DFDL

March 27, 2020

COVID-19 in South East Asia

Financial Responses by Governments, Institutions and Associations

DFDL Jurisdiction	COVID-19 – Financial Responses
Bangladesh	▪ Moratorium Imposed: The Bangladesh Bank (BB) has recently issued separate circulars addressed to scheduled banks and non-banking financial institutions ("**NBFI**") to address the economic disruptions due to Covid-19. Moratorium period is up to **June 30 2020**. ▪ Moratorium Limitation on Domestic Loans: The circulars of the BB are addressed only to Banks and NBFI's licensed by BB. Accordingly borrowers having offshore liabilities with foreign lenders cannot avail the benefit of moratorium.
Cambodia	▪ No Moratorium: No announcement of any moratorium on debt repayments by borrowers in response to COVID-19 as of date. ▪ Support Response from National Bank of Cambodia (NBC): The NBC issued a press release in order to provide more liquidity to Cambodian banks and financial institutions to help mitigate the impact of COVID 19 on Cambodia's economy, which cover: (a) Extension of the period for the banks and financial institutions to maintain the level of capital conservation buffer (CCB) at 50%; (b) Reduction of the minimum interest rate of the Liquidity-Providing Collateralized Operation (LPCO) by 0.5% for all maturities; (c) Reduction of the interest rate of the Negotiable Certificate of Deposit (NCD) denominated in Riel and USD at an appropriate level; (d) Reduction the Reserve Requirement Rate (RRR) from 8% for Riel and 12.5% for currency to 7% for both Riel and currency for a period of 6 months starting from April 2020; and (e) Reduction of the Liquidity Coverage Ratio (LCR) at an appropriate level as necessary.
Indonesia	▪ Moratorium on Debt Service: The Indonesian Financial Services Authority has provided an extension of loan payment deadlines for micro, small and medium enterprises (MSMEs) for up to one year to help them cope with the economic impacts of the pandemic. The moratorium applies to business loans from both from banks and non-bank institutions alike for up to USD 619,118. ▪ Restriction on Creditor Demands: Creditors have been prohibited by the Indonesian Financial Services Authority from demanding loan installments, especially through debt collection services and the police have been called on not to enforce such collections. ▪ Debt quality assessment and restructuring requirements for debtors impacted by COVID-19 have been relaxed: Banks now only assess the quality of a loan worth up to USD 594,282 based on a debtor's timeliness in paying the loan's principal and interest. Previously, the banks also assessed the debtor's business prospects and financial condition. Banks are now also allowed to classify loans as 'good' despite declining quality due to the pandemic and to not categorize it as a non-performing loan.

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Lao PDR 	▪ The Bank of Lao PDR issues instructions on specific measures to be implemented by commercial banks and financial institutions: In order to limit the impact of the COVID 19 pandemic on Lao individuals and business, the BOL, under Decision (No. 238/BOL, 26 March 2020), has instructed to postpone the repayment of principal and interest, reduce interest rates and fees charged to the customers as appropriate. The BOL decision provides for the suspension of principal and interest payment for one year or as agreed by the commercial banks and customers. The Decision does not specify the reduction of interest rates as such reduction discretion and determination still rests with the commercial banks and financial institutions.
Myanmar 	▪ No Moratorium: No announcement of any moratorium on debt repayments by borrowers in response to COVID-19. ▪ Cutting Interest Rates: The Central Bank of Myanmar (CBM) slashed interest rates by an additional 1 percent on March 24. ▪ Stimulus packages offered to select industries: The Myanmar government has announced an initial stimulus package to reduce the impact of COVID-19 on the country's economy featuring: (a) USD 70 million fund for cut-make-package (CMP) in the garment and manufacturing industry and hotel and tourism businesses, as well as Myanmar owned small and medium-sized enterprises; and (b) 1 % Interest rate on 1 year loans provided by the fund with the rate and period to be reviewed later after the economic impact of the virus outbreak can be assessed. ▪ Reduction in Deposit rates and Stabilization of lending rates: Starting from April 1, bank deposit rates in Myanmar will be reduced by a minimum of 6.5%, while lending rates will not exceed 11.5% for collateralized loans and 14.5% for other unsecured loans.
Philippines[1] 	▪ On 24 March 2020, President Rodrigo Duterte signed Republic Act No. 11469 or the "Bayanihan to Heal As One Act" (the "**Bayanihan Act**") into law. The Bayanihan Act grants wide powers to the President to allow the executive branch to guide the country out of the crisis brought about by the COVID-19 pandemic. ▪ As regards banking/lending matters, Section 4 of the Bayanihan Act empowers the President to (among many others):

