS to focus resources on ensuring monetary and financial stability, and ensuring that financial institutions remain resilient, and able to perform their role in supporting businesses and individuals through this challenging time.

AU APRA **Apr 16** **APRA announces new commencement dates for prudential and reporting standards**

[Link](#)

Two prudential standard reporting dates have been delayed by around one year. The first CPS 226 Margining and Risk Mitigation for Non-Centrally Cleared Derivatives (phase-in of initial margin requirements) has been delayed from 1 September 2020-2021 to 1 September 2021-2022. The second, APS 220 Credit Risk Management, has been delayed from 1 January 2021 to 1 January 2022.

Others (reporting, stress testing, conduct, etc.)

SG MAS	Apr 8	MAS Launches SG\$125 Million Package for Financial Institutions and FinTech Firms to Strengthen Long-Term Capabilities
-----------	-------	--

[Link](#)

MAS announced a SG\$125 million support package to sustain and strengthen capabilities in the financial services and FinTech sectors amid the current economic slump. The support package will help to position financial institutions and FinTech firms for stronger growth when the threat of COVID-19 recedes and economic activity normalises. The support package, funded by the Financial Sector Development Fund, has three main components: supporting workforce training and manpower costs; strengthening digitalisation and operational resilience; and enhancing FinTech firms' access to digital platforms and tools.

SG MAS	Apr 9	MAS Urges Use of Digital Finance and E-Payments to Support COVID-19 Safe Distancing Measures
--------	-------	--

[Link](#)

MAS has urged individuals and businesses to use digital financial services and e-payments, and minimise visits to the premises of financial institutions. This will contribute to the effectiveness of the elevated safe distancing measures announced by the Ministry of Health. MAS expects financial institutions to be able to provide as many basic financial services through digital channels that do not require physical presence. MAS encourages financial institutions to actively promote the use of these digital options and provide customers suitable guidance on how to use them. MAS is working closely with the Association of Banks in Singapore to promote greater adoption of e-payments among individuals and businesses.

JP JFSA	Apr 10	Application of policy conditions in relation to COVID-19 Infection
---------	--------	--

[Link](#)

The JFSA requested that insurance companies to consider flexible interpretation and application of policy conditions, and to handle each policy plan in terms of protecting policyholders.

SG MAS **Apr 13** **Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period**

[Link](#)

The Accounting and Corporate Regulatory Authority (ACRA), MAS and Singapore Exchange Regulation (SGX RegCo) have prepared a checklist to guide listed and non-listed entities on the conduct of general meetings during the period when elevated safe distancing measures are in place. Should issuers require certain essential persons to be in the same physical location to facilitate the conduct of a virtual meeting, The Ministry for Trade and Industry would grant an automatic time-limited exemption to permit temporary operations at the same physical location, provided that the number of persons does not exceed 6, and safe distancing measures are complied with at the venue. Issuers whose annual general meetings are due to be held during 16 April to 31 July 2020 may alternatively choose to defer the meetings by up to 60 days, as previously announced by ACRA and SGX RegCo.

AU APRA **Apr 17** **APRA launches new data collection to support Government's SME Guarantee Scheme**

[Link](#)

APRA has released a new reporting standard to collect data from financial institutions taking part in the Federal Government's Coronavirus SME Guarantee Scheme. Reporting standard ARS 920.0 Australian Government Small and Medium Enterprise (SME) Guarantee Scheme must be completed weekly by all lenders that are approved under the scheme. Under the Coronavirus SME Guarantee Scheme, the Government will provide a guarantee of 50 per cent to SME lenders for new unsecured loans to be used for working capital. APRA's new reporting standard will support the scheme by providing data to Government on key metrics including number of loans approved, number of loans impaired, and number of guarantee claims made and paid.

HK SFC **Apr 17** **Circular to management companies and market makers of SFC-authorized exchange traded funds - ETF market making**

[Link](#)

This circular is directed to all management companies and market makers of SFC-authorized exchange traded funds (“ETFs”). Market makers play an important role in ETF trading by providing secondary market liquidity. HKMA note that recently, the sole market maker of an ETF temporarily suspended its market making functions for such ETF because some of its traders were under mandatory quarantine due to the COVID-19 outbreak.

