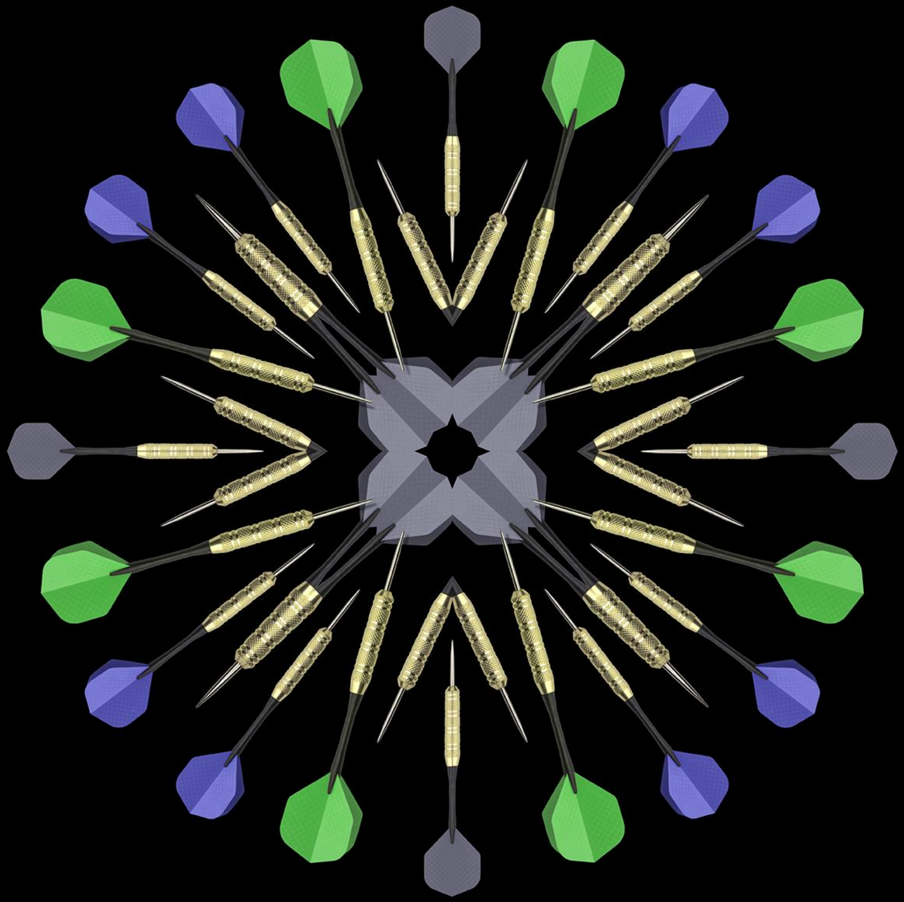
Deloitte.



Asia Pacific Financial Regulatory Update

Q3 2020

October, 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 for Q3 2020.

The first six months of 2020 have been extraordinarily challenging, and the impacts of the COVID-19 pandemic continue to be felt throughout the region. Our regulators and the industries they supervise have adjusted rapidly to these changing events – balancing the need to focus on COVID-19 response measures, and business as usual regulatory activities pre and post COVID-19. We note a key consideration across all regulators within our region has been the extent to which their regulatory activities support long-term economic recovery amidst a sharp deterioration in market outlooks and an uncertain recovery pathway and timeframe.

We have seen a **continuing focus** from regulators on **operational resilience, risk and controls, corporate governance, and capital and liquidity stresses**. Further, we note that governments and regulators continue to **prioritise supporting society** through the economic disruption through the extension of measures such as income support payments (**AU**: *JobKeeper*), payment holidays (**HK**: *Pre-approved Principal Payment Holiday Scheme*), and special considerations for borrowers under stress due to COVID-19 (**IND**: *Prudential Framework for Resolution of Stressed Assets*), or the introduction of new measures to enhance access to liquidity facilities (**SG**), and ongoing adjustment of interest rates.

Despite the ongoing pandemic, we have more recently observed the **gradual resumption of business as usual activities from regulators**, as they look forward to navigating the post-COVID-19 environment. For example, the Australian Treasury, as well as regulators like the Australian Prudential Regulatory Authority (APRA), the Australian Securities and Investments Commission (ASIC), and the Japan Financial Services Agency (JFSA) all released their *Corporate Plan and Policy Priorities for 2020-21* and beyond during Q3 2020. These policy priorities outline actions they are taking to address the impact of the COVID-19 pandemic, as well as strategic priorities and activities to address longer term focus areas within their regulatory environment. In **Japan**, **Hong Kong Special Administrative Region (SAR)**, and **mainland China**, there is **continuing focus on LIBOR reform**, following the UK Financial Conduct Authority's confirmation that the end of 2021 remains the target date for discontinuation of LIBOR. Pleasingly, we have also observed an **increasing focus on the promotion of regulatory technology (Regtech)** in our region, with regulators in **Hong Kong SAR, Singapore,** and **South Korea** all releasing regulatory updates or consultation papers promoting the use of technology applications across areas such as conduct risk management, anti-money laundering and counter terrorism financing (AML/CFT), and large volume digital financial transactions.

Whilst the bulk of regulatory activity continues to focus on ensuring financial stability, it appears regulators have started to adapt to this 'new normal', and there is an increasing expectation that **institutions will be able to pivot and respond to changing supervisory priorities and requests at short notice** – for example, regulatory requests for **data collection relating to pandemic related transactions** (e.g. **AU**: APRA Pandemic Data Collection, **HK**: impacts of COVID-19 on AML/CFT transaction monitoring and reporting). Importantly, **the 'new normal' has not dimmed the spotlight regulators and society continue to shine on financial institutions conduct and the 'social value' they provide** – with many regulators across the region engaging in enforcement activities following industry-wide reviews (**AU**), or releasing guidelines outlining expectations on the role and responsibilities, conduct and accountability of key management personnel (**IN, SG, NZ**).

For queries or more information on these updates or other regulatory topics, please get in touch.

Best Regards,

The ACRS Co-leads

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

Regulatory Hot Topics – Top six most talked about themes this quarter

Supervisory Approach
5
Updates

Financial Market Infrastructure
10
Updates

COVID-19 Measures
9
Updates

Financial Products, Instruments, and Services
7
Updates

Data and Technology
6
Updates

Governance & Strategic / Reputational Risk
5
Updates

Taxonomy

1. COVID-19 Measures
2. Governance & Strategic / Reputational Risk
3. Financial Risk
4. Operational & Conduct Risk
5. Financial Crime
6. Consumer Protection
7. Data & Technology
8. Financial Products, Instruments & Services
9. Financial Market Infrastructure
10. Systemic / Currency Stability
11. Enforcement
12. Supervisory Approach
13. Climate Risk

Australia (1/2)

1 Regulatory response to COVID-19

In response to the COVID-19 pandemic, the prudential regulator, APRA, has undertaken an array of mitigation measures. Importantly in Q3, APRA has extended the temporary capital treatment for loans that have deferred payments due to the pandemic as well as loans that have been restructured. In order to provide transparency to the broader market, APRA has also required banks to report on their loan deferrals through a new regulatory reporting standard.

Regarding superannuation (government-mandated compulsory savings for retirement), APRA published an FAQ on superannuation pandemic data. The Australian Transaction Reports and Analysis Centre (responsible for financial crime supervision) extended their rule for streamlined customer verification until 31 December 2020 in response to the Australian government's decision to allow individuals to make one-time withdrawals from their superannuation.

