



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 of the regulatory and supervisory responses to COVID-19 in Asia Pacific from 23 April – 7 May.

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):

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[Capital](#)

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

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

In our last newsletter, we spoke about the 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. We took an in-depth look at how this plays out with regulators giving thought to activities that have to do with the behaviours or "ways of working" of actors within the financial system.

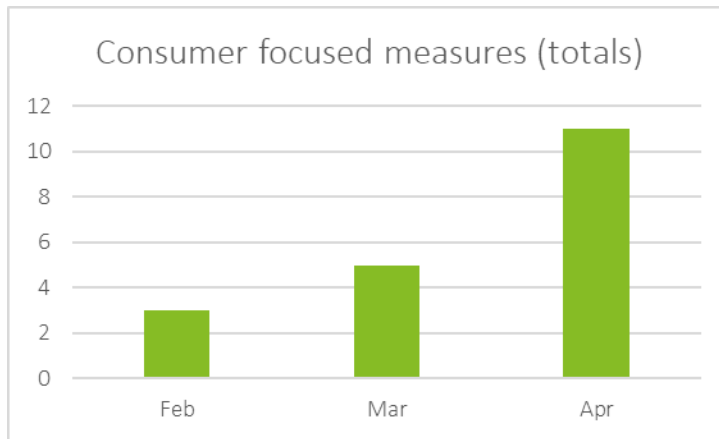
We are also seeing regulators extending the measures to ensure that individual customers have access to financial services. From the very beginning, we have seen regulators allowing banks and insurers to defer loan and premium payments for their customers. There is now what could be termed a "second-wave" of measures that have come out from the beginning of April that expand the scope of original measures or reduce barriers to access such as fees or regulations.

In the below chart we have included items that:

- Ensure continued access to financial services – rescheduling/restructuring loans; and
- Remove barriers to access – removing retail banking fees, allowing earlier access to funds etc.

[Consultations/Implementation Timetables](#)

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



In Singapore, we can see the evolution quite clearly. On 31 March, MAS released the first round of guidance targeting individuals that included relief measures for mortgages and unsecured revolving credit facilities, which make up a significant portion of 'individuals' debt obligations. The second round of measures was announced on 30 April to extend the scope of this relief to other loan commitments like commercial and industrial properties, student debt, vehicle purchases etc. MAS also removed retail banking fees for falling below minimum balance requirements to ensure continued access to basic financial services.

Finally, in our last newsletter we spoke about how, despite delays and the current circumstances, we are still likely to see progress on important regulatory priority areas. In this vein, it has been interesting to see developments relating to sustainability and climate-related risk management policy goals in Hong Kong SAR. On 5 May, the HKMA and the SFC, in partnership with the Environment Bureau, the Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Limited, the Insurance Authority, and the Mandatory Provident Fund Schemes Authority, inaugurated the Green and Sustainable Finance Cross-Agency Steering Group. The group aims to co-ordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and

sustainable finance in Hong Kong SAR and support the 'Government's climate strategies. As Asia Pacific economies begin to reopen and regulatory capacity free up, we expect to see more developments in this and other themes in the months to come.

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

No updates in this period

Liquidity

JP JFSA	27 & 30 Apr	Report on the status of loan modification and Financial support to the clients
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[Link](#)

The JFSA released a report on the status of loan modifications by banks for SMEs at the end of March. There were more than 26,000 applications from clients. Approximately 80% were approved by mid-April, while the remaining applications are still under review.

[Link](#)

The JFSA reaffirmed their request to financial institutions maintain financial support to corporates and consumers, which includes the extension of unsecured-zero-interest loans to businesses, utilisation of government sponsored loans, and conducting necessary consultations to clients during the Golden Week period.

JP BOJ	27 Apr	Enhancement of Monetary Easing
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[Link](#)

The BOJ decided at the Monetary Policy Meeting to enhance their monetary easing by an increase in purchases of CP and corporate bonds, strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the COVID-19, and further active purchases of Japanese government bonds and treasury discount bills.

AU ASIC	29 Apr	ASIC responds to 'lenders' request for clarification on lending during the COVID-19 pandemic
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[Link](#)

ASIC has written a letter to lenders to provide guidance on a number of matters around regulation of lending during the COVID-19 pandemic. On existing credit facilities, they wrote: "Obligations are not a barrier to agreeing contract changes in response to hardship situations". ASIC confirms that changes to terms (e.g. P&I to IO) can be achieved through variations in existing contracts and the responsible lending obligations "only

apply before a contract is entered into or a credit limit under an existing contract is increased" and hence will not be triggered by these changes.

