

COVID19 | Your Regulatory Roadmap (16 March – 26 March)

What you need to know about the changing regulatory environment

Peak Financial Regulatory Bodies

RBA

- The RBA and the US Federal Reserve will establish a temporary reciprocal US\$60 billion swap line to provide US dollars in exchange for Australian dollars to provide liquidity in financial markets. (For further information: <https://www.rba.gov.au/media-releases/2020/mr-20-09.html>)
- RBA has cut rates by 0.25% to 0.25% in an emergency out of cycle meeting as a result of COVID-19. The RBA will also target a yield on 3-year Australian Government bonds of around 0.25% and create a \$90 billion term funding facility for the banking system, with particular support for credit to small and medium-sized businesses. (For further information: <https://www.rba.gov.au/media-releases/2020/mr-20-08.html>)
- The RBA is continuing to support the liquidity of the system. The RBA stands ready to purchase Australian government bonds in the secondary market to support the smooth functioning of the fixed income market. The RBA will also be engaging in repo operations. The RBA and the AOFM are in close liaison in monitoring market conditions and supporting continued functioning of the market. The RBA is expected to announce further policy measures to support the Australian economy on Thursday. (For further information: <https://www.rba.gov.au/media-releases/2020/mr-20-07.html>)

APRA

- APRA has suspended the majority of its planned policy and supervision initiatives in response to the impact of COVID-19. It will keep the situation under review, but presently does not plan to recommence consultation on any non-essential matters before 30 September 2020. (For more information: <https://www.apra.gov.au/news-and-publications/apra-adapts-2020-agenda-to-prioritise-covid-19-response>)
- Where a borrower who has been meeting their repayment obligations until recently, chooses to take up the offer not to make repayments as part of a COVID-19 support package, the bank need not treat the period of the repayment holiday as a period of arrears. Similarly, loans that have been granted a repayment deferral as part of a COVID-19 support package need not be regarded as restructured. APRA will be writing to all ADIs to advise them of the specific reporting treatment for loans subject to these support arrangements. APRA will require ADIs to report to APRA, and publicly disclose, the nature and terms of any repayment deferrals and the volume of loans to which they are applied.

APRA (CONT)

- APRA also confirmed that the Coronavirus SME Guarantee Scheme announced by the Commonwealth Government is to be regarded as an eligible guarantee by the government for risk-weighting purposes. (For more information: <https://www.apra.gov.au/news-and-publications/apra-advises-regulatory-approach-to-covid-19-support>)
- APRA is advising all banks that given the prevailing circumstances, it envisages banks may need to utilise some of their current large buffers (their high Common Equity Tier 1 (CET1) capital ratio) to facilitate ongoing lending to the economy. This is especially the case for banks wishing to take advantage of new facilities announced today by the RBA to promote the continued flow of credit. Provided banks are able to demonstrate they can continue to meet their various minimum capital requirements, APRA would not be concerned if they were not meeting the additional benchmarks announced in 2017 during the period of disruption caused by COVID-19. (For further information: <https://www.apra.gov.au/news-and-publications/apra-adjusts-bank-capital-expectations>)
- APRA is ensuring banking institutions pre-empt themselves to take advantage of the RBA's supportive measures. (For further information: <https://www.apra.gov.au/news-and-publications/statement-from-council-of-financial-regulators-on-covid-19>)

COUNCIL OF FINANCIAL REGULATORS

- Financial regulators and the Australian Government are working closely together to ensure that Australia's financial markets continue to operate effectively and that credit is available to households and businesses. (For further information: <https://www.cfr.gov.au/news/2020/mr-20-01.html>)



Samantha Carroll
Practice Director

E scarroll@ashstreet.com.au

M +61 438 323 584



Michelle Bradshaw
Special Counsel

E mbradshaw@ashstreet.com.au

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ASIC

- ASIC will focus its regulatory efforts on challenges created by the COVID-19 pandemic. Until at least 30 September 2020, the other matters that ASIC will afford priority are where there is the risk of significant consumer harm, serious breaches of the law, risks to market integrity and time-critical matters.
- ASIC has immediately suspended a number of near-term activities which are not time-critical. These include consultation, regulatory reports and reviews, such as the ASIC report on executive remuneration, updated internal dispute resolution guidance and a consultation paper on managed discretionary accounts. Stakeholders will shortly be notified of deferred consultation and publications relevant to them. ASIC will also suspend its enhanced onsite supervisory work such as the Close and Continuous Monitoring Program.
- Where warranted, relief or waivers from regulatory requirements will also be provided. This will include requirements on listed companies associated with secondary capital raisings and audits. ASIC has already indicated a 'take no action' stance in relation to the timing of AGMs until 31 July and the conduct of AGMs by electronic means.

