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Regulatory and legal changes affecting Singapore's financial industry in response to COVID-19

Report

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On 31 March 2020, MAS, together with the Association of Banks in Singapore (ABS), the Life Insurance Association, the General Insurance Association and the Finance Houses Association of Singapore (FHAS), announced a package of measures to ease the financial strain on SMEs and individuals caused by COVID-19. On 7 April 2020, MAS announced adjustments to its regulatory and supervisory programmes to enable financial institutions (FIs) to focus on dealing with issues related to the COVID-19 pandemic and to support their customers. A second package was announced on 30 April 2020 to support individuals facing financial challenges. In view of the wide array of measures that have been implemented, this report summarises the major regulatory and legal changes affecting the financial industry in response to COVID-19.

Regulatory and legal changes affecting Singapore's financial industry in response to COVID-19

1 INTRODUCTION

1.1 COVID-19'S IMPACT ON SINGAPORE

The COVID-19 pandemic has resulted in significant challenges to the business and economic climate in Singapore. Globally, strict public health measures such as lockdowns and border controls have been implemented to curtail the spread of the virus. Singapore's economy has experienced both demand- and supply- shocks due to such restrictions. A global recession will lead to a sharp drop in external demand for goods and services produced in Singapore. On the supply-side, widespread curtailment of economic activity has caused global supply chain disruptions, which have in turn affected business operations in Singapore.[1] Against this backdrop, the Monetary Authority of Singapore (MAS) noted that Singapore's financial services industry will be affected by the general slowdown in business activity and investment.[2] Decisive action is required to cushion the economic impact of COVID-19 on different stakeholders such as Singapore's financial industry, SMEs, companies listed on the Singapore Exchange and individuals.

1.2 SCOPE OF REPORT

On 31 March 2020, MAS, together with the Association of Banks in Singapore (ABS), the Life Insurance Association, the General Insurance Association and the Finance Houses Association of Singapore (FHAS), announced a package of measures to ease the financial strain on SMEs and individuals caused by COVID-19. On 7 April 2020, MAS announced adjustments to its regulatory and supervisory programmes to enable financial institutions (FIs) to focus on dealing with issues related to the COVID-19 pandemic and to support their customers.[3] A second package was announced on 30 April 2020 to support individuals facing financial

[1] For an in-depth analysis on the demand- and supply-side shocks to Singapore's economy, see Christopher Saw, Jonathan Lin and Wong Yu Jie, '*Impact of the COVID-19 Pandemic on the Singapore Economy*' (Economic Survey of Singapore First Quarter 2020, MTI) <https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2020/Economic-Survey-of-Singapore-First-Quarter-2020/FA_1Q20.pdf>.

[2] MAS, 'MAS Monetary Policy Statement – April 2020' (30 March 2020) <https://www.mas.gov.sg/news/monetary-policy-statements/2020/mas-monetary-policy-statement-30mar20>.

[3] MAS, 'MAS Takes Regulatory and Supervisory Measures to help FIs Focus on Supporting Customers' (7 April 2020) <https://www.mas.gov.sg/news/media-releases/2020/mas-takes-regulatory-and-supervisory-measures-to-help-fis-focus-on-supporting-customers>.

challenges. In view of the wide array of measures that have been implemented, this report summarises the major regulatory and legal changes affecting the financial industry in response to COVID-19.

2 MEASURES AFFECTING FINANCIAL INSTITUTIONS

2.1 ADJUSTMENTS TO REGULATORY AND SUPERVISORY PROGRAMMES ENABLING BANKS TO COPE

2.1.1 Adjusting capital requirements for banks

Post-Global Financial Crisis of 2007-2008, the Basel Committee on Banking Supervision (BCBS) developed a package of reforms known as Basel III. Basel III is targeted at mitigating systemic risk in the financial sector by introducing two buffers applicable to banks: the capital conservation buffer and the countercyclical capital buffer. The capital conservation buffer was introduced to ensure that banks have an additional layer of usable capital that can be drawn down when losses are incurred.[4] It must be met only with Common Equity Tier 1 (CET1) capital, and it is established above the regulatory minimum capital requirement. The countercyclical capital buffer (CCyB) aims to protect the banking sector from periods of excess aggregate credit growth by requiring authorities to adopt an internationally consistent common buffer guide based on the aggregate private sector credit-to-GDP ratio.[5] This buffer is drawn down during economic downturns to ensure that banks are able to maintain the flow of credit in the economy. The MAS requires Singapore-incorporated banks to meet a CET1 capital adequacy ratio (CAR) of 6.5%, Tier 1 CAR of 8% and Total CAR of 10% from 1 January 2015. These standards are higher than the Basel III minimum requirements of 4.5%, 6% and 8% for CET1 CAR, Tier 1 CAR and Total CAR, respectively.[6]