IND BI **30 Apr** **BI Issues Policy Follow-Up Provisions Against Pandemic COVID-19**

[Link](#)

The BI has followed up with further policy measures to support stability and economic recovery in light of the COVID-19 pandemic. The measures include granting short term liquidity loans to commercial banks to support them in providing finance to their customers. The regulation has allowed for the adjustment of the statutory reserve requirement policy by reducing the statutory reserve requirement for Conventional Commercial Banks by 200 bps, from 5.5% to 3.5%, and for Sharia Commercial Banks by 50 bps, from 4.0% to 3.5%.

Provisioning, Definition of Default and NPL-related measures

SK FSC **27 Apr** **Deferment of principal payment available for vulnerable debtors**

[Link](#)

The FSC announced on 27 April that deferment of principal payment will be available for vulnerable debtors who are unable to service debts due to diminished income caused by the COVID-19 pandemic. It will be offered by all financial institutions from 29 April until the end of this year.

NZ RBNZ **30 Apr** **Reserve Bank removes LVR restrictions for 12 months**

[Link](#)

The Reserve Bank has today decided to remove mortgage loan-to-value ratio (LVR) restrictions for 12 months. The decision was made to ensure LVR restrictions didn't have an undue impact on borrowers or lenders as part of the mortgage deferral scheme

implemented in response to the COVID-19 pandemic. The Reserve Bank's decision was made in line with its financial stability mandate. The Bank reached its conclusion after reviewing a Regulatory Impact Assessment and robust feedback received from submitters over the consultation period.

Consultations / implementation timetables

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

[Link](#)

Commencement dates for several standards have been delayed as follows:

- CPS226 Margining and Risk Mitigation for Non-Centrally Cleared Derivatives (phase-in of initial margin requirements). Moved from 1 September 2020-21 to 01 September 2021-22
 - CPS234 Information Security (third-party arrangements transition provision). Moved from 1 July 2020 to 1 January 2021 by exception on a case-by-case basis
 - APS220 Credit Risk Management. Moved from 1 January 2021 to 1 January 2022
 - APS222 Associations with Related Entities; ARS222.0 Exposures to Related Entities; and ARS222.2 Exposures to Related Entities – Step-in Risk. Moved from 1 January 2021 to 1 January 2022.
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Others (reporting, stress testing, conduct, etc.)

AU ASIC **14 Apr** **ASIC grants relief to industry to provide affordable and timely financial advice during the COVID-19 pandemic**

[Link](#)

Three temporary relief measures were announced to assist financial advisors in ensuring good consumer outcomes amidst the COVID-19 pandemic:

- Early access to superannuation funds: Financial advisors will not need to provide a Statement of Advice (SOA) around early access to superannuation funds; further registered tax agents may give advice without needing to hold an Australian Financial Services (AFS) license
- Time critical SOAs: Advice providers will be allowed 30 business days instead of the regular 5 business days to give an SOA after time-critical advice is provided
- Record of advice (ROA): The shorter ROA may be given in lieu of an SOA in some circumstances.

ASIC will be performing surveillance to monitor these relief measures.

SG MAS **16 Apr** **New Measures to Help REITs Navigate Operating Challenges Posed by COVID-19**

[Link](#)

The Ministry of Finance (MOF), the Inland Revenue Authority of Singapore (IRAS), and MAS announced new measures to provide real estate investment trusts listed on the Singapore Exchange (S-REITs) with greater flexibility to manage their cash flows and raise funds amid a challenging operating environment due to COVID-19. These comprise an extension of the deadline for distribution of taxable income by MOF and IRAS, as well as a raising of the leverage limit and deferment of new regulatory requirements by MAS.

HK HKMA **22 Apr** **Postponement of 2020 Supervisor-Driven Stress Test**

[Link](#)

The HKMA has decided to postpone the 2020 Supervisor-Driven Stress Test by one year. In making this decision, the HKMA has taken into consideration the current capital levels of banks and the satisfactory results of earlier stress tests.