APRA updates regulatory approach to loans subject to repayment deferral
Treatment of loans impacted by COVID-19
Financial Sector (Collection of Data) (reporting standard) determination No. 8 of 2020
Rule extended to support COVID-19 early release of superannuation initiative
APRA publishes frequently asked questions on superannuation Pandemic Data Collection requirements

2 Treasury Review of JobKeeper Payment

In June 2020, the Australian treasury initiated an economic support package to subsidise wages for businesses impacted by the coronavirus pandemic called the JobKeeper Payment. In October 2020, the Australian treasury completed a three-month review of the JobKeeper Payment program. The review found that the JobKeeper Payment met its initial objectives: to support business and job survival; preserve employment relationships; and, provide needed income support. However, it noted that the labour market remains weak, with a continued need for macroeconomic support. The Australian treasury notes that an appropriately targeted extension of the JobKeeper Payment would continue to provide assistance to the most affected businesses and support recovery.

The JobKeeper Payment: Three-month review

3 APRA, ASIC, and the Australian treasury release their *Corporate Plans for 2020-21 and beyond*

In August 2020, APRA, ASIC and the Australia treasury released their *Corporate Plans for 2020-21 and beyond*. Unsurprisingly, the key priority for Australian regulators centres on how they can support the long-term recovery of the Australian economy in a sound and prudent manner, whilst maintaining the resilience and stability of our financial system through ongoing supervisory activities.

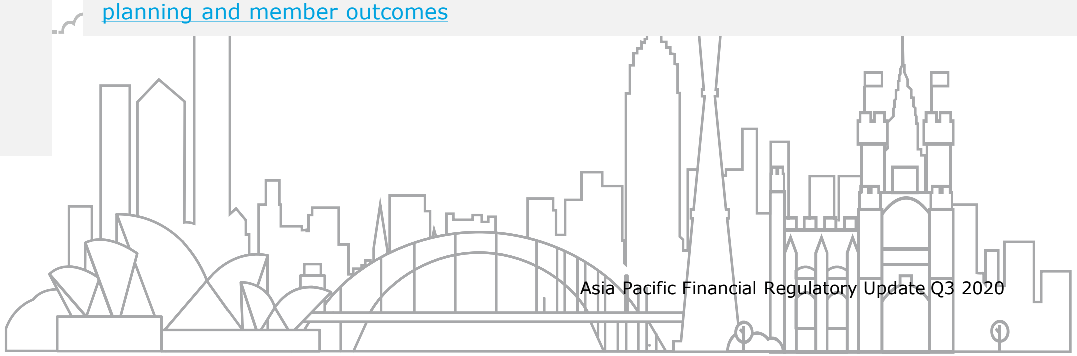
The key focus for the Australian treasury in 2020-21 is centred on how they can support the Government's COVID-19 economic response measures. Longer term priorities include delivery of the next Intergenerational Report, and supporting existing Government initiatives to strengthen Australia's foreign investment review framework, and promote a stronger, more sustainable tax system.

20-202MR ASIC's Corporate Plan 2020-24
APRA 2020-2024 Corporate Plan
Corporate Plan 2020-21 Introduction and statement of preparation

4 APRA's expectations on improving member outcomes

In a letter to industry on 23 July 2020, APRA reaffirmed its expectations that registrable superannuation entity (RSE) licensees continue to focus on improving outcomes for its superannuation members through the implementation of *SPS 515 (Strategic Planning & Member Outcomes),* including the obligation to complete a business performance review (BPR) and an outcomes assessment. In completing the BPR and outcomes assessment, APRA expects RSE licensees to complete an in-depth and robust assessment of the outcomes being delivered, and to consider member outcomes as a key component in the development of future strategic objectives and business plans.

Letter to registrable superannuation entity licensees: Looking ahead - Focus on strategic planning and member outcomes



Australia (2/2)

5 Updated guidance relating to fee and cost disclosure

Following public consultation and an external expert review of the regulatory guide (*RG 97 Disclosing Fees & Costs in PDS and Periodic Statements*), ASIC released updated guidance in September 2020 on how fees and costs should be disclosed, including further clarification on the transition period for compliance with *RG 97*, disclosure of certain fees and costs (such as performance fees and derivative costs), as well as when significant event notices may be required where fees and costs are updated in disclosure.

RG 97 Disclosing fees and costs in PDSs and periodic statements

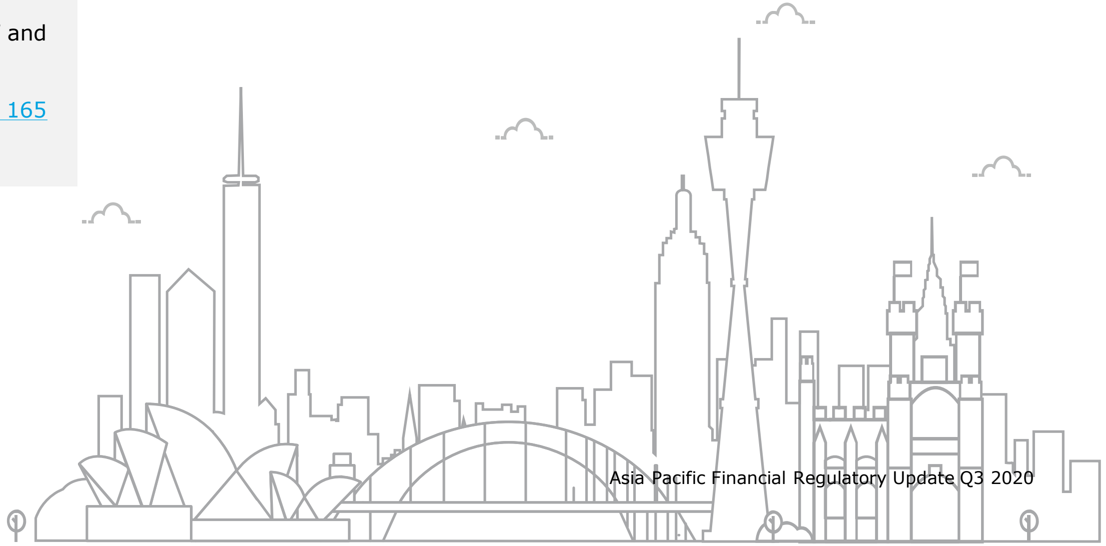
6 Updated guidance relating to dispute resolution

In July 2020, ASIC published the results and response to *Consultation Paper 311*. Following the consultation, ASIC released two updated regulatory guides relating to dispute resolution:

- *RG 165: Internal & External Dispute Resolution* (for complaints received before 5 October 2021); and,
- *RG 271: Internal Dispute Resolution* (for complaints received from 5 October 2021).

Whilst *RG 165* contains only minor revisions, the new *RG 271* adopts a broader definition of complaints, introduces reduced timeframes for responding to complaints, outlines what information must be provided in complaint responses, and gives guidance on the identification and management of systemic issues (including the role of 'front line' staff and boards in this process).

REP 665 Response to submissions on CP 311 Internal dispute resolution: Update to RG 165
RG 165 Licensing: Internal and external dispute resolution
RG 271 Internal dispute resolution



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

Mainland China

1 CBIRC releases *Provisional Rules on Supervisory Assessment of Commercial Banks' Financial Services for Micro and Small Enterprises*

The China Banking and Insurance Regulatory Commission (CBIRC) issued the *Provisional Rules on Supervisory Assessment of Commercial Banks' Financial Services for Micro and Small Enterprises* to improve financial services available to micro and small enterprises (MSEs). The *Rules* set out a mechanism to increase supply and expand the coverage of MSEs and therefore increase the number of first-time borrowers, loan renewals, and credit extension etc.

