

FSC's Latest COVID-19 Measures (as of June 4, 2021)

The FSC, working with relevant ministries and the financial industry, has adopted relief and support measures to help individuals and enterprises to confront COVID-19. The FSC's Banking Bureau, Securities and Futures Bureau, Insurance Bureau, and Financial Examination Bureau have taken numerous measures to mitigate the impact of COVID-19.

Below are the measures taken by each of the FSC's bureaus, and details can be found in each bureau's press releases.

I. Banking Bureau:

In response to the COVID-19 pandemic, the Financial Supervisory Commission (FSC) has asked banks to follow instructions from the Central Epidemic Command Center (CECC). Banks have supported the government's economic relief measures and acted as quickly as possible to support the special relief programs adopted by various Cabinet agencies to facilitate rapid processing of paperwork, and by instituting electronic procedures to improve efficiency. These efforts by the banks are expected to minimize the adverse impacts on the industries.

(I) Pandemic prevention measures:

The FSC has adopted the following measures to fight the pandemic and to facilitate business continuity at financial institutions:

1. The CECC announced the national Level 3 COVID-19 alert on 20 May 2021. The fees for on-line account transfers have been waived, and the fees for transfers via physical ATM have been reduced by NT\$2. The FSC has encouraged on-line financial transactions to avoid face-to-face transactions.
2. Banks are urged to offer alternative financial products and services that will decrease staff member off-site visits and the number of customers conducting service counter transactions. For in-person transactions for which supporting documents are required by law to be furnished immediately, banks could adopt alternative solutions after proper

authorization. Meanwhile, banks should set up a revised mechanism (such as transaction reviews and a verification process) to confirm the authenticity of transaction instructions. In compliance with the above principles, when a bank adopts an alternative solution as described above, this fact will not be mentioned in the FSC's examination comments.

3. Given employee safety and client rights and interests, each financial institution can apply to flexibly adjust business schedules and service types conducted in physical presence.
4. During the pandemic, banks should decrease or stop off-site visits by employees. Furthermore, banks should revise their business objectives and performance evaluation criteria so that staff members do not need to take higher health risks due to sales pressures.
5. The head offices of banks should provide their employees vital assistance and protection measures with proper human resource allocations, sufficient supplies and correct guidelines.

(II) Relief programs

Amendments to Articles 11 and 19 of the Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens entered into force on May 31, 2021. The government has worked to control COVID-19 and protect people's health while assisting businesses and individuals in need. The Special Act has been extended another year to June 30, 2022, with the special budget ceiling raised to NT\$840 billion (US\$30.3 billion).

1. For corporates:

The FSC has closely monitored the pandemic and coordinated with the relief programs of other authorities. At the same time, the FSC will continue to encourage financial institutions to support those relief programs by granting relief loans to corporate borrowers. The relief programs have been offered since Jan. 15, 2020.

2. Debt workouts for individual borrowers:

To encourage banks to provide assistance to customers experiencing

loan repayment difficulties due to the COVID-19 pandemic, the FSC 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:

- (1) 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.
- (2) The debt workout mechanism has been extended from June 30 to Dec. 31, 2021.
- (3) 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.

II. Securities and Futures Bureau:

In response to the COVID-19 pandemic, the FSC is implementing the following measures to ensure the capital market works normally:

- (I) The public:
 1. The FSC encourages investors to use digital services (e.g., the Internet, telephone or voice mail) to execute trading orders instead of making physical visits to securities and futures firm's business premises or offices.
 2. To prevent COVID-19 clusters from being caused by the holding of physical shareholders' meetings, the FSC has reported to the Central Epidemic Command Center ("CECC") for approval, and announced on 20 May 2021, that all public companies shall be required to suspend the

convening of shareholders' meetings during the period from 24 May to 30 June 2021.

3. To reduce the risk that clusters might be caused by shareholders appearing in person to collect shareholders meeting souvenirs, the FSC issued a press release on 1 June 2021 to urge public companies to postpone the distribution of souvenirs until COVID-19 is under control if the operation merely involves on-site delivery of souvenirs to shareholders (including shareholders participating in e-voting). However, if there is an explicit need to make the distribution, pandemic prevention measures shall be adopted at all venues for (1) the distribution of shareholders' meeting souvenirs, or (2) solicitation of proxies for public companies in compliance with the applicable pandemic prevention rules of the competent pandemic prevention authority, Taiwan Centers for Disease Control, and of the local governments where the distributions or solicitation venues are located.