AU ASIC **27 Apr** **ASIC letters to general and life insurers in the current COVID-19 environment**

[Link](#)

ASIC has written letters to General and Life Insurers setting out its expectations of insurers to handle claims with utmost good faith; to ensure flexibility with customers' individual circumstances such as where they can no longer pay premiums due to change in income; and to communicate proactively, clearly and accurately to customers on insurance coverage.

SK FSC **27 Apr** **Reporting Deadline Extensions for South Korean companies**

[Link](#)

The financial authorities announced on 24 April their decision to temporarily lift administrative sanctions for companies that are unable to meet the quarterly and semi-annual reporting deadline due to COVID-19 related issues. For the companies that have already been granted exemptions from sanctions, the deadline has been extended until 15 May. The authorities will accept additional applications for exemption from sanctions between 27 and 29 April. Based on the review of applications, the Securities and Futures Commission will then decide to adopt an additional 30-day extension of deadline when the commission meets for a regular meeting on 6 May.

NZ FMA **28 Apr** **Exemptions grant temporary relief from some reporting deadlines**

[Link](#)

The FMA has granted two class exemption notices to provide market participants with an additional two months to provide their audited financial statements and comply with certain other regulatory requirements.

NZ FMA **28 Apr** **'No 'action' relief as a result of COVID-19**

[Link](#)

The FMA recognises that COVID-19 may lead to practical difficulties which affect their ability to meet their regulatory obligations. Where a market participant breaches, or expects to breach, a regulatory obligation as a result of the COVID-19 circumstances and seeks relief from the FMA, the primary approach FMA intends to take is 'no- 'action'.

A key benefit of this approach is that it allows the FMA to act in a quick and decisive way in an environment where uncertainty may lead to unnecessary operational/regulatory burden and investor detriment. The FMA will consider whether the relief requested is specific to the individual circumstances of the entity, or

appropriate for a wide range of market participants on a class basis.

HK SFC **29 Apr** **Management of cybersecurity risks associated with remote office arrangements**

[Link](#)

In light of the increased use of remote office arrangements, the HK SFC reminds licensed corporations (LCs) to assess their operational capabilities and implement appropriate measures to manage the cybersecurity risks associated with these arrangements. When staff work remotely, they may access the LC's internal network and systems from outside the office and hold meetings through videoconferencing platforms.

This circular sets out examples of controls and procedures to assist in the protection of 'LCs' internal networks and data. LCs are reminded that the following examples are not exhaustive. They should implement and maintain measures which are deemed appropriate to the situation and commensurate with the size and complexity of their operations.

IN RBI **30 Apr** **Extension of regulatory reporting deadlines**

[Link](#)

In order to mitigate the difficulties in timely submission of various regulatory returns, in view of disruptions on account of COVID-19 pandemic, it has been decided to extend the timelines for their submission. Accordingly, all regulatory returns required to be submitted by commercial banks and other FIs to the Department of Regulation can be submitted with a delay of up to 30 days from the due date.

NZ FMA **30 Apr** **Insurer COVID expectations from the FMA**

[Link](#)

The FMA has written to insurance industry bodies to acknowledge the work insurers have done to respond to the needs of their customers during the COVID-19 crisis, and to outline their expectations for their continued good conduct. The letter sets out steps insurers can take to ensure they are addressing customer needs, and includes examples of good practice the FMA has seen.

SG MAS **30 Apr** **Second phase of measures to support individuals**

[Link](#)

MAS, the Association of Banks in Singapore (ABS) and the Finance Houses Association of Singapore (FHAS) today announced a second package of measures to support individuals facing financial

difficulties due to the COVID-19 pandemic. This second package will extend the scope of relief for individuals to other types of loan commitments, and allow them to continue to have access to affordable basic banking services.

JP 4 May Extension of the State of Emergency

[Link](#)

Prime Minister Abe announced the extension of the declaration of the State of Emergency until the end of May, and to ask the experts to assess the situation again on 14 May.

AU ASIC 7 May Reminder on director trading during COVID-19

[Link](#)

ASIC has provided guidance which sets out important considerations for directors (including directors of the responsible entity of a listed managed investment scheme) regarding the acquisition and disposal of securities and other financial products issued by their listed entity. These considerations are particularly relevant in the current market environment created by COVID-19. Some of these considerations are also relevant to other “insiders”, such as other company officers and key management personnel, as well as to responsible entities.

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