The *Provisional Rules* are a means to effectively use supervisory tools to guide and urge commercial banks to comprehensively improve financial services for MSEs to alleviate their financing difficulties and lowering the financing costs.

CBIRC Releases the Provisional Rules on Supervisory Assessment of Commercial Banks' Financial Services for Micro and Small Enterprises

2 CBIRC releases *Provisional Rules on Supervisory Rating of Financial Leasing Companies*

The CBIRC recently issued the *Provisional Rules on Supervisory Rating of Financial Leasing Companies* in order to improve the regulatory system of financial leasing companies, strengthen classified supervision, and promote the sustained and healthy development of financial leasing companies.

CBIRC Releases the Provisional Rules on Supervisory Rating of Financial Leasing Companies

3 Benchmark rates

The People's Bank of China (PBC) published a white paper on 31 August 2020 titled *Participating in International Benchmark Interest Rate Reform and Improving China's Benchmark Interest Rate System*. The PBC notes that benchmark interest rates are an important financial market element and a core link in monetary policy transmission. This white paper lays out China's progress and plan as regards international benchmark interest rate reform, summarises current developments within China's benchmark interest rate system, and furthers the study and promotion a sound benchmark interest rate system.

The People's Bank of China Publishes the White Paper Participating in International Benchmark Interest Rate Reform and Improving China's Benchmark Interest Rate System

4 Supplement to China monetary policy report - *Promoting LPR Reform Orderly*

The PBC has been working to reform the loan prime rate (LPR) formation mechanism since August 2019. The PBC notes that the number of banks quoting the LPR has increased (10 to 18), a five year LPR has been introduced, and that the PBC has incorporated the application of LPR in their macroprudential assessment which has led to banks embedding the LPR into fund transfer pricing. The PBC will continue its reforms to the LPR in coordination with its reforms to the benchmark interest rate.

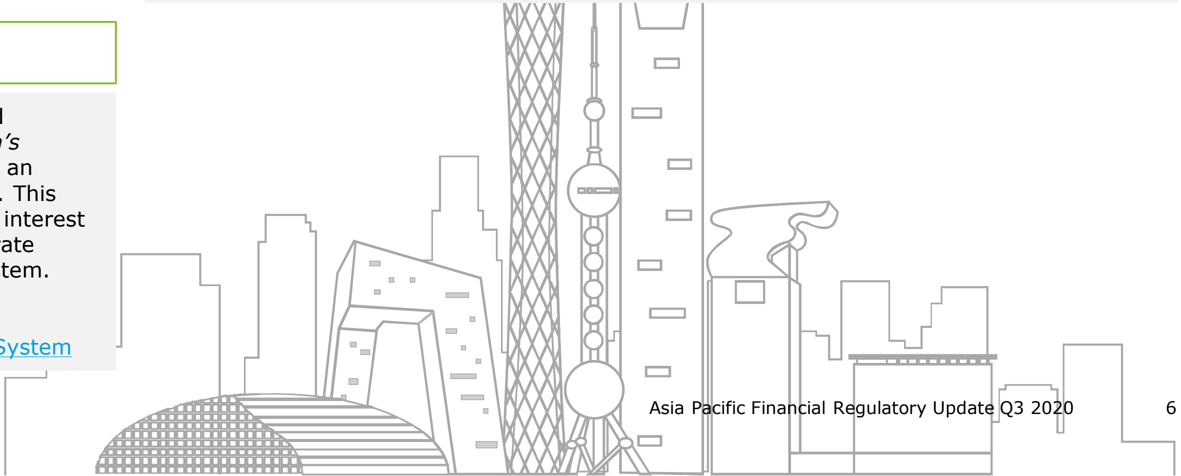
A Supplement to China Monetary Policy Report—Promoting LPR Reform Orderly

5 CSRC and CBIRC jointly release *Rules on Securities Investment Fund Custody Business*

The China Securities Regulatory Commission (CSRC) and the CBIRC jointly revised and issued the *Rules on Securities Investment Fund Custody Business*.

The Rules revisions include four major provisions - that foreign bank branches are allowed to apply for the custody business permit of securities investment funds and use financial indicators from their overseas head offices; regulatory requirements were refined based on current market practices; application materials were simplified and the review/approval procedures were improved; and regulatory requirements for commercial banks and other financial institutions were unified and relevant provisions on the fund custody business of non-bank financial institutions were integrated into said requirements.

CSRC and CBIRC Jointly Release the Rules on Securities Investment Fund Custody Business



Hong Kong SAR (1/2)

1 Anti-money laundering and counter-financing of terrorism

There was a series of releases on AML/CFT in Hong Kong SAR this quarter. Some of the guidance from regulators was in direct response to challenges that financial firms have faced under the COVID-19 pandemic to help firms continue to be resilient in a challenging environment. Other developments in this space were moves to address areas for improvement in Hong Kong SAR's AML/CFT regime.

On 30 July 2020, the Hong Kong Monetary Authority (HKMA) shared their observations and industry practices to assist both Authorized Institutions (AIs) and Stored Value Facility (SVF) licensees in developing sustained efforts to cope with the evolving COVID-19 situation. The HKMA provided guidance on customer onboarding; ongoing customer due diligence, transaction monitoring and screening systems; and, emerging threats and changes in customers' behaviour.

On 18 September 2020, following consultation with the SVF industry, the HKMA published the revised *Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Stored Value Facility Licensees) (AML/CFT Guideline for SVF licensees)* in accordance with section 54(1A)(b) of the *Payment Systems and Stored Value Facilities Ordinance*. The *Guidelines* will take effect on 2 July 2021. This will allow sufficient time for SVF licensees to make preparations to implement the revised AML/CFT guideline that take into account measures already underway by licensees to mitigate risks.

Finally, the Hong Kong Securities and Futures Commission (SFC) launched a three-month consultation on proposals to amend its AML/CFT guidelines. The proposed amendments would facilitate the adoption of a risk-based approach to AML/CFT measures by the securities industry. The amendments also address some areas for enhancement identified in the latest *Mutual Evaluation Report of Hong Kong* published by the Financial Action Task Force (FATF). The amendments also include additional measures which would help mitigate risks associated with business arrangements such as cross-border correspondent relationships.

Coronavirus disease (COVID-19) and Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) measures – An Update (AIs)
Coronavirus disease (COVID-19) and Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) measures – An Update (SVFs)
AML/CFT control measures applied by AIs in response to coronavirus disease (COVID-19)
Amendments to Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Stored Facility Licensees)
SFC launches consultation on anti-money laundering guidelines

2 Climate

On 30 June 2020, the HKMA shared a white paper that notes that practices adopted by major banks to manage climate-related risks observed by the HKMA in a recent study. The paper is an important document as it sets out the HKMA's initial thoughts on green and sustainable banking in four areas – governance, strategy, risk management, and disclosures – as well as their plans to consult and eventually supervise. Green and sustainable banking as well as climate-related risk management are important policy areas for the HKMA and it is likely Q4 and beyond will see further developments in this space.