Considering the COVID-19 crisis, the MAS has actively encouraged banks to utilise their capital buffers, where appropriate, to support lending activities. To facilitate banks' use of capital buffers, adjustments have been made to capital and liquidity requirements for banks. On 31 March 2020, the MAS issued a revised MAS Notice 637[7] on risk-based CAR requirements for banks incorporated in Singapore. MAS Notice 637 sets out the minimum CAR

[4] BIS, 'The capital buffers in Basel III – Executive Summary' (28 November 2019) <https://www.bis.org/fsi/fsisummaries/b3_capital.htm>.
[5] ibid.
[6] MAS, 'MAS Strengthens Capital Requirements for Singapore-incorporated Banks' (28 June 2011) <https://www.mas.gov.sg/news/media-releases/2011/mas-strengthens-capital-requirements-for-singapore-incorporated-banks>.
[7] MAS Notice 637 is issued pursuant to sections 10(2), 10A(1), 10B(1) and 65(2) of the Banking Act (Cap. 19) and applies to all locally incorporated full banks and wholesale banks.

for banks incorporated in Singapore, and the methodology utilised for calculating such ratios. The insertion of paragraphs 6.3.1AA and 6.3.1AB and amendments to Table 11B-2 of MAS Notice 637 allow full recognition of balances in regulatory loss allowance reserve accounts[8] (RLAR) as Tier 2 Capital[9] effective from 31 March 2020 until 30 September 2021. As part of lenders' loss allowances, RLAR was previously granted limited recognition as Tier 2 Capital. The amendments made to MAS Notice 637 are targeted at enhancing lenders' capacity to alleviate the impact of COVID-19 on the financial industry.

2.1.2 Deferring the implementation of Basel III reforms

MAS will defer by one year the implementation of the final set of Basel III reforms for banks in Singapore. This is in line with the BCBS announcement to delay the internationally agreed start date for revised Basel III standards.[10] The MAS recognises that the implementation of revised standards will require banks to make significant operational adjustments. Hence, this deferment will enable banks to channel their resources to tackle current challenges arising from COVID-19.

MAS will defer to 1 January 2023 the implementation of revised standards for:

a. credit risk, operational risk, leverage ratio, output floor and related disclosure requirements (with the accompanying transitional arrangements for the output floor extended to 1 January 2028); and
b. market risk and credit valuation adjustments for supervisory reporting purposes (for purposes of compliance with capital adequacy and disclosure requirements, these standards will be implemented from 1 January 2023 or later).[11]

Additionally, MAS will defer the implementation of the final two phases of the margin requirements for non-centrally cleared derivatives by one year. These deferments are consistent with the joint announcement made by BCBS and the International Organisation of Securities Commissions.[12] MAS will also extend by one year to 1 October 2021 the final phase of the reporting requirements for over-the-counter derivatives trades.

[8] Section 6 of MAS Notice 612 addresses the requirements for recognition of credit loss allowance in banks' financial statements.
[9] Division 3 of MAS Notice 637 sets out the regulatory components of Tier 2 Capital.
[10] BIS, 'Governors and Heads of Supervision announce deferral of Basel III implementation to increase operational capacity of banks and supervisors to respond to Covid-19' (27 March 2020) <https://www.bis.org/press/p200327.htm>.
[11] *MAS* (n 3).
[12] BCBS and IOSCO, 'Basel Committee and IOSCO announce deferral of final implementation phases of the margin requirements for noncentrally cleared derivatives' (3 April 2020) <https://www.iosco.org/news/pdf/IOSCONEWS560.pdf>.