ASIC (CONT)

- ASIC will take account of the circumstances in which lenders, acting reasonably, are currently operating when administering the law. (For further information: <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-070mr-asic-recalibrates-its-regulatory-priorities-to-focus-on-covid-19-challenges>)
- ASIC will also work with financial institutions to further accelerate the payment of outstanding remediation to customers.

ACCC

- The ACCC has granted interim authorisation for a period of 12 months for medical technology companies to work together to coordinate the supply and potential manufacture in Australia of ventilators, testing kits, personal protective equipment and other medical equipment needed to deal with the COVID-19 pandemic. (For further information: <https://www.accc.gov.au/media-release/cooperation-to-aid-supply-of-covid-19-medical-equipment>)
- The ACCC has granted interim authorisation to allow supermarkets to coordinate with each other when working with manufacturers, suppliers, transport and logistics providers. The authorisation allows a range of coordinated activities but does not allow supermarkets to agree on retail prices for products. (For further information: <https://www.accc.gov.au/media-release/supermarkets-to-work-together-to-ensure-grocery-supply>)

AUSTRAC

- AUSTRAC will constructively with businesses during this disruptive period. This includes considering your circumstances when applying AML/CTF laws. (For further information: <https://www.austrac.gov.au/coronavirus-reporting-entities>)



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E scarroll@ashstreet.com.au
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Complaints Management and Privacy

AFSA

- AFSA has highlighted the following initiatives relating to bankruptcy law which were announced by the Government's second stimulus package:
 - Debt threshold for creditors to apply for a Bankruptcy Notice against a debtor will increase to \$20,000.
 - Timeframe for a debtor to respond to a Bankruptcy Notice before a creditor can commence bankruptcy proceedings will be increased to up to six months.
 - Temporary protection period procedure available for debtors to prevent recovery action by unsecured creditors will increase to six months. (For further information: <https://www.afsa.gov.au/about-us/newsroom/economic-response-coronavirus-changes-bankruptcy-law>)
- ASFA has reinforced that early access to retirement savings should only occur under extenuating circumstances. ASFA will work constructively with government and regulators to endeavour to minimise impact on the long term retirement savings of Australians. (For further information: <https://www.superannuation.asn.au/media/media-releases/2020/media-statement-22-march-2020>)

ASBFEO (SMALL BUSINESS OMBUDSMAN)

- The ASBFEO has supported the Government's second stimulus package including:
 - Support for households including casuals, sole-traders, retirees and those on income support
 - Assistance for businesses to keep people in a job
 - Regulatory protection and financial support for businesses to stay in business.

(For further information: <https://www.asbfeo.gov.au/news/news-articles/latest-covid-19-package-lifeline-small-businesses-ombudsman>)
 - ASBFEO has praised banks for the 6 months defer loan repayments for small businesses affected by COVID-19 and said they will continue to advocate for additional measures to help small and family businesses.
- (For further information: <https://www.rba.gov.au/media-releases/2020/mr-20-09.html>)

OAIC

- OAIC has released guidance for employers during COVID-19 which recommends:
 - Personal information should be used or disclosed on a 'need-to-know' basis
 - Only the minimum amount of personal information reasonably necessary to prevent or manage COVID-19 should be collected, used or disclosed
 - Considering taking steps now to notify staff of how their personal information will be handled in responding to any potential or confirmed case of COVID-19 in the workplace
 - Ensuring reasonable steps are in place to keep personal information secure, including where employees are working remotely.

(For further information: <https://www.oaic.gov.au/privacy/guidance-and-advice/coronavirus-covid-19-understanding-your-privacy-obligations-to-your-staff/>)



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Peak Industry Bodies

ABA

- Australian banks will defer loan repayments for small businesses affected by COVID-19 for 6 months. (For further information: <https://www.ausbanking.org.au/banks-small-business-relief-package/>)

- The banking industry stands ready to support businesses wanting to take advantage of initiatives in the Government's stimulus package such as the increase to the threshold of the instant asset write off from \$30,000 to \$150,000.

(For further information: <https://www.ausbanking.org.au/economic-stimulus-package-will-help-keep-economy-strong/>)

- The ABA has reinforced that the banking industry is well prepared for the impacts of COVID-19 and stands ready to assist Australians impacted. The type of assistance offered will depend on individual circumstances, but includes:
 - A deferral of scheduled loan repayments;
 - Waiving fees and charges;
 - Interest free periods or no interest rate increases; and
 - Debt consolidation to help make repayments more manageable.