White Paper on Green and Sustainable Banking

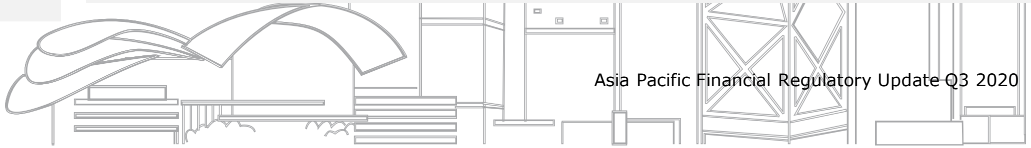
3 COVID-19

Regulators in Hong Kong SAR also extended many mechanisms that have been put in place to deal with the COVID-19 crisis:

- On 5 August 2020, the HKMA requested all AIs to extend the principal payment holiday for trade loans for another 90 days. The Pre-approved Principal Payment Holiday Scheme, effective from 1 May 2020, helped alleviate cash-flow pressure faced by corporates, particularly small and medium sized enterprises (SMEs).
- On 2 September 2020, the HKMA, after discussions with the Banking Sector SME Lending Coordination Mechanism, decided to extend the Pre-approved Principal Payment Holiday Scheme by six months.
- On 4 September 2020, the Insurance Authority (IA) extended phase two of the temporary facilitative measures to obviate the need to conduct face-to-face meetings in order to minimise the risk of infection during the sale process of insurance policies.

In addition to extending the above measures, the HKMA reminded AIs of important investor protection measures amid the volatile markets on 7 August 2020. Regulators in Hong Kong SAR have been responsive to the evolving macroeconomic environment and will likely continue to extend temporary measures as needed.

90-day extension of Trade Loans under the Pre-approved Principal Payment Holiday Scheme
Reminder of Investor Protection Measures
Extension of Pre-approved Principal Payment Holiday Scheme
Extension of Phase 2 of the temporary facilitative measures to tackle the outbreak of COVID-19



Hong Kong SAR (2/2)

4 Regulatory technology adoption

The HKMA has undertaken a number of initiatives over the past few years to promote the use of regtech in Hong Kong SAR – their ultimate goal being to see the wider adoption of innovative technology that will enhance financial firms' risk management practices as well as improve their approach to regulatory compliance.

In Q3, the HKMA announced an upcoming stock-take of the current state of regtech adoption in Hong Kong SAR. The stock-take will involve a series of interviews with AIs that will form the basis of analysis for a white paper to be issued by the HKMA at a later date.

In addition, the fourth issue of the *Regtech Watch*, the HKMA's newsletter that collects practical use cases of regtech in Hong Kong SAR, was released in Q3. This issue looked at the applications of technology for conduct risk management, presenting use cases on – call monitoring; detecting unusual employee behaviour; and finding culture and conduct issues via exit surveys.

Finally, the HKMA release a paper coauthored with Deloitte about technology in AML/CFT. The paper presents the initial findings from its industry survey on the topic – that there is significant potential for technology to help AML/CFT supervision to be more proactive and targeted; that a firm's talent and culture must evolve along with technological advancement; and that there is ample room for greater collaboration across the AML/CFT ecosystem. The final results are expected to be published in a white paper from the HKMA and Deloitte in Q4 2020.

Promoting Regtech Adoption in Hong Kong
Fourth Issue of Regtech Watch
AML/CFT Supervision in the Age of Digital Innovation

5 *Survey on Reform of Interest Rate Benchmarks*

On 10 July 2020, the HKMA updated the latest results of the *Survey on Reform of Interest Rate Benchmarks* and the key milestones that AIs should endeavour to achieve in the transition to alternative reference rates. This guidance is in line with global trends as the end of 2021 remains the target date for the discontinuance of LIBOR.

Reform of interest rate benchmarks

6 Guidance on financial sanctions

Due to recent sanctions imposed by foreign governments on certain persons in mainland China and Hong Kong SAR, the HKMA wrote to explain their expectations on AIs and SVFs to ensure that a distinction is made between targeted financial sanctions applicable under Hong Kong law, and unilateral sanctions imposed by foreign governments. AIs and SVF licensees should carefully assess all risks involved and endeavour to treat customers fairly.

Financial Sanctions (AIs)
Financial Sanctions (SVFs)

7 Supervisory policy updates

In Q3 the HKMA made updates to the *Supervisory Policy Manual.* The updates are in line with guidance from the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) issued earlier this year and in late 2019.

The updates included:

- SPM module LM-1 *Regulatory Framework for Supervision of Liquidity Risk* – to reflect the Basel III liquidity standards
- SPM module LM-1 *Non-centrally Cleared OTC Derivatives Transactions* – to revise the phase-in schedule of initial margin requirements from the BCBS and IOSCO as well as to defer the implantation phases of the risk mitigation standards in line with this updated margin implementation phase-in schedule

Supervisory Policy Manual (SPM):LM-1 "Regulatory Framework for Supervision of Liquidity Risk"
Revised Supervisory Policy Manual (SPM) CR-G-14

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

India (1/2)

1 Alternate pricing option for preferential stock issues

The Securities and Exchange Board of India (SEBI) amended the *SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations)* to provide optional pricing for the preferential issue of frequently traded shares.

The key highlights of the amendment are as follows:

- Companies may opt for pricing of the equity shares to be allotted pursuant to the preferential issue under Regulation 164 or 164B;
- The price of the equity shares to be allotted, pursuant to the preferential issue, shall not be less than the average of the weekly high, and the volume-weighted average price of the related equity shares, which is quoted on the recognised stock exchange during the twelve weeks preceding the relevant date;
- Specified securities allotted on a preferential basis using such pricing method shall be locked-in for a period of three years;
- This pricing method shall be used in case of allotment by preferential issue made between 1 July 2020 and 31 December 2020; and,
- All allotments arising out of the same shareholders' approval shall follow the same pricing method.

Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) (Third Amendment) Regulation, 2020

2 Rescheduling of term loans

The Insurance Regulatory and Development Authority of India (IRDAI) stated that, in respect of term loans, insurers are permitted to grant a moratorium of three months towards payment of installments falling due between 1 Jun 2020 and 31 Aug 2020.

The repayment schedule for such loans, and the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Covid-19 – Rescheduling of Term Loans – Reg.

3 Guidelines on settlement of claims on treatment at 'make-shift or temporary hospitals' as permitted by the government

IRDAI stated that it is important to officially recognise the make-shift or temporary hospitals permitted by the Indian government due to the COVID-19 crisis for the settlement of insurance claims. This will ensure that insurers are able to settle claims as per normal under IRDAI regulations.

Guidelines on settlement of claims on treatment at 'make-shift or temporary hospitals' as permitted by Government

4 Transfer of shares of insurance companies

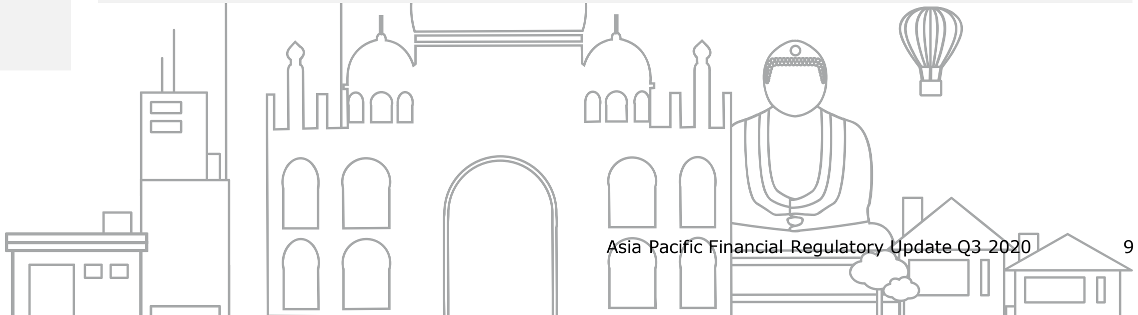
IRDAI clarified issues relating to the transfer of shares of insurance companies including – transfer of shares of more than 1% and up to 5% of paid up capital; transfer of shares above 5% paid up share capital; determination of the extent of a transfer (listed and unlisted companies); pledging of shares; the suspension of voting rights; and, actions for violations and/or non-compliance.

