Deloitte Asia Pacific | Asia Pacific Centre for Regulatory Strategy | 22 May 2020

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 8 May – 21 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):

- Capital

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

The next series of newsletters will hone in on some of the key challenges our member firms are seeing within their respective countries, and the insights we can glean as a region from these individual perspectives. This newsletter will focus on the Australian experience and the responses taken by regulators and the industry in managing the impact of COVID-19.

Australia's medical response to COVID-19 has been highlighted as one of the best in the world. The country has effectively flattened the curve, and the federal government is now progressively reopening the economy through its *Roadmap to a COVID safe Australia* released in early May. Despite this success, the impact has been deeply felt across the economy and significant fiscal and monetary stimulus will continue to be required to keep the Lucky Country on track. It is broadly expected that Australia's 28-year recession-free streak will soon come to an end.

The regulatory reaction in Australia during the early period of the pandemic was swift. The RBA cut interest rates to fresh record lows of 0.25bp, expanded its balance sheet to inject liquidity into the economy and set up a special funding facility for banks to ease margin pressures. The prudential regulator (APRA), only weeks after announcing its supervisory and policy agenda for 2020, chose to suspend it and instead pivot to a focus on operational resilience and a toning down of its rhetoric around 'unquestionably strong' capital. The conduct regulator (ASIC) also suspended its agenda and prioritised customer remediation to focus on its core objective of consumer protection. These measures have ushered the economy through the initial stages of the crisis, but as Australia looks forward cautiously towards the 'new normal', we are reminded that there

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

are still lessons to be learned and emerging risks to be managed.

Operational resilience

The velocity at which the crisis hit exposed weaknesses in the effectiveness of operational resilience and continuity measures. The combination of overstretched technology systems from remote working and massive spikes in the volume of customer requests saw operations stretched to their limits, and significant backlogs quickly developed. Though continuity measures may not typically be designed for such edge cases as COVID-19, the experience will likely change the way in which scenarios are defined and planned for into the future at both the operational and Executive/ Board level. In particular, following a large move towards offshoring of functions in preceding decades, the pandemic has shown how operations in countries with under-developed infrastructure may be unable to manage such pressures and that globally diversified operations may not be as resilient as first thought. In Australia, we have seen a significant number of critical operations and processes move back onshore to ensure business continuity and it is expected that this trend will continue.

Responsible lending

With both implicit and explicit guidance from regulators and government to keep credit flowing throughout the economy, lenders have had to rethink how this will translate into their risk appetite and how effective due diligence should be performed when there is a wholesale shift in the risk profile of the economy. Though ASIC have provided guidance to clarify how lenders may continue to meet their obligations in the current environment, only time will tell whether lenders have taken the right steps. This is further accentuated by the tension regulators are facing in ensuring they continue to take a tough stance on non-compliance in the aftermath of the Royal Commission, and the need for a fair and balanced approach given the current extenuating circumstances. In all cases, we expect to see the supervisory approach continue to place customer outcomes at the forefront.

People risk

It is self-evident that the crisis has taken a toll on the physical and mental health of the population, with extended periods of isolation, distancing and severely overstretched operations leaving many employees (still with a job) at risk of burnout. The longer-term impact these factors will have on the productivity, engagement and overall culture of the 'new normal' workforce is uncertain. We have already seen a high level of movement in senior executives across the industry, and succession planning has again come to the forefront with accountability top-of-mind for regulators and firms. At an operational level, it is likely that the vigilance and consistency of employees in effectively operating key controls and managing material risks could be affected. The true test of effectively integrated risk and compliance practices is how they deliver desired outcomes effectively and efficiently in times of stress, and this could be an area of future regulatory focus.

Despite our relative success in Australia, the impact of COVID-19 has been deep and broad, and no one has been left unaffected. As we move into the next phase of the pandemic, we will begin to reflect on and assess the experience as an opportunity to better prepare for future disruptions, whatever their cause.

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

AU APRA	**18 May**	**Banking COVID-19 Market Risk FAQ published by APRA**

Link

APRA has published FAQs to provide authorised deposit-taking institutions with up-to-date guidance on supervisors' expectations, during the period of disruption driven by COVID-19. The FAQs cover loan repayment deferrals, residential mortgage lending and market risk capital requirements.