These deferments are targeted at reducing the strain on banks' resources to implement legal agreements and system changes to give effect to the exchange of initial margins. Hence, the new timelines are:

c. 1 September 2021 for a bank or merchant bank whose group's aggregate non-centrally cleared derivatives exposure is more than $80 billion; and
d. 1 September 2022 for a bank or merchant bank whose group's aggregate non-centrally cleared derivatives exposure is more than $13 billion and up to $80 billion.[13]

2.1.3 Adjusting liquidity requirements for banks

As part of the Basel III requirements, two liquidity ratios were introduced to ensure that banks have sufficient liquidity. The liquidity coverage ratio (LCR) promotes the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient stock of unencumbered high-quality liquid assets (HQLA) to survive significant stress scenario lasting 30 calendar days.[14] The LCR is derived from dividing the bank's stock of HQLA by the estimated total net cash outflows over a 30 calendar day stress scenario. The net stable funding ratio (NSFR) require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.[15] The NSFR encourages banks to diversify their funding sources and to limit their reliance on short-term wholesale funding, and provides a benchmark for banks' medium and long term resilience. In Singapore, the MAS Notice 652 sets out NSFR requirements.

On 7 April 2020, the MAS issued a revised MAS Notice 652[16] and MAS Notice 653[17] on NSFR and NSFR disclosure requirements, respectively. Applicable to all domestic systemically important banks and internationally active banks, MAS Notice 652 sets out the minimum all currency NSFR requirements while MAS Notice 653 sets out reporting requirements for a bank to disclose quantitative and qualitative information about its NSFR. MAS Notice 652 has been amended to lower the stable funding factors for all loans to non-financial corporates, retail customers and small business customers that have a residual maturity of less than six months from 50% to 25%, for the period between 8 April 2020 and 30 September 2021 (both dates inclusive). The required stable funding factors will be gradually phased back from 25% to 50% by 1 April 2022. The amendments to MAS Notice 653 were made to reflect the changes to

[13] *MAS* (n 3).
[14] BIS, 'Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools' (January 2013) <https://www.bis.org/publ/bcbs238.pdf>.
[15] BIS, 'Basel III: the net stable funding ratio' (October 2014) <https://www.bis.org/bcbs/publ/d295.pdf>.
[16] Issued pursuant to ss. 55 and 65 of the Banking Act (Cap. 19).
[17] Issued pursuant to s.10B of the Banking Act (Cap. 19).

NSFR requirements. MAS has stated that the revisions to NSFR requirements are targeted at supporting bank's lending activities.[18]

2.1.4 Setting accounting loan loss allowances

MAS has engaged FIs and accounting professionals on how accounting standard FRS 109[19] should be applied to loan loss allowances considering challenging circumstances arising from the COVID-19 pandemic. FRS 109 requires the incorporation of forward-looking information, including macroeconomic factors, to estimate accounting loan loss allowances. Given the uncertainties surrounding COVID-19's impact on the global economy, MAS recognises the significant challenges posed to the exercise of judgement in the use of such forward-looking factors. Hence, MAS has provided guidance that when FIs assess COVID-19's impact on future economic conditions in estimating accounting loan loss allowances, they should also consider the extraordinary measures taken by the government to bolster economic resilience.[20] Additionally, FIs are not expected to maintain higher accounting loan loss allowances solely because COVID-19 relief measures are applied to these loans. MAS has provided guidance that FIs should assess a borrower's risk of default comprehensively, taking into account the mitigating effects of the relief measures and the borrower's ability to make full repayment based on the revised loan terms as well as its creditworthiness in the long term.

2.2 MEASURES ENSURING MONETARY AND FINANCIAL STABILITY

2.2.1 New MAS USD facility providing up to US$60 billion of funding to banks in Singapore to support stable USD liquidity conditions

On 26 March 2020, the MAS announced the launch of a new MAS USD Facility that would provide up to US$60 billion of funding to banks in Singapore. The MAS USD Facility is targeted at supporting more stable USD funding conditions in Singapore and to facilitate USD lending to businesses in Singapore and the region.[21] The MAS USD Facility is part of global efforts by central banks to maintain stability and normal functioning of financial markets. As announced on 19 March 2020, the MAS will obtain USD through a US$60 billion swap facility with the US Federal Reserve, in exchange for SGD. MAS will then lend the obtained USD to

[18] *MAS* (n 3), para 6.

[19] FRS 109 on Financial Instruments requires entities to account for expected credit losses when financial assets are first recognised and to recognise full lifetime expected losses following significant deterioration of credit quality. This section is applicable to banks, merchant banks and finance companies.

[20] *MAS* (n 3).