Transfer of Shares of the Insurance Companies

5 Resolution framework of COVID-19 related stress

The Reserve Bank of India (RBI) announced a measure under the current *Prudential Framework for Resolution of Stressed Assets* that would allow for special considerations for borrowers who are under stress due to COVID-19. The measure applies both to qualifying corporate exposures and personal loans. Lending institutions are required to have a Board-approved policy that lays out how evaluations would be carried out, including ensuring that borrows are facing stress from COVID-19.

Resolution Framework for CVOID-19-related Stress



India (2/2)

6 Online dispute resolution system for digital payments

The RBI introduced the Online Dispute Resolution (ODR) system for resolving customer disputes and grievances regarding digital payments.

All authorised Payment System Operators (both banks and non-banks) will be required to implement an ODR system for disputes and grievances by 1 January 2021. Based on this experience, the ODR system will eventually be required to expand to include grievances other than failed transactions.

Online Dispute Resolution (ODR) System for Digital payments

7 Resolution for trustees of mutual funds

SEBI announced that from 1 January 2021 mutual fund trustees will be required to appoint a dedicated officer that has professional qualifications and a minimum of five years of experience in finance or a field related to financial services to provide administrative assistance to trustees.

Resources for Trustees of Mutual Funds

8 Classification of companies as micro, small, and medium enterprises

The RBI introduced new criteria for classifying enterprises as micro, small and medium enterprises, coming into effect from 1 July 2020.

Changes were made to the following areas:

- Classification of enterprises;
- Composite criteria of investment and turnover for classification;
- Calculation of investment in plant and machinery or equipment; and,
- Calculation of turnover etc.

The RBI also advised banks to issue necessary instructions to their branches/controlling offices in this regard as soon as possible.

Credit flow to Micro, Small and Medium Enterprises Sector

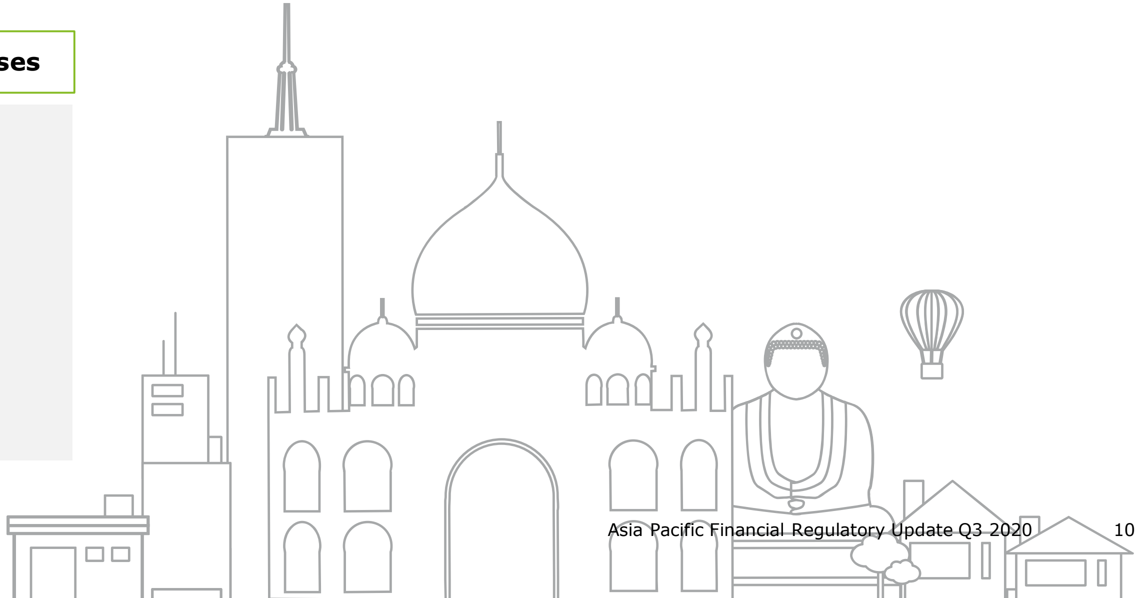
9 Compliance functions in banks and the role of the chief compliance officer

The RBI released guidance to clarify the role of the chief compliance officer (CCO). Currently, all banks are required to have an independent compliance function headed by a CCO selected through a 'fit and proper' assessment process. As this CCO selection process and the role of the compliance function varies between banks, the RBI released supplementary guidance to bring more uniformity within the industry.

The circular came into effect on 11 September 2020. Any new CCO appointment from that date onward shall be governed by the instructions contained in the circular.

If banks already have a CCO, they may follow the indicated processes for selection of CCO within a period of six months, and they are free to reappoint the current CCO if he/she meets all the requirements.

Compliance functions in banks and Role of Chief Compliance Officer (CCO)



Japan

1 JFSA *Priorities for July 2020-June 2021*

In August 2020, the JFSA released their annual supervisory policy document – the *Priorities for July 2020-June 2021*.

The JFSA set out three areas of focus for the coming year in the document:

- To fight against COVID-19 and develop a better post-COVID-19 society
- To make the Japanese financial and capital markets more sophisticated and attractive
- To reform the JFSA itself

In the policy document, the JFSA emphasised that they will continue to monitor financial institutions' monetary support to the economy during the recovery from the COVID-19 pandemic. Then JFSA seeks to promote new forms of finance that will support possible structural transformation within the financial industry and the wider economy. Specifically, the JFSA will look to reform manual based traditional industry practices such as paper-based documentation or in-person communication.

To promote economic recovery and its own structural transformation, the JFSA will look to reform several policy tools such as: to relax regulation of banks' shareholding of non-financial firms; to reform banks' payment systems; and to promote digitalisation of financial industry.

As well, policy areas of priority from before the COVID-19 pandemic, like the development of consumer-oriented business conduct practices and sustainable finance, will continue to receive supervisory attention.

The JFSA, much like many other organisations, is still attempting to draw a clear picture of the post-COVID world. Some key terminology appears in the policy document such as "conduct", "digital", and "reforms", but these topics are more the continuation of or natural extrapolation of existing policies rather than deep revisions. This being said, there are some structural reform considerations reflected in the plan of change for the banking law or for payment reform, which may prompt collaboration and synergy between the banking sector and non-financial sectors.

JFSA priorities for July 2020-June 2021 (English summary)
JFSA priorities for July 2020-June 2021 (Japanese original)

2 Progress report on enhancing the Japanese asset management business

In June 2020, the JFSA released the *Progress Report on Enhancing the Asset Management Business 2020*. The report highlights the JFSA's trend analysis of the asset management business from both domestic and international perspectives, lays out the key challenges identified through interviews with overseas asset managers and dialogues with domestic asset managers, and outlines the course of potential actions going forward.

The JFSA pointed out that the average performance of Japan's publicly offered active investment trusts is not proportionate with the trust fees and other costs. They stated that Japan's asset management businesses need to achieve favourable medium to long term performance by contributing to customers' asset accumulation, and solidify company revenue bases, which will help them maintain the credibility and support from their customers.