(II) Public companies:

1. Loosening of requirements for IPO applications during the COVID-19 pandemic: To help enterprises successfully float shares and raise funds through capital markets, the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEX) have extended the listing deadline (from 6 months to 9 months) for companies that signed listing contracts before the end of 2020. Furthermore, the profitability requirements for companies applying to list on the TWSE or TPEX in 2021 have also been loosened. (For companies applying to conduct an IPO on the TWSE, the requirement for profitability over the previous three fiscal years has been reduced from NT\$250 million to NT\$150 million, and the requirement for profitability of NT\$120 million in the most recent fiscal year has been replaced by a non-quantitative requirement. For companies applying to conduct an IPO on the TPEX, the requirement that profitability for the most recent fiscal year must exceed that for the immediately preceding fiscal year has been removed.)
2. In response to COVID-19, the FSC has reminded auditors that they

should consider risks and maintain due professional care to assess whether to conduct remote auditing to obtain sufficient and appropriate audit evidence.

3. If public companies are unable to file second-quarter 2021 financial reports on time due to the pandemic, they may apply for the FSC's approval to extend the filing deadline.

(III) Securities and futures firms:

1. Securities and futures firms are required to appoint a supervisor to lead their epidemic prevention efforts and liaison with regulators. They are also required to immediately notify the FSC of possible or confirmed COVID-19 cases on the premises.
2. The FSC has sent a letter to all securities and futures associations instructing them to inform their member companies that they should implement relevant epidemic prevention measures and contingency management mechanisms, and follow the guidelines and instructions issued by the CDC. In addition, to prevent the spread of the epidemic, securities and futures firms should regularly disinfect their business premises, implement crowd control, wear masks, maintain social distance, and cooperate with the adoption of a name-based tracing system or a real contact system.
3. The TWSE and the Taifex each reported a set of COVID-19 business continuity measures (for securities firms and futures firms, respectively) to the FSC on March 9th, 2020.

Based on these measures, securities and futures firms with Business Continuity Plans (BCPs) in place are allowed to activate the plan and operate business from their BCP sites after filing for recordation with the TWSE and the Taifex.

4. The TWSE and the Taifex have reported the "Guidelines for Securities Firms Applying for Permission to Implement 'Work From Home' Arrangements in Response to Severe and Special Infectious Pneumonia" and "Guidelines for Futures Firms Applying for Permission to Implement 'Work From Home' Arrangements in

Response to Severe and Special Infectious Pneumonia" to the FSC, and then issued their respective guidelines. The guidelines include guidance on client data protection, cyber security, and conflict of interest prevention for securities and futures firms implementing working from home, and the securities and futures firms may apply to the TWSE and the Taifex for permission to implement "work from home" arrangements in accordance with the guidelines.

5. The Securities Investment Trust & Consulting Association (SITCA) has adopted a set of "Guidelines for SITEs and SICEs Applying for Permission to Implement 'Work From Home' Arrangements in Response to Severe and Special Infectious Pneumonia". The Guidelines set out various measures and cybersecurity arrangements that SITEs and SICEs must take to ensure proper WFH oversight, prevent conflicts of interest, and deal with violations.
6. In order to avoid the suspension of on-the-job training courses for practitioners in the securities and futures sectors, which may prevent such practitioners from completing required training on schedule in accordance with regulations, the FSC has extended training completion deadlines to one year after the date on which training institutions resume normal operations.

III. Insurance Bureau:

In response to COVID-19 and to mitigate its impact, the FSC urged insurers to plan and implement relevant measures in accordance with instructions from the Central Epidemic Command Center (CECC), so as to ensure business continuity, satisfy policyholders' needs for insurance protection and services, and provide them with care and assistance.

- (I) Supervision of insurers' health and safety measures
 1. Require insurers to appoint a chief epidemic officer to oversee precautionary measures and prohibit their staff members from unnecessary overseas travel to ensure workplace safety.
 2. Advise insurers to initiate response measures and allocate their

workforce into different modes, such as work-from-home, work off-site or distributed work.

3. Enhance disinfection at workplaces, provide alcohol-based hand sanitizer, set up rules of conduct regarding such matters as the taking of temperature and wearing of masks. Personnel with a fever or not wearing a mask are prohibited from entering insurance firms.
4. Observe the health condition of staff members, and immediately report major incidents if personnel (including their families/ roommates or those had contact with confirmed cases) are COVID-19 confirmed or should be isolated or home quarantined.
5. Cancel nonurgent meetings or hold them virtually instead.