[21] MAS, 'MAS Supports USD Lending through a New US$60 Billion Facility for Banks' (26 March 2020) <https://www.mas.gov.sg/news/media-releases/2020/mas-supports-usd-lending-through-a-new-us$60-billion-facility-for-banks>.

banks in Singapore through the MAS USD Facility, to be allocated through auctions. Additionally, MAS has indicated that it will continue to maintain a high level of SGD and USD liquidity in the banking system through its daily money market operations.[22] The sum of these measures are targeted at ensuring adequate funding to banks in Singapore, so that they are able to continue providing credit to businesses and individuals.

2.2.2 Easing of the Singapore Dollar Nominal Effective Exchange Rate (S$NEER)

Singapore regulates the SGD by adjusting its value against a basket of currencies known as the S$NEER. MAS sets a policy band within which the SGD can appreciate or depreciate and intervenes to ensure that the SGD's value stays within the band. The MAS can make several types of adjustments to the policy band. Firstly, it can adjust the slope to determine the rate at which the SGD policy band appreciates with a flatter slope resulting in slower appreciation. Secondly, the width of the band can be adjusted to determine the SGD's margin of appreciation or depreciation. Thirdly, the policy band's mid-point can be shifted up or down.[23] On 30 March 2020, the MAS announced that it would adopt a zero percent per annum rate of appreciation at the prevailing level of the S$NEER, which had already depreciated to a level slightly below the mid-point of the policy band.[24] This amounts to a downward adjustment of both slope and mid-point,[25] amounting to a depreciation of the SGD. A weaker SGD may boost economic activity by increasing demand for domestic exports but will also lead to inflationary pressures and higher costs for imported goods.

2.3 STRENGTHENING FIS' LONG TERM CAPABILITIES

2.3.1 Supporting digitalisation efforts

As part of efforts to position the financial sector for recovery and future growth, the MAS Financial Sector Technology and Innovation Digital Acceleration Grant (DAG)[26] was launched on 8 April 2020 to support Singapore-based smaller FIs and FinTech firms. The DAG facilitates the adoption of digital finance, enabling eligible FIs to adopt solutions for improved productivity and operational resilience, as well as better risk management and customer service.

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[22] ibid.
[23] For more details on Singapore's monetary policy framework, see MAS, 'Monetary Policy Framework' <https://www.mas.gov.sg/monetary-policy/Singapores-Monetary-Policy-Framework>.
[24] *MAS* (n 2).
[25] Reuters, 'Singapore eases monetary policy sharply as virus heralds deep recession' (30 March 2020) <https://www.reuters.com/article/us-singapore-cenbank/singapore-eases-monetary-policy-sharply-as-virus-heralds-deep-recession>.
[26] MAS, 'Digital Acceleration Grant' <https://www.mas.gov.sg/development/fintech/digital-acceleration-grant>.

This scheme is open to Singapore-based FIs regulated by MAS and Singapore-based FinTech firms certified by the Singapore FinTech Association that do not have more than 200 employees. Funding support is available for up to 80% of expenses incurred in relation to hardware, software (including licenses, maintenance, and subscription costs) and professional services tied to the adoption of the digital solution for a maximum period of a year. The DAG supports the implementation of a wide range of solutions including:

a. Cloud services;
b. Communication and collaboration tools;
c. Compliance & KYC tools (including transaction monitoring tools);
d. Customer relationship and engagement tools (including digital customer onboarding);
e. Data-related services (including data warehousing, data automation, data analytics);
f. Enterprise services (including HR and accounting systems);
g. Marketing productivity tools (including customer sensing tools, insights generation);
h. Office productivity tools;
i. Project management, software development and testing tools;
j. Security-related solutions; and
k. Solutions to support alternative working arrangements, operational resilience, and business continuity plans.[27]

2.3.2 Enhancing support for workforce training

The launch of a new Training Allowance Grant (TAG)[28] by MAS provides training allowances for completing training in courses accredited by the Institute of Banking and Finance (IBF) at S$15 per training hour for employees sponsored by FIs and FinTech firms. Self-sponsored individuals are also entitled to S$10 per training hour. The TAG aims to encourage FIs and FinTech firms to utilise downtime in business activity to train and deepen the capabilities of their employees. IBF-accredited courses have also been made available online to meet training needs. MAS and IBF have also indicated that it will jointly increase course fee subsidies for Singapore citizens and permanent residents attending relevant IBF courses to 90%. Subsidies will also be extended to include employees of FinTech firms. Notably, these will be disbursed in advance to help alleviate any cash flow challenges that firms and individuals may face.