Progress Report on Enhancing the Asset Management Business 2020

3 LIBOR transition

In June 2020, the JFSA and the Bank of Japan (BOJ) jointly released a Dear CEO letter to major financial institutions (FIs). The letter requested some FIs to report on (1) their governance framework; (2) the range of potential impacts arising from the permanent cessation of LIBOR, including specific name of IT systems, operational rules and procedures; (3) the contents of the transition plan, (4) the framework for management of the transition; (5) the status of securing and allocating resources; (6) the status of identifying and evaluating conduct risks and measures to mitigate them; (7) the internal policies for preparation in case of an unexpected termination of LIBOR-referenced transactions; and, (8) the disclosure policy for financial statements and investor relationships. The letter also stated that the new products referencing risk free rates will be available in the IT systems by early 2021.

In August 2020, the BOJ's Committee on LIBOR transition released their second consultation paper on the specific conventions of IBOR fallback by asset classes and on the market-wide transition plan. The latter set out the deadline for ceasing LIBOR referencing loans and bonds transitions.

With these releases, the market-wide framework for IBOR transition is now finally complete in Japan, roughly one year after the UK and US. Market players are now increasingly keen to build up their transition plans and its implementation, due to the specific deadline and milestones for the Japanese yen LIBOR transition plan set out by the Japanese regulators.

Taking Actions for Permanent Cessation of LIBOR
Second Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks

Malaysia

1 Banks to provide loan repayment flexibility to borrowers affected by COVID-19

The Bank Negara Malaysia (BNM) referred to the announcement made by Yang Amat Berhormat Prime Minister on measures to provide a targeted extension of the moratorium and repayment flexibility to individuals and small and medium enterprises who continue to be affected by COVID-19.

Banks to provide loan repayment flexibility to borrowers affected by COVID-19

2 Transitional arrangements for regulatory capital treatment of accounting provisions

On 25 September 2020, the BNM issued an exposure draft, which sets out the BNM's proposals on the transitional arrangements for regulatory capital treatment of accounting provisions.

Banking institutions which elect to apply the transitional arrangements are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to common equity tier 1 capital over a four-year period from financial year beginning 2020 or a three year period from financial year beginning 2021.

The proposals are consistent with the guidance issued by the Basel Committee of Banking Supervision on *Regulatory treatment of accounting provisions – interim approach and transitional arrangement* (March 2017) and *Measures to reflect the impact of Covid-19* (April 2020).

Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions

3 Monetary policy in light of COVID-19

On 7 July 2020, the Monetary Policy Committee (MPC) of the BNM decided to reduce the Overnight Policy Rate (OPR) by 25 basis points to 1.75 percent. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 2.00 percent and 1.50 percent respectively. This stance was maintained on 10 September 2020.

Monetary Policy Statement (July)
Monetary Policy Statement (September)

4 Base Rates, BLR and Indicative Effective Lending Rates of Financial Institutions as at 6 August 2020

The BNM recently released the *Guide to Consumer on Reference Rate*, and *Base Rates, BLR and Indicative Effective Lending Rates of Financial Institutions as at 6 August 2020*.

Base Rates, BLR and Indicative Effective Lending Rates of Financial Institutions as at August 2020
Base Rates, Base Lending/Financing Rates and Indicative Effective Lending Rates

Key market events

Regulators have shifted their focus from prudential matters to maintaining the welfare of financial consumers.

In the last quarter, regulators have implemented various measures to ensure that the financial system continues to effectively carry out its function as financial intermediaries in support of economic recovery.

This was portrayed in the provision of a targeted extension of the moratorium and the repayment flexibility to individuals and small and medium enterprises who continue to be affected by COVID-19 by the BNM, and the implementation of temporary revisions to existing market management and control mechanisms by the Securities Commission and Bursa Malaysia – such as the dynamic and static price limits and the circuit breaker – to provide added stability and confidence in the stock marketplace.

From the monetary policy standpoint, the BNM reduced the OPR by 25 basis points to 1.75 per cent. The reduction of the OPR by the BNM aims to provide additional policy stimulus to accelerate the pace of economic recovery.

New Zealand

1 Financial markets (conduct of institutions) amendment bill

On 11 December 2019, the New Zealand government introduced new legislation regulating the conduct of financial institutions, which will impact all financial institutions and consumers. The purpose of the bill is to improve the conduct of financial institutions in respect of services and products provided to consumers. Banks will be required to further demonstrate that they have respect for consumer interests, act transparently, assist consumers to make informed decisions, and ensure that the services and products provided will meet the consumer's needs.

The bill has been through the select committee process on 7 August 2020, and is now awaiting its second reading.

Conduct of financial institutions review

2 Financial action task force mutual evaluation

New Zealand is currently under international review by FATF, which is assessing compliance against international anti-money laundering and countering financing of terrorism (AML/CFT) standards globally.

The mutual evaluation has two primary areas of focus, which examine whether:

- New Zealand's legal framework meets the international AML/CFT standards
- How well New Zealand's AML/CFT system operates in practice

FATF Mutual Evaluations

3 *Financial Services Legislation Amendment Act 2019*

The *Financial Services Legislation Amendment Act 2019* received royal assent on 8 April 2019. The Act introduced four key elements: code of conduct, disclosures, licensing, and fees and levies. This legislative change affects anyone giving financial advice in New Zealand. The changes are designed to improve financial advice for consumers across New Zealand.

The four key elements have differing timelines for implementation; in general, initial compliance with the new regime across the four key elements is required by 15 March 2021, with a two year transition period until 15 March 2023 for areas that require more time to implement.

Navigating Regulation

4 *Deposit Takers Act*

The *Deposit Takers Act* was created during phase two of the *Reserve Bank Act Review*. It will impact both financial institutions and their customers, as well as the Reserve Bank of New Zealand (RBNZ).

The *Act* will look to increase accountability for directors and senior executives of institutions, whereby they can be held personally liable for breaches. It also aims to increase the number of methods that the RBNZ can use to support banks in financial hardship. The depositor protection section of the *Act* is yet to be finalised, but will look to create an insurance method for customers of financial institutions.

The Reserve Bank Act Review

5 Negative interest rates

The RBNZ signalled an impending decrease in interest rates. In a post-COVID-19 environment, the RBNZ may wish to encourage spending to stimulate the economy. Setting the official cash rate at a zero or negative value would require commercial banks to pay for any money they hold in the RBNZ thereby incentivising them to increase their loans to customers and offer lower interest rates.

Supporting the Economy and Financial System in Response to COVID-19

5 International Organization for Standardization 20022

The International Organization for Standardization (ISO) 20022 is a single standardised approach (methodology, process, repository, etc.) that will cause major changes to financial payment systems.

The objective of the new standard for payment systems is to enable communication between financial institutions, their market infrastructure, and their end-user communities.

The RBNZ has been appointed chair of the East Asia-Pacific Central Banks Working Group on Payments and Market Infrastructures for the next two years, leading the way for ISO 20022 adoption.

ISO 20022
RBNZ to lead Asia-Pacific Central Banks working group

Singapore (1/2)

1 Individual accountability and conduct

The Monetary Authority of Singapore (MAS) issued guidelines to strengthen the accountability of senior managers in key functions in financial institutions (FIs) and to promote ethical behaviour in FIs. The guidelines were accompanied by an information paper on good practices in these areas.

MAS issues guidelines to strengthen culture of responsibility and ethical behaviour in the financial industry

2 Continued COVID-19 relief measures

MAS announced measures to enhance the banking system's access to Singaporean dollar (SGD) and US dollar (USD) funding. The new measures will strengthen banking sector resilience, promote more stable SGD and USD funding conditions, and support credit intermediation amid continued economic headwinds from the COVID-19 pandemic.

MAS has urged finance companies incorporated in Singapore to cap their total dividends per share (DPS) for FY 2020 at 60% of FY 2019's level. The finance companies are also encouraged to offer shareholders the option of receiving the dividends to be paid for FY 2020 in scrip in lieu of cash.