This has raised concerns as to whether the management company and market maker(s) of an ETF are sufficiently prepared to manage this risk. The overall responsibility of a management company of an ETF is to manage the ETF in the best interests of investors, including the duty to closely monitor the operations and activities (including secondary market trading and liquidity) of the ETF.

SG MAS Apr 17 MAS Urges Customers to Minimise Visits to Premises of Financial Institutions

[Link](#)

MAS urged customers of financial institutions to minimise visits to their premises during the current circuit breaker period. This is in line with the guidance issued by the Ministry of Health on 14 April 2020 to minimise people moving around. While financial services remain available as one of the essential services exempted from the suspension of activities at workplace premises announced by the Ministry of Trade and Industry (MTI) on 3 April 2020, customers are urged to use digital, email, and telephone channels as far as possible and minimise face-to-face interactions. About half of the bank branches in Singapore have closed, in view of reduced customer traffic.

HK SFC Apr 21 SFC regulatory response to COVID-19

[Link](#)

The SFC has also intensified its supervisory efforts on potential vulnerabilities arising from the exceptional market conditions resulting from the COVID-19 pandemic. This is to ensure that firms and financial market infrastructures manage their risks appropriately and continue to operate in a normal manner. For example, it has focused on investment fund liquidity and redemption profiles, as well as the fair treatment of fund investors, particularly if funds propose to activate liquidity risk management measures such as swing pricing or suspensions.

The SFC remains in close contact with all the clearing houses in Hong Kong to ensure that their margining policies are appropriately calibrated to the risks they face, while being sensitive to potential pro-cyclical effects. And throughout this crisis the SFC has been closely monitoring derivatives markets and short selling data to ensure that activity in these areas does not pose any financial stability or systemic risks. Hong Kong has a robust short-selling regulatory regime specifically designed to limit any potential distortion of the normal price-discovery function of markets while recognising the potential benefits of short selling.

NZ FMA Apr 21 Impact of COVID-19 on AML/CFT audit

[Link](#)

Section 59(2) of the AML/CFT Act requires a reporting entity to have its risk assessment and AML/CFT programme independently audited every two years. COVID-19 may impact a reporting entity's ability to have its independent audit undertaken within that timeframe. Any reporting entity unable to complete its independent audit on time due to COVID-19 should contact the FMA.

ID OJK Apr 22 Countercyclical Policy for Non-bank Financial Service Institutions

[Link](#)

The OJK regulates policies for various sectors of Non-Bank Financial Services, which include:

- Insurance companies
- Pension funds
- Financing institutions
- Other financial service institutions

This countercyclical policy covers changes in a number of areas, namely the time limit for the submission of periodic reports, the conduct of fit and proper tests, determination of asset quality in the form of financing and financing restructuring, and calculation of the level of insurance solvency.

The policy also regulates the calculation of the quality of pension fund providers of defined contribution pension plans, the implementation of asset management provisions according to the age of Program Pensiun Iuran Pasti

(PPIP) organizer participant pension fund groups, and other policies determined by the chief executive of the OJK supervisor in each sector of non-bank financial services institutions.

NZ FMA Apr 22 Reminder on insider trading

[Link](#)

COVID-19 has caused increased volatility in financial markets, both in New Zealand and globally. Concerns have been raised in some offshore markets regarding potential misconduct by information insiders. To date, the FMA and the NZX have not seen an increase in suspected breaches of inside information restrictions as a result of COVID-19 impacts. However, they are mindful of the speed with which new information is emerging, the high level of trading activity, and potential impact of financial reporting delays as a result of regulatory relief initiatives. They are also mindful that the current situation is having significant impacts (both positive and negative) on many businesses, and that there is potential for a broader range of individuals to have access to inside information. The FMA is therefore reminding the market of the restrictions placed on information insiders.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2020 Deloitte Asia Pacific Services Limited