[27] MAS, 'Annex B: Digital Acceleration Grant' <https://www.mas.gov.sg/-/media/MAS/resource/covid-19/ANNEX-B---DIGITAL-ACCELERATION-GRANT.pdf>.
[28] MAS, 'Annex A: Enhancements to Schemes for the Financial Sector Workforce' <https://www.mas.gov.sg/-/media/MAS/News/Media-Releases/2020/ANNEX-A---ENHANCEMENTS-TO-SCHEMES-FOR-THE-FINANCIAL-SECTOR-WORKFORCE.pdf>.

3 MEASURES AFFECTING SMEs

3.1 IMPROVING CASHFLOW MANAGEMENT

3.1.1 MAS SGD Facility for ESG Loans

On 31 March 2020, the MAS SGD Facility for ESG Loans (the "Facility") was launched to provide lower-cost funding for banks and finance companies to grant loans under Enterprise Singapore's Enhanced Enterprise Financing Scheme – SME Working Capital Loan (EFS-WCL) and Temporary Bridging Loan Programme (TBLP). Funded by drawing on Singapore's past reserves,[29] the EFS-WCL helps Singapore-based SMEs access financing for their operational cash flow needs, while the TBLP provides additional cash flow support for companies in all sectors to meet their working capital needs.[30] Participating banks and finance companies in the EFS-WCL and TBLP administered by Enterprise Singapore are eligible to apply for funds from the Facility until April 2021.

The Facility lends SGD at an interest of 0.1% per annum to eligible financial institutions. Such lower-cost funding will help to lower the interest rates charged to eligible corporate borrowers. Typically, FIs consider their cost of funds, the cost of underwriting and a credit spread to reflect the risk profile of the borrower when pricing SME loans.[31] The Facility reduces FIs' cost of funds for loans made under the EFS-WCL and TBLP by providing FIs funding at the low interest rate of 0.1% per annum for a two-year tenor. The MAS has indicated that with the implementation of this Facility, it expects banks and finance companies to make more loans to SMEs and at lower cost.[32] This would provide strong support to SMEs which form a vital part of Singapore's economy.

3.1.2 Loan-to-Value and Total Debt Servicing Ratio Rules

The MAS has issued a statement[33] to clarify the application of loan-to-value (LTV) limits and the total debt servicing ratio (TDSR) for mortgage equity withdrawal loans (MWLs).[34] The

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[29] See paragraphs B17 – B19 of Government of Singapore, 'Solidarity Budget Statement' (4 June 2020) <https://www.singaporebudget.gov.sg/budget_2020/solidarity-budget/solidarity-budget-statement>.
[30] MAS, 'MAS SGD Facility for ESG Loans' <https://www.mas.gov.sg/monetary-policy/liquidity-facilities/mas-sgd-facility-for-esg-loans>.
[31] MAS, 'New Facility at interest rate of 0.1% to help banks and finance companies lower cost of loans to SMEs' (20 April 2020) <https://www.mas.gov.sg/news/media-releases/2020/mas-sgd-facility-for-esg-loans>.
[32] ibid.
[33] MAS, 'MAS Clarifies Loan-to-Value and Total Debt Servicing Ratio Rules for Residential Mortgages and Mortgage Equity Withdrawal Loans' (7 April 2020) <https://www.mas.gov.sg/news/media-releases/2020/mas-clarifies-ltvand-tdsr-rules-for-residential-mortgages-and-mortgage-equity-withdrawal-loans>.
[34] Mortgage equity withdrawal loans are loans secured against the value of the borrower's residential property.

LTV limit determines the maximum amount a borrower can borrow from a FI. It refers to the loan amount as a percentage of the property's value. Normally, for an individual or a shell company, the MWL together with outstanding amount on any loan secured on same residential property and CPF monies used, have the following LTV limits:[35]

Outstanding housing loans for other residential properties	LTV limit
None	75%
1 or more	45%

Likewise, the TDSR sets a maximum threshold for FIs to grant property loans to borrowers. It is calculated as the proportion of a borrower's total monthly debt obligations against the borrower's gross monthly income.