MAS has called on locally-incorporated banks headquartered in Singapore to cap their total DPS for FY 2020 at 60% of FY 2019's DPS, and offer shareholders the option of receiving the dividends to be paid for FY 2020 in scrip in lieu of cash. MAS encourages banks to conserve and carefully manage their capital, by exercising restraint in discretionary expenditure and management compensation. The 60% cap on Local Banks' FY 2020 dividends balances the objective of capital conservation with the interests of shareholders.

MAS Enhances Access to Liquidity Facilities to Strengthen Banking Sector Resilience
MAS Calls on Finance Companies to Moderate FY2020 Dividends
MAS Calls on Local Banks to Moderate FY2020 Dividends

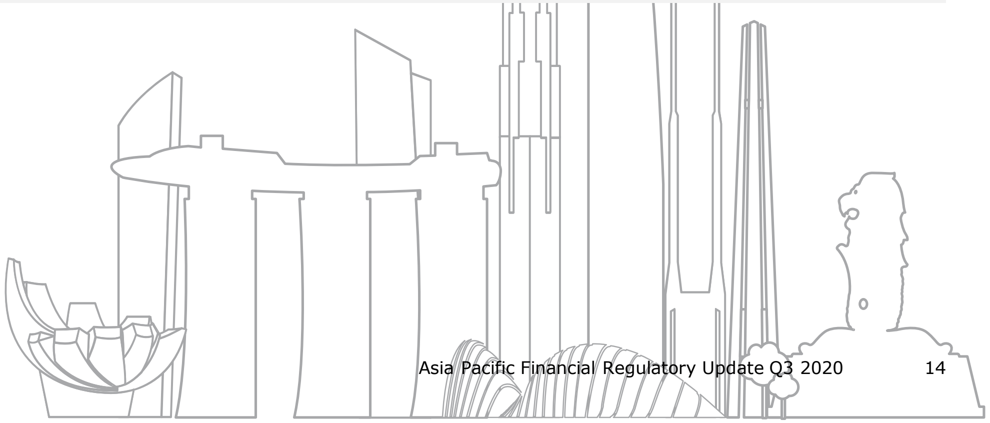
3 Innovation and technology in the financial sector

MAS announced that it will commit S$ 250 million over the next three years under the enhanced Financial Sector Technology and Innovation Scheme (FSTI 2.0) to accelerate technology and innovation-driven growth in the financial sector. FSTI 2.0 also aims to strengthen support for large-scale innovation projects, and build a stronger pipeline of Singaporean talents in FinTech.

In August 2020, MAS announced that MAS, the National Research Foundation and the National University of Singapore will be jointly setting up a research institute that will develop deep capabilities to support the needs of digital financial services in Asia. The Asian Institute of Digital Finance will provide thought leadership and strengthen synergies between education, research and entrepreneurship in the thriving area of digital finance. It is expected to begin operating by the end of this year.
MAS Commits S$250 Million to Accelerate Innovation and Technology Adoption in Financial Sector
New Asian Institute of Digital Finance to Spearhead FinTech Education and Research

4 Fintech research platform

MAS issued a consultation paper proposing enhanced powers to deal with risks that can undermine the financial sector. The proposed new Act will include additional powers to prohibit unsuitable individuals from working in the financial industry, expand the scope of AML/CFT requirements to persons in Singapore who provide digital token services overseas, strengthen the framework for technology risk management, and enhance the effectiveness of dispute resolution.
MAS Proposes New Powers to Enhance Effectiveness in Addressing Financial Sector-Wide Risks



Singapore (2/2)

5 Anti-Money Laundering and Countering the Financing of Terrorism

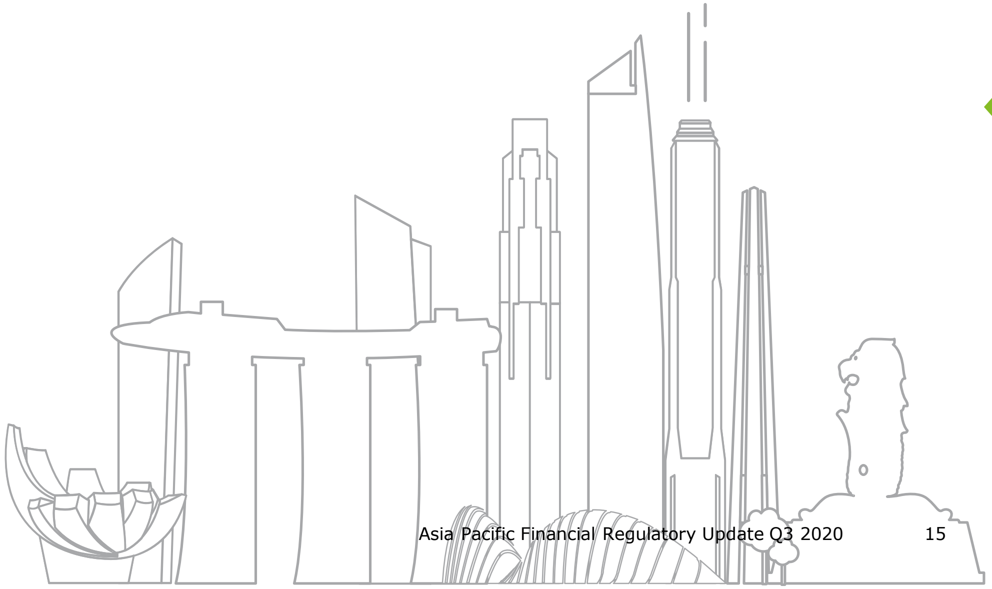
MAS issued guidance that sets out supervisory expectations of effective AML/CFT controls in the private banking industry.

MAS issued an information paper detailing the results of thematic inspections on enterprise-wide risk assessment on money laundering and terrorism financing (EWRA) in 2020. This paper highlights inspection observations and MAS' supervisory expectations of effective EWRA frameworks and processes that financial institutions should benchmark themselves against.

MAS issued guidance that sets out supervisory expectations of sound practices where AML/CFT control functions are outsourced.
Effective AML/CFT Controls in Private Banking
Enhancing Robustness of Enterprise-Wide Risk Assessment on Money Laundering and Terrorism Financing
Strengthening Capital Markets Intermediaries' Oversight over AML/CFT Outsourcing Arrangements

Key market events

MAS announced several initiatives to support the adoption of the Singapore Overnight Rate Average (SORA), which is administered by the MAS. Given SORA's growing importance as a key interest rate benchmark in SGD financial markets, these initiatives aim to catalyse greater activity in SORA markets, safeguard the benchmark's integrity and enhance market confidence in SORA. They complement the industry-led transition roadmap, set out by the Steering Committee for Swap Offer Rate (SOR) transition to SORA, to develop vibrant and robust SORA markets. [Note: SOR will transition to SORA by the end of 2021 and SIBOR will transition to SORA by 2024]
MAS Announces Key Initiatives to Support SORA Adoption



South Korea

1 Initiatives by the Korean New Deal Fund

The South Korean government introduced a Korea New Deal initiative in July, which is aimed at transforming the economy in the post-COVID-19 era. The initiative will require support from both the public sector capital and private sector investment.

The fund looks to accomplish three goals – to provide strong funding support for the New Deal projects; to help to channel enhanced market liquidity to productive sectors; and to make profit sharing from the New Deal investment projects more widely available to the general public.