Liquidity

TW FSC	**13 May**	**FSC announces measures to respond to COVID-19 pandemic and mitigate impact of global financial volatility on domestic securities markets**

Link

Due to the COVID-19 pandemic, global financial conditions have recently triggered volatility in Taiwan's securities markets. In order to maintain orderly and stable markets and to safeguard investor interests, the cap on total volumes of short sale through securities borrowing and lending ("SBL short sale") during trading sessions was reduced.

Securities dealers are also being urged to act as liquidity providers of market demand and supply, and financial and insurance institutions are encouraged to buy while markets are down. Listed companies are being encouraged to engage in implementing stock buybacks if necessary in order to bolster investor confidence.

Provisioning, definition of default and NPL-related measures

NZ FMA	**21 May**	**Business Debt Hibernation**

Link

The FMA has introduced business debt hibernation (BDH) to help companies, trusts, and other businesses affected by COVID-19 to manage their debts by allowing them to place existing debts into hibernation for up to seven months. Some entities regulated by the FMA may be eligible to enter BDH, but the following are not eligible: sole traders; registered banks; licensed insurers; non-bank deposit takers; licensed derivative issuers; and operators of a designated settlement system. To enter BDH, there are a number of conditions an entity must meet, such as director approval and creditor support.

Consultations / implementation timetables

AU ASIC/ Treasury	**16 Apr**	**ASIC defers commencement of mortgage broker reforms and design and distribution obligations / Update on the implementation of the Banking, Superannuation and Financial Services Royal Commission**

Link

ASIC has deferred the commencement of both the mortgage broker reforms and the product design and distribution obligations initially developed as a result of the Royal Commission findings. The commencement of each will be deferred by six months from their original date to allow industry participants to focus on immediate priorities and the needs of their customers.

Link

The Australian federal government has announced that implementation commitments resulting from the Royal Commission will be delayed by six months. This refers to legislation that is yet to be introduced into the Parliament, and will see some measures not being introduced until 30 June 2021.

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

JP JFSA	**8 May**	**Financial support to the property owners who have cash shortage due to delayed rent collection/Allowance to the rent on the property/ Allowance to the payment from the credit card member stores**

Link

The JFSA has requested that financial institutions ensure financial support is given to property owners who are experiencing cash shortages as a result of delayed rental payments from tenants. The support includes zero-interest -unsecured credit extensions and repayment deferrals, etc.

Link

The JFSA requested that investment managers support the tenants of their investment properties by allowing tenants to delay rent payment or by reducing their rent.

Link

The JFSA requested that credit card and payment service firms give necessary allowances when collecting payments from merchants that have been negatively affected by COVID-19.

NZ FMA	**12 May**	**What we can expect from financial reports in light of COVID-19**

Link

The FMA have published a document outlining the findings of their recent reviews of financial reporting. The document and sets out their expectations and areas that entities should consider when preparing financial statements, particularly in light of the COVID-19 situation. The document is aimed at anyone involved in preparing or approving financial reporting for FMA reporting entities.

NZ RBNZ	**13 May**	**Large Scale Asset Purchases expanded**

Link

The Monetary Policy Committee has agreed to significantly expand the Large Scale Asset Purchase (LSAP) programme to NZ$ 60 billion, up from the previous NZ$ 33 billion limit (as detailed in Issue #3 of our COVID update). The LSAP programme includes

NZ Government Bonds, Local Government Funding Agency Bonds and, now, NZ Government Inflation-Indexed Bonds.

SG MAS	**13 May**	**New S$ 6 Million Grant Scheme to Support Singapore FinTech Firms**

Link

MAS, the Singapore Fintech Association (SFA), AMTD Group and AMTD Foundation (collectively, AMTD) announced the launch of a S$ 6 million MAS-SFA-AMTD FinTech Solidarity Grant to support Singapore-based FinTech firms amid the challenging business climate caused by the COVID-19 pandemic. The Grant will help Fintech firms maintain their operations, and enable them to continue to innovate and grow.

The Grant comprises two components:

- S$ 1.5 million Business Sustenance Grant (BSG). Eligible Singapore-based FinTech firms can receive a one-time grant for up to S$ 20,000 to cover day-to-day working capital expenditures, such as salaries and rental costs. The short-term assistance will help FinTech firms sustain their operations and retain their employees. The BSG is fully funded by AMTD's contribution.