MAS' clarification is meant to enable SMEs to have greater flexibility in meeting their cash flow needs. Firstly, the MAS has clarified that SME borrowers[36] are not subject to TDSR when they apply for payment deferments on their secured property loans. Businesses[37] that have taken up MWLs secured on residential or non-residential properties are not subject to TDSR and LTV limits. This is provided under MAS' current rules, to facilitate the provision of credit to businesses which may rely on MWLs to finance their operations.

3.2 Temporary protection accorded to SMEs under the COVID-19 (Temporary Measures) Act 2020

Under the COVID-19 (Temporary Measures) Act 2020 (the "Act"),[38] SMEs can seek payment deferment relief for a six-month period from 20 April to 19 October 2020. The Act covers specific contracts. For financial institutions, the Act covers only SME loans with specific security located in Singapore, namely commercial or industrial property in Singapore, or plaint, machinery or fixed assets in Singapore that are used for business purposes.[39] After receiving a notification of application for relief from an SME debtor, a creditor such as a bank cannot enforce the security (e.g. over commercial or industrial property, plant or machinery used for business) located in Singapore during the six month period or until an assessor determines

[35] MAS, 'Mortgage Equity Withdrawal Loan Rules' (26 December 2018) <https://www.mas.gov.sg/regulation/explainers/applying-for-a-new-mwl>.

[36] Defined as firms or sole proprietors which have annual sales turnover of up to S$100m or employment size of up to 200 workers.

[37] These include corporations, limited liability partnerships, and partnerships.

[38] COVID-19 (Temporary Measures) Act 2020 (No. 14 of 2020).

[39] See ss.1(a) and (b) of the Schedule of the Act.

otherwise.[40] Creditors are also barred from commencing or continuing court or insolvency proceedings against SME debtors in relation to the specified contracts.[41]

SMEs who have entered into hire-purchase agreements are also granted relief under the Act. The Act covers hire-purchase agreements and conditional sales agreements of a plant, machinery or fixed asset that is used for manufacturing, production, or other business purposes, as well as commercial vehicles.[42] During the six-month period or until an assessor determines otherwise, the financing company cannot repossess the plant, machinery or fixed asset that is used for business, repossess commercial vehicles or start or continue court or insolvency proceedings relating to the hire purchase agreement.[43]

Notably, the protection accorded under the Act only restricts enforcement of the security or commencement of legal action for a default on a loan covered under the Act for a six-month period from 20 April to 19 October 2020. Generally, the contractual rights of banks and financing companies are not affected. Save for unilateral increases or impositions that have not been expressly specified, the contractual right of banks and financing companies to charge fees and interest for non-payment or late payment of loan obligations due is unaffected.

4 MEASURES AFFECTING LISTED ISSUERS

4.1 ENHANCED SHARE ISSUE LIMIT FOR MAINBOARD ISSUERS

The Singapore Exchange Regulation (SGX RegCo), in consultation with MAS, has introduced measures to support issuers in dealing with the business and economic impact of COVID-19. For example, issuers listed on the SGX-Mainboard can accelerate fund-raising efforts by having an enhanced share issue limit upon obtaining shareholder approval, subject to SGX regulatory requirements.[44] SGX RegCo will provisionally enable Mainboard issuers to seek a general mandate for an issue of pro-rata shares and convertible securities of up to 100% of its share capital (excluding treasury shares and subsidiary holdings in each class) versus 50% previously.[45] The limit on the aggregate number of shares and convertible securities issued

[40] See ss.5 and 5A of the Act.
[41] ibid.
[42] See s.1(d) of the Schedule of the Act.
[43] See ss.5 and 5A of the Act.
[44] For the full list of regulatory requirements, see SGX, 'SGX RegCo announces measures to support issuers amid challenging COVID-19 business climate' (8 April 2020) <https://www.sgx.com/media-centre/20200408-sgx-regco-announces-measures-support-issuers-amid-challenging-covid-19>.
[45] Listing Rule 806(2) states that a general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in each class, of which the aggregate number of shares and convertible

other than on a pro-rata basis remains at not more than 20%. This enhanced share issue limit is effective on 8 April 2020 and will be in force until 31 December 2020. SGX RegCo has also indicated that it will work closely with issuers to implement these measures and give expedited clearance to their fund-raising efforts.