(II) Strengthen operational and business continuity in the insurance sector

1. Referring to BCM guidelines in the UK and the US, and local guidance released by the CECC, insurers should incorporate their preparedness for containing COVID-19 into their BCPs. The FSC was informed by the life and non-life associations of amendments they made to their jointly adopted “Contingency Measures for Insurers' BCM and Emergency Response Programs.” Accordingly, the FSC requires insurers to ensure business continuity and resilience through certain management procedures and strategies to reduce the risk of business disruption.
2. To ensure BCM and meet the needs of policyholders for multiple insurance protections and services, the FSC completed recordation of certain temporary principles and operational directions put forth by the aforementioned associations, so as to provide alternatives to solicitation activities in terms of physical meeting and signature, as well as hard copy submissions. As such, during the COVID-19, the processes of solicitation, underwriting, preservation, claim settlement could be facilitated by means of e-mail, photo, scan and upload, fax, etc. This allows reduction of in-person contact, and further improves health and safety for both policyholders and staff members.

(III) Policyholder services and relevant user-friendly measures

1. Policyholder service: Supervise insurers to publish user-friendly measures on their official website, such as the provision of deferred payment of renewal premiums, extension of interest on policy loans, and acceptance of business applications by fax.
2. Single service window: Customers could use each company's service hotline to apply for preferential measures such as deferred payment of premiums, settlement of claims, and policy loans.
3. Twice revised the "Standards Governing the Determination of What Constitutes a New-Type Life Insurance Product" and approved the statutory infectious disease payment clause submitted by the life insurance association, to speed up the procedure for launching anti-pandemic insurance products on the market.
4. Approved comprehensive insurance products for vaccination, providing insurance protection against risks caused by vaccination.
5. Allowed statutory infectious disease comprehensive insurance to be sold online: The FSC amended item 6 of the "Directions for Insurance Enterprises Engaging in Online Insurance Business", permitting non-life insurers to conduct online underwriting of the main contract of "comprehensive insurance for statutory infectious diseases" (including payment of fees and medical benefits) to reduce the risk of in-person contacts while satisfying consumers' needs for insurance protection.
6. In response to various questions regarding claims arising during the pandemic, such as hospitalization insurance payments without hospital admittance, the aforementioned associations discussed flexible procedures and published an FAQ on their websites.
7. Adopted temporary measures to assist property renters adversely affected by COVID-19: For insurers that offer rent deferral, extension, and rent reduction for tenants affected by the pandemic, if this assistance causes the insurers to fail to meet the requirements (e.g. standards regarding occupancy rate and yield rate) of the "Standards and Handling Principles for Determining What Constitutes Real Estate that Can Be Used Immediately With Reasonable Benefit," the FSC has adopted temporary

measures to exempt insurers from these Standards, provided that they apply for and receive special approval.

IV. Financial Examination Bureau:

In reaction to the impact of COVID-19, the Financial Examination Bureau (FEB) has taken the following measures to alleviate the supervisory burden for financial institutions. The FEB will adjust the 2021 financial examination plan and practices, prolong the deadline for financial institutions' supervisory information reporting, and provide financial institutions the flexibility to adjust their internal auditing plan and practices. Regarding the adjustment on internal auditing issue, please refer to FAQs regarding Audit Information on the FEB website.

- (I) Adjustment to Financial Examination Plan and Practices
 - 1. Adjustment to 2021 Financial Examination Plan
 - (1) Examinations will be conducted on risk-based approach and will focus on major businesses and the management of the business continuity plan.
 - (2) In considering the development of COVID-19 and the business operation as well as labor reallocation in the financial institutions, the FEB will reduce the number of examined institutions and increase the working days for each examination to alleviate the supervisory burden for financial institutions.
 - 2. Off-site Examinations
 - (1) Pre-Examination: Examined institutions can upload the requested documents and information through the FEB's Examination Checklists System.
 - (2) In-Examination: Examiners will review documents in the FEB's office and contact institutions by email or telephone.
 - (3) Post-Examination: Basically there will be no exit meeting after the examination. The findings will be informed through email, telephone or video conference.
 - (4) No examination fee will be charged for the off-site examinations.
- (II) Adjustment to Financial Institutions' Supervisory Information Reporting:
The Deadlines for Supervisory Information Reporting have been extended
 - 1. Financial institutions may apply, by formal letter or email, to extend the deadline for Examination Corrective Plan for 1 month at most.
 - 2. The deadline for periodic financial supervisory reporting by banks and

bill finance companies has been extended by 5 days, from the 15th of every month to the 20th.

(III) Adjustment to Financial Institutions' Internal Auditing Plan and Practices

1. Adjustment to Financial Institutions' Internal Auditing Plan and Practices

- (1) Financial Institutions can adjust the 2021 Internal Auditing Plan to change the sequence or timeline if it is needed.
- (2) The auditing approach for domestic branches or units could be adjusted in considering the effectiveness of internal control, function of internal auditing and the safety of auditors.
- (3) The auditing for overseas branches and subsidiaries can be conducted by off-site approach.

2. The FEB has set up the "FAQ on Internal Audit for COVID-19" on its website for reference.