- S$ 4.5 million Business Growth Grant (BGG). Eligible Singapore-based Fintech firms can receive up to S$ 40,000 for their first Proof of Concept (POC) with financial institutions on the API Exchange (APIX) platform, and S$ 10,000 for each subsequent POC, subject to a total cap of S$ 80,000 per firm for the entire duration of the grant. The BGG enables these companies to continue to innovate in partnership with financial institutions and create opportunities for growth.

AU ASIC	**13 May**	**ASIC to further extend financial reporting deadlines for listed and unlisted entities and amends 'no action' position for AGMs**

Link

ASIC will extend the deadline for both listed and unlisted entities to lodge financial reports under Chapters 2M and 7 of the Corporations Act (the Act) by one month for certain balance dates up to and including 7 July 2020 balance dates.

The extended deadlines for lodgement of financial reports will assist those entities whose reporting processes take additional time due to current remote work arrangements, travel restrictions and other impacts of COVID-19. ASIC has adopted a 'no action' position should public companies not hold their Annual General Meetings (AGMs) within five months after the end financial years that end from 31 December 2019 to 7 July 2020, but do so up to seven months after year end.

SK FSC	**13 May**	**Reporting deadline extended for financial companies' overseas branches**

Link

The financial authorities decided on 13 May to grant an extension of reporting deadline until 31 August this year for financial companies' overseas branches that face compliance burdens due to COVID-19.

According to the current regulations, an extension of filing reports is permitted for unavoidable reasons and circumstances at overseas branches, and the authorities decided that the current pandemic-related reasons and circumstances in their locations qualify as unavoidable. As such, financial companies' overseas branches will not face a fine of KR₩ 7 million for failure to submit their annual performance report by the deadline.

CH CBIRC	**14 May**	**CBIRC Holds Meeting of the Solvency Supervisory Committee**

Link

The CBIRC recently held a meeting of the Solvency Supervisory Committee. The meeting studied and analysed the solvency condition of the insurance industry in the fourth quarter of 2019 and the first quarter of 2020, reviewed the comprehensive risk rating results of insurance companies and regulatory measures for some companies, analysed the impact of the COVID-19 epidemic on the insurance industry, and set forth work plans on solvency regulation and risk control in the next stage.

It was pointed out at the meeting that due to the COVID-19 epidemic and other factors, the insurance industry experienced heightened business pressure and slowed down its business in the first quarter of this year; yet its overall solvency remained adequate and risks were under control. It was stressed at the meeting that the CBIRC will continue to support insurance institutions to increase capital and strengthen risk compensation capacity. The insurance sector should continue to contribute to the resumption of work and production, defend the bottom-line of preventing systemic risks, and better play the role of "shock absorber" of economy and "stabiliser" of society.

IN SEBI	**15 May**	**Relaxation in timelines for compliance with regulatory requirements**

Link

In view of the prevailing situation and representations received from the Stock Exchanges, SEBI has decided to further extend the timelines for compliance with regulatory requirements until 30 June 2020. SEBI has also additionally relaxed compliance requirements for certain provisions in the Listing Obligations and Disclosure Regulations.

SG MAS	**19 May**	**Safe Re-Opening of More Customer Services in the Financial Sector**

Link

Financial institutions in Singapore will be allowed to reopen more customer service locations from 2 June 2020. This will be carried out with strict safe management requirements in place to minimise the risk of COVID-19 infections, in line with the Ministry of Health's three-phase approach to resume business operations. MAS will allow financial institutions more onsite staff to meet increased customer needs as some businesses re-open, as well as to serve customers using both online and offline channels more efficiently.

IN SEBI	**20 May**	**Advisory on disclosure of material impact of COVID-19 pandemic on listed entities under SEBI**

Link

Having granted several relaxations to listed entities in terms of timelines for filing of various reports/disclosures under the Listing Obligations and Disclosure Regulations, SEBI issued an advisory to listed entities to ensure that all available information about the impact of pandemic and the consequent lockdown restrictions on companies and their operations is communicated in a timely and cogent manner to investors and stakeholders.

NZ FMA	**20 May**	**What can users of auditor reports expect from auditor reports in response to the impact of COVID-19**

Link

The FMA have published advice regarding the communication tools auditors use in auditor reports and the likely impact of COVID-19 on auditor reporting, including: more modified auditor opinions; more disclosures in Auditor Reports; and the impact of going concern matters on the auditor's thought process and auditor's report. The advice is aimed at users of financial statements in interpreting company performance during the COVID-19 pandemic.