4.2 Suspension of entry into SGX's financial watch-list

SGX operates a Financial Watch-List and places companies listed on the SGX-Mainboard on the list to compel them to review their financial performance after three years of losses and when market capitalisation falls below S$40 million.[46] In light of the unprecedented economic circumstances arising from COVID-19, SGX RegCo has announced that it will provisionally suspend the half-yearly reviews[47] on the first market days of June 2020 and December 2020 to place issuers on the Financial Watch-List. The suspension of the watch-list aims to better enable issuers to focus on meeting current business challenges and to deal with any resultant liquidity crunch.

5 Measures supporting individual consumers

5.1 Special Financial Relief Programme for Individual Consumers

5.1.1 Deferred Repayment of Residential Property Loans, Commercial and Industrial Property Loans and MWLs

As part of an industry-wide package, individuals with residential property may apply to defer either their principal payments or both principal and interest payments. Interest will continue to accrue on the deferred principal amount. However, no interest will be charged on deferred interest payments. MAS has indicated that lenders will approve the request for deferment given that the individual is not in arrears for more than 90 days as at 6 April 2020.

Individuals with commercial or industrial property loans may also apply to their respective bank or finance company to defer principal repayment up to 31 December 2020. Interest will

securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares and subsidiary holdings in each class.

[46] Listing Rule 1311(1) states that SGX will place an issuer on the watch-list based on the financial entry criteria if it records pre-tax losses for the three most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S$40 million over the last six months.

[47] Paragraph 2.2 of Practice Note 13.2 Watch-List states that SGX will conduct half-yearly reviews to identify issuers to be included on the watch-list. The half-yearly review will take place on the first market day of June and December of each year. Upon identifying an issuer for inclusion on the watch-list, SGX will promptly notify the issuer of its status.

continue to be payable during the deferment period. Lenders are expected to approve the request for deferment if the individual is not in arrears as at 1 February 2020.

Individuals who are landlords and are current in their loan repayments as at 1 February 2020 may apply to defer both principal and interest repayment up to 31 December 2020, if they are required under the COVID-19 (Temporary Measures) (Amendment) Bill to provide their tenants rental waivers or payment rescheduling. They may also apply for a reduction in rental waivers on the grounds of financial hardship. Interest will accrue only on the principal amount deferred, with no interest charged on the deferred interest payments.

Individuals with MWLs (including those under Debt Reduction Plans) granted after 6 April 2020 may also apply to their respective bank or finance company to defer repayments up to 31 December 2020.

5.1.2 Easier Refinancing or Repricing of Investment Property Loans

Similar to the clarification made regarding MWLs,[48] the MAS has issued a statement[49] to clarify the application of loan-to-value (LTV) limits and the total debt servicing ratio (TDSR) for residential mortgages. The clarification enables individuals, including sole proprietors, to have greater flexibility in meeting their cash flow needs. For individuals, the TDSR will not apply to deferment of mortgage repayments (for residential, commercial, or industrial properties); refinancing of owner-occupied residential mortgages; MWLs if the LTV ratio does not exceed 50%; and unsecured credit facilities such as credit cards and personal loans.

Furthermore, individual borrowers are not subject to TDSR when they apply to defer either their principal payment or both principal and interest payments for their residential mortgages. They are not subject to TDSR and LTV limits when they refinance their loans for owner-occupied residential properties. This will aid borrowers with fixed rate mortgage packages that are out of the lock-in period obtain a lower interest rate if they want to refinance their loans. As in the case of residential mortgages, individual borrowers with commercial or industrial property loans are not subject to TDSR when they defer their repayments.

5.1.3 Deferred Repayment of Renovation Loans, Education/Study/Student Loans, Motor Vehicle Loans and Hire-Purchase Agreements

[48] See section 3.1.2 above for an explanation on how LTV and TDSR limits operate.
[49] MAS, 'MAS Clarifies Loan-to-Value and Total Debt Servicing Ratio Rules for Residential Mortgages and Mortgage Equity Withdrawal Loans' (7 April 2020), <https://www.mas.gov.sg/news/media-releases/2020/mas-clarifies-ltvand-tdsr-rules-for-residential-mortgages-and-mortgage-equity-withdrawal-loans>.

Individuals with renovation or education/study/student loans may apply to their respective bank to defer repayments of both principal and interest up to 31 December 2020. In the interim, interest will continue to accrue on the outstanding loan principal but will not be charged on deferred interest payments. Lenders will approve the request for deferment as long as the individual is not in arrears for more than 90 days as at the point of application and individuals do not need to demonstrate any impact from COVID-19 to obtain the deferment.

