

FSC's Measures to Mitigate the COVID-19 Impact

April, 2020

The specific epidemic prevention actions we have taken domestically include the following:

Government Efforts

We acted early in setting up the Central Epidemic Command Center (CECC), and granted it significant powers to act as it sees fit.

1. We are working with our different ministries to ensure that they coordinate properly in carrying out contact tracing and isolation of cases, increasing production of critical materials, and getting them properly distributed;
2. We have adopted fiscal stimulus packages to support businesses impacted by the pandemic.
3. For transparency, we are holding a daily press conference to brief the public on the real situation both at home and around the world. The CECC has also been educating the public how to protect themselves.
4. We have taken steps to enhance international cooperation. For example, we have signed a joint statement of intent with the US to establish a new partnership to fight together against COVID-19 and exchange critical medical supplies. In addition, we are also working to make available key medical supplies, especially to the medical personnel on the frontline, in the hardest hit countries. Medical masks from Taiwan have been donated to Europe, the US, and some New-Southbound-Policy countries.

Response Measures of the FSC

Different countries have taken a wide range of measures to fight COVID-19. Measures aimed at financial markets, for example, have included financial institution business continuity plans, flexible work schedules, and electronic trading. Measures aimed at borrowers have included interest rate reductions, emergency relief (especially for small and medium enterprises), and rescheduling of principal and interest payments. Other measures include

easing of financial reporting deadlines for listed companies, allowing for greater flexibility in the methods employed for holding board meetings and shareholder meetings, and a prohibition on short selling. Financial market measures adopted by Taiwan are in line with those taken by major Western nations. Measures targeted to the needs of companies and individual members of the public are summarized as follows:

1. Banking sector

The Central Bank has cut interest rates and provided special refinance facilities, while the FSC has asked banks to support the government's policy of providing relief measures for corporate borrowers, loan deferrals, reduced interest rates, and debt workouts for individual borrowers. Related measures include the following:

(1) Bank support for the government's economic relief measures: The FSC has asked banks to act as quickly as possible to support the special relief programs adopted by various Cabinet agencies by amending their internal operating rules to facilitate rapid processing of paperwork, and by instituting electronic procedures to improve efficiency.

(2) Loan deferrals and interest rate reductions:

I. On 22 March 2020, the Executive Yuan announced measures to support interest rate reductions and deferral of personal loan repayments by state-run banks. On 24 March, the FSC invited private banks to a meeting to discuss measures that banks will be expected to take to accommodate the needs of customers affected by the pandemic. During the meeting, private banks were asked to cut interest rates for personal loans, and to base their rate cuts on similar cuts required of state-run banks.

II. Central Bank's NTD 200 billion (USD 6.5 billion) special refinancing program: With respect to new loans by banks to small and medium businesses for which the Small and Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG) guarantees 90% or more of the loan, such guarantees may only cover up to NTD 2 million (USD 0.65 million) per

borrower, and the maximum interest rate that a bank may charge for such loans is limited to no more than 1%. For loans that are not guaranteed by the SMEG but are instead secured by collateral obtained by the lender, the lending rate is limited to no more than 1.5%. This program was launched on 1 April 2020, and will run for one year.

(3) Debt workouts for individual borrowers:

To get banks to provide assistance to customers experiencing loan repayment difficulties due to the COVID-19 pandemic, the FSC on 14 February 2020 invited the ROC Bankers Association and some of its member banks to a meeting to discuss a debt workout mechanism for individual borrowers. This debt workout mechanism includes the following measures: credit card holders are allowed to apply for a deferral of 3 to 6 months on the repayment of outstanding credit card debts, and during the deferral period banks will not charge default penalties or additional revolving interest; and other persons having difficulties repaying principal and/or interest may apply for a rescheduling of 3 to 6 months, during which time they will not be charged default penalties or default interest.

(4) Credit histories:

During the period of a loan deferral or loan rescheduling, under the terms of the debt workout agreement, the debtor is not required to repay principal or interest. Until the obligation comes due it will not be treated as a bad debt, and an instance of late payment will not be included in the debtor's credit record.

(5) The FSC will closely monitor the pandemic and coordinate with the relief programs of other authorities. At the same time, the FSC will also oversee the efforts of individual financial institutions to support those relief programs by granting relief loans to corporate borrowers.

2. Securities markets

In order to maintain orderly and stable securities markets, the FSC has issued press releases to encourage listed companies to attend investor conferences

and carry out stock buybacks. In addition, for a three-month period beginning 19 March 2020, the FSC has revised the cap on total SBL short sale volumes during trading sessions, and has also expanded the range of eligible collateral that may be posted to meet margin calls. The FSC also announced on 19 March that whenever the market closes up or down by 3.5% or more on any given trading day, short selling will not be allowed on the following day at or below the previous day's closing price.

3. Insurance sector

The FSC is currently coordinating with an Executive Yuan relief program by studying the feasibility of lowering the standard for minimum rental income on real estate. Lowering the standard would make it easier for insurers to offer lower rental fees to hotels and other business establishments, thus contributing to the economic relief effort.

The FSC has agreed that prior approval rules will not apply to product reviews for new health insurance products for which the only new feature is a shortened or eliminated waiting period for coverage of notifiable infectious diseases. In addition, the FSC will continue to oversee efforts by insurers to provide policyholder services, claim adjustment services, and other measures designed to benefit the public, and will encourage insurers to provide the types of insurance products needed by health workers on the frontline of the fight against the pandemic.

Conclusion

The FSC will continue to observe the future course of the pandemic, as well as the monetary and fiscal policies pursued by other jurisdictions and the possible effects thereof. The FSC will also take timely supervisory action to respond to changing financial market conditions both at home and abroad, will oversee the efforts of financial service providers to stay financially sound, and will support the fight against the pandemic in order to ensure a sound financial industry and stable financial markets.

The FSC is also willing to cooperate with other regulators either on the bilateral level or through multi-lateral platform to maintain the stability and integrity of global financial system.