(For further information: <https://www.ausbanking.org.au/banks-are-ready-to-face-coronavirus-challenge/>)

COBA

- COBA has welcomed announcements by the RBA, APRA and the Treasurer to support lending. (For further information: <http://www.customerownedbanking.asn.au/media-a-resources/media-release-alerts/1413-customer-owned-banking-sector-welcomes-measures-to-support-lending>)

- COBA has welcomed moves by regulators to revisit the timing of new regulatory measures to give banking institutions more capacity to focus on their customers given the COVID-19 situation. (For further information: <http://www.customerownedbanking.asn.au/media-a-resources/media-release-alerts/1412-customer-owned-banking-sector-supports-focus-on-customers>)

FSC

- The FSC supports the Government's package of temporary measures for Australian's in hardship including:
 - Temporary early release of a limited amount of superannuation for individuals in financial stress.
 - Temporary reduction in minimum superannuation drawdown rates for retirees
 - Temporary reduction in social security deeming rates.

(For further information: <https://www.fsc.org.au/resources/1990-fsc-media-release-response-to-government-announcement-regarding-treatment-of-superannuation-during-covid19-emergency/file>)

- The FSC has confirmed there are no exclusions in existing life insurance policies that would prevent the policy paying out for a death claim related to coronavirus, if policyholders follow Government travel advice.
- The life insurance industry is carefully monitoring the situation and all life insurance companies have pandemic risk management plans in place in line with APRA Prudential Practice Guide 233. These plans will ensure that, if for example large numbers of staff are absent from work, essential functions such as dealing with claims and customer enquiries are prioritised.



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The Government

TREASURY

- The Government released the second stage of its economic plan to cushion the economic impact of the coronavirus. A total of \$189 billion (9.7% of GDP) is being injected into the economy. This includes \$17.6 billion for the Government's first economic stimulus package, \$90 billion from the RBA and \$15 billion from the Government to deliver easier access to finance, and \$66.1 billion in today's economic support package.
- The second economic support package includes:
 - Support for households including casuals, sole-traders, retirees and those on income support
 - Assistance for businesses to keep people in a job
 - Regulatory protection and financial support for businesses to stay in business (including the Coronavirus SME Guarantee Scheme, a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers for 6 months, amending the Corporations Act 2001 to provide temporary and targeted relief for companies to deal with unforeseen events that arise as a result of the Coronavirus, e.g. temporary relief for directors from any personal liability for trading while insolvent for 6 months)
 - Support for the aviation industry.

(For further information: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/supporting-australian-workers-and-business>)

- To allow lenders the ability to move quickly to support small businesses, the Government will provide an exemption from responsible lending obligations for a period of 6 months in relation to the credit they extend to their existing small business customers, provided there is an existing borrowing relationship and some proportion of that credit is used for business purposes. The exemption will apply to new credit, credit limit increases and credit variations and restructures. (For further information: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/helping-small-businesses-get-access-credit>)

TREASURY (CONT)

- The Australian Office of Financial Management (AOFM) will be provided with an investment capacity of \$15 billion to invest in wholesale funding markets used by small ADIs and non-ADI lenders. This funding will complement the Reserve Bank of Australia's (RBA's) announcement of a \$90 billion term funding facility for authorised deposit-taking institutions (ADIs) that will also support lending to small and medium enterprises. (For further information: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/government-invest-15b-support-sme-lending>)
- The Government announced the creation of a new Coronavirus Business Liaison Unit in Treasury to build on existing efforts to support confidence, employment and business continuity. The Unit will begin operating on Monday 16 March 2020 and will be contacting peak business groups. The Unit will be overseen by Dr Gordon de Brouwer. (For further information: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/government-establishes-business-liaison-unit>)

The Government announced a \$17.6 billion economic plan. The package has four parts:

1. Supporting business investment - \$700 million to increase the instant asset write off threshold, \$3.2 billion to provide a time limited 15 month business investment incentive
2. Providing cash flow assistance to help SMEs and their employees - \$6.7 billion to Boost Cash Flow for Employers, \$1.3 billion to support small businesses jobs
3. Household stimulus payments - \$4.8 billion to pensioners and other income support recipients
4. Targeted support for the most severely affected sectors, regions and communities \$1 billion to support industries such as tourism, agriculture and education

See <https://treasury.gov.au/coronavirus> for details and updates

For further information: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/economic-stimulus-package>



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Practice Director

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Special Counsel

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