Likewise, individuals with motor vehicle loans and hire-purchase agreements may approach their respective bank or finance company to discuss suitable repayment plans. Lenders will then assess the borrowers' financial condition, need for the use of a motor vehicle, current market value of the motor vehicle and its estimated market value after the deferment period (if applicable) in formulating a repayment plan.

5.1.4 Deferred Premium Payments (Life and Health Insurance) and Flexible Instalment Plans (General Insurance)

For life and health insurance policies, individuals may apply to their insurer to defer payment of premiums while maintaining insurance coverage. This is available for all individual life and health insurance policies with a policy renewal or premium due date between 1 April and 30 September 2020 (both dates inclusive). For general insurance premiums such as for property and vehicle insurance, individuals may apply to their insurer to pay premiums in instalments as opposed to making a lump sum payment for the entire policy period at the start.

5.1.5 Lower Interest on Personal Unsecured Credit

In order to reduce debt obligations, the MAS has announced that individuals may apply to their banks or credit card issuers to convert their outstanding balances from revolving unsecured credit facilities to term loans with effective interest rate capped at 8% (compared to the 26% typically charged on credit cards). The tenure of the converted loan can be up to five years, and individuals may choose a suitable tenure depending on their ability to meet the minimum monthly repayment. Such relief is available to all individuals who have suffered a loss of 25% or more of their monthly income after 1 February 2020 and are between 30 and 90 days past due on their revolving unsecured debts. Individuals may apply to their lenders for conversion of their outstanding unsecured debt from 6 April to 31 December 2020.

5.2 BANK FEE WAIVERS

As part of measures to ensure that individuals have continued access to basic banking services, the MAS has announced that individuals who are unable to meet the relevant minimum average daily or monthly balances for their retail bank accounts can apply to have fall-below service fees waived up to 31 December 2020.[50] Furthermore, individuals who have set up GIRO arrangements for automated deductions of payments from their retail bank accounts can apply to have bank fees for any failed deductions waived up to 31 December 2020. Applicants' credit scores will not be affected in obtaining such relief.

6 CONCLUSION

As Singapore grapples with the impact of COVID-19, a multi-pronged approach has been taken towards supporting different parties in Singapore's financial industry. Across the board, these measures tackle two key issues: to facilitate the adequate flow of credit and limit the negative impact of corporate and personal debt on businesses' and individual's abilities to cope with the economic challenges of COVID-19.

Facilitating the adequate flow of credit is critical in ensuring that businesses are not overwhelmed by a liquidity crunch. Consequently, MAS has implemented measures such as adjusting capital and liquidity requirements for banks and establishing facilities for FIs and SMEs to drawdown loans. The financial sector has been encouraged to build its long-term capabilities by upskilling workers and adopting digital solutions. To facilitate this, the DAG and TAG has been launched during the COVID-19 pandemic to position the financial industry for recovery and growth. For listed issuers, the revised SGX share issue limits offer greater scope for fundraising.

To limit the impact of corporate debt on businesses' abilities to cope with COVID-19, the COVID-19 (Temporary Measures) Act 2020 offers SMEs protection from creditor action. The Act imposes a moratorium on creditors seeking to enforce their security, or to commence legal action for any loan defaults. Likewise, to cope with personal debt, individuals can apply for deferred repayment on property, renovation, and education loans. The standard for obtaining such relief is low, and there is no need for the borrower to demonstrate any impact from COVID-19 to obtain approval for deferred repayment if and if he/she is not in significant arrears at the point of application.

Regulatory and legal initiatives targeted at Singapore's financial industry continue to evolve as the COVID-19 situation progresses. Most recently, the MAS announced that it has started to

[50] MAS, 'Ensuring Access to Basic Banking Services' <https://www.mas.gov.sg/regulation/covid-19/supporting-individuals-through-covid-19/ensuring-access-to-basic-banking-services>.

study how to “best wean companies and individuals off the relief measures rolled out during the COVID-19 pandemic”.[51] This report summarises some of the key changes affecting FIs, listed issuers, SMEs, and individuals to date.

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[51] The Straits Times, ‘MAS, banks to study how best to wean companies and individuals off Covid-19 relief measures: Ravi Menon’ (16 July 2020) <https://www.straitstimes.com/business/economy/mas-banks-to-study-how-best-to-wean-companies-and-individuals-off-covid-19-relief>.