The Korean New Deal fund is made up of the following three key pillars:
- Launching a KR₩ 20 trillion public sector led Korean New Deal fund
- Promoting New Deal SOC investment funds
- Boosting private sector investments in New Deal projects

Government Unveils Plans for Launching Korean New Deal Fund

2 Strengthen peer-to-peer lending guidelines for investor protection

The Financial Services Commission (FSC) announced that the *Online Investment-linked Finance Act* will take effect on 27 August 2020, strengthening the risk control over the peer-to-peer lending industry.

The new legislation on peer-to-peer lending specifies requirements for business registration, regulations on sales practices, and measures for consumer protection. It provides a crucial turning point to promote sound development of the peer-to-peer lending sector and to bolster investor protection.

Legislation on P2P Lending Takes Effect

3 Promoting the digital finance economy

The FSC announced plans to promote digital finance, which focuses on improving regulations for the digital finance industry, ensuring strong protection for digital finance users, building foundations and infrastructure to facilitate large volumes of digital financial transactions, and strengthening data security to ensure stability in the financial system.

Registration requirements have been relaxed to support innovative businesses, while customer protection and rules of data security has been strengthened.

The amendments to the *Electronic Financial Transactions Act*, along with the financial regulatory sandbox program, and the revisions to the three data-related laws will help improve the regulatory framework on digital finance.

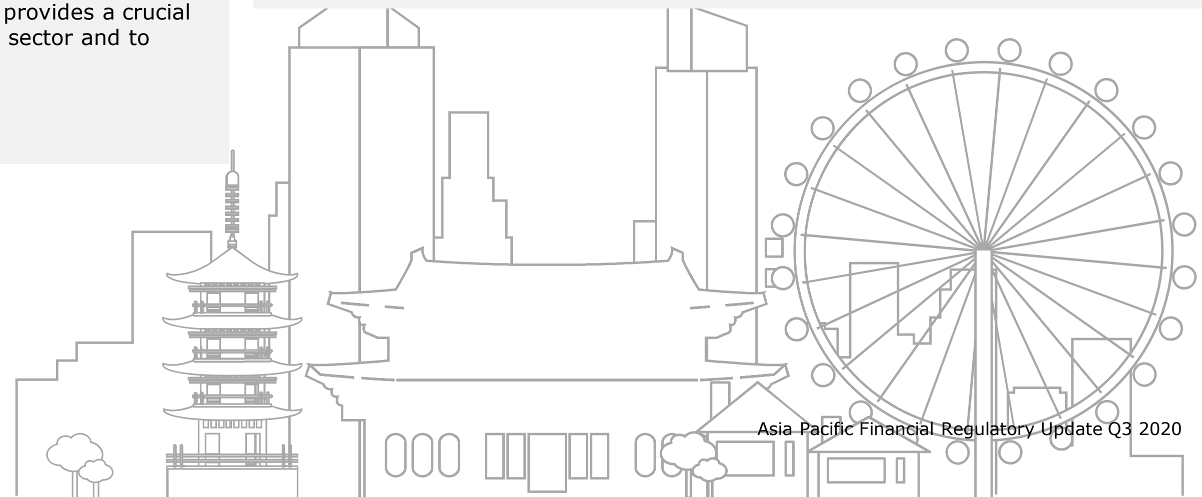
FSC Announces Plans to Promote Digital Finance

4 Extending the ban on short selling for the stock market stability

The FSC extended the temporary ban on stock short sales for six months from 16 September 2020 to 15 March 2021, due to market volatility amid concerns over a resurgence in COVID-19 cases.

The lifting of share buyback limits for listed companies will also be extended during the six-month period.

Temporary Ban on Short Sale to be Extended for Six Months



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

Taiwan

1 Insurance innovation

Insurers have recently applied to conduct a number of business trials involving innovative services. In light of this, the Financial Supervisory Committee (FSC) released amendments to relevant policies on 30 June 2020. The amendments were made in order to create a healthy and competitive environment that: (1) helps businesses to adjust smoothly when their trial periods expire; (2) has products that meet the retirement and insurance protection needs of consumers; and (3) ensures that new product trials by insurers yield the greatest possible benefit to consumers.

FSC amends 3 sets of directions promoting insurance innovation

2 New wealth management regulations

On 7 August 2020 the FSC released the *Regulations Governing Banks Conducting Financial Products and Services for High-asset Customers*. These measures relax regulations on eight financial products and services provided for high net worth customers. These relaxation measures will allow banks to independently develop diversified financial products based on customer demands.

FSC Announced New Wealth Management Regulations to Enhance the Competitiveness of Wealth Management Industry

3 Corporate governance 3.0

The FSC is currently working to strengthen corporate governance in Taiwan. In light of this, they released their *Corporate Governance 3.0 – Sustainable Development Roadmap* on 25 August, 2020, which was based, in part, on a series of industry working sessions held earlier in the month.

The *Roadmap* centres on the following five action areas: (1) strengthening the duties and function of the Board to enhance the sustainable value of enterprises; (2) enhancing information transparency and promoting sustainable operations; (3) strengthening communication with stakeholders and creating effective interaction channels; (4) encouraging stewardship and alignment with international norms; and, (5) deepening a corporate culture of sustainable governance and the provision of diversified products.

FSC launches Corporate Governance 3.0 - Sustainable Development Roadmap

4 Financial cyber security action plan

On 6 August 2020, the FSC published the *Financial Cyber Security Action Plan* to strengthen the cyber defense capabilities of financial institutions and achieve secure, convenient, reliable, and resilient financial services for customers. The *Plan* is expected to serve as a guide for financial institutions as they work to build up their cyber defense capabilities.

FSC implements the "Financial Cyber Security Action Plan" in pursuit of secure, convenient, reliable and resilient financial services

5 Interest rate risk in the banking book (IRRBB) standards

On 6 August 2020, the FSC asked the Bankers Association of the Republic of China to inform domestic banks that they will be expected to comply with *The Standard of Interest Rate Risk in Banking Book* issued by the Basel Committee on Banking Supervision in April 2016.

The standards will strengthen the ability of domestic banks to withstand the risks associated with the possibility of sharp interest rate volatility and bring Taiwan more in line with international practices.

FSC will implement BCBS standard for IRRBB from 2021

Key Market Events

On 10 and 12 August 2020, the FSC held award ceremonies to recognise banks and insurers that have performed well in implementing the *Treating Customers Fairly Principles*. The FSC's Chairperson, Tien-Mu Huang, personally presided over the ceremonies and handed out awards to banks and insurers.

FSC holds 2020 ceremony to recognize banks and insurers that have performed well in implementing the Treating Customers Fairly Principles

Contact

Executive Sponsor

Akihiro Matsuyama
Executive Sponsor
RA AP Regulatory and Legal Support Leader
amatsuyama@deloitte.com.hk
+852 28521287

Co-leads

Nai Seng Wong
SEA Co-lead
Executive Director
SEA Regulatory Strategy Leader

nawong@deloitte.com
+65 68002025

Mike Ritchie
Australia Co-lead
Partner, RA FSI

miritchie@deloitte.com.au
+612 93223219

Jessica Namad
China Co-lead
Director, RA FSI

jnamad@deloitte.com.hk
+852 22387892

Shiro Katsufuji
Japan Co-lead
Director, RA FSI

shiro.katsufuji@tohmatsu.co.jp
+81 7064737748

Support

Holly Allison Long
Manager
Coordinator

hollong@deloitte.com.hk

Siddharth Agarwala
Senior Consultant
Contributor

siagarwala@deloitte.com

Jaramie Nejal
Senior Manager
Contributor

jnejal@deloitte.com.au

Richard Crawley-Boevey
Specialist Master
Contributor

rcrawley-boevey@deloitte.com.au

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