[1] Prepared by DFDL's collaborating firm in the Philippines, Ocampo & Suralvo Law Offices.

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(a) Ensure the availability of credit to the productive sectors of the economy especially in the countryside through measures such as, but not limited to, lowering the effective lending rates of interest and reserve requirements of lending institutions; and
(b) Direct all banks, quasi-banks, financing companies, lending companies, and other :financial institutions, public and private, including the Government Service Insurance System, Social Security System and Pag-ibig Fund, to implement a minimum of a thirty (30)-day grace period for the payment of all loans including but not limited to salary, personal, housing, and motor vehicle loans, as well as credit card payments, falling due within the period of the enhanced Community Quarantine without incurring interests, penalties, fees or other charges. Persons with multiple loans shall likewise be given the minimum thirty (30)-day grace period for every loan.

▪ We stress that the Bayanihan Act only grants the President the power to exercise these measures. It did not implement such measures. Whether, when and how he will exercise such powers is left to the President to decide.

▪ Independent of the Bayanihan Act, the Bangko Sentral ng Pilipinas (“BSP”) has encouraged BSP Supervised Financial Institutions (“BSFIs”) to provide financial relief to their retail customers, corporate clients and employees affected by the outbreak of the COVID-2019. The BSP also issued Memorandum No. M-2020-008 where it offered BSFIs various financial and regulatory relief packages to capacitate them in granting relief to their customers/borrowers. Among the reliefs offered by the BSP is: “Moratorium, without penalty, on monthly payments due to the Bangko Sentral, for a period of six (6) months from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922, for BSFIs with ongoing rehabilitation upon filing of application for extension/rescheduling with the Department of Loans and Credit.”

▪ The Securities and Exchange Commission (“SEC”) also exhorted the lending entities under its supervision to provide some relief to their borrowers. Under a Notice dated 23 March 2020, the SEC urged the lenders under its supervision to “to adopt measures that will help ease their borrowers’ financial burden” such as, but not limited to:

(a) lowering of interest rates;
(b) waiver or reduction of penalties, charges and other fees;
(c) loan term extension;
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	(d) suspension of collection; (e) payment holiday; and (f) debt consolidation. ▪ Note that the BSP and SEC actions above are <u>*NOT mandatory*</u> but are mere reminders or appeals to their respective supervised entities of such entities’ ability to ameliorate the burdens of their customers/clients.
Thailand	▪ <u>Cutting Interest Rates</u>: The Bank of Thailand cut its key interest rate by 25 basis points to a record low of 0.75%. ▪ <u>Moratorium on debt repayments</u>: The Thai Bankers' Association announced a 1 year moratorium for COVID-19 impacted borrowers as part of a relief package. ▪ <u>Assistance from State-owned Financial Institutions:</u> State-owned financial institutions are agreeing to government requests for debt relief for struggling business operators. ▪ <u>Financial Aid</u>: Commercial banks in Thailand will provide THB 123 billion of low-interest, no-fee loans to tourism-related businesses. ▪ <u>Bank of Thailand Lays out guidelines for minimum assistance</u>: BOT issues Guidelines for minimum assistance financial institutions must offer to debtors to ease financial burden. These include: (a) **Credit Card Loans and revolving loans**: Minimum amount due on credit cards and revolving loans under the guideline will be cut to 5% until 2021 from 10%, rising to 8% in 2022. The rate returns to a 10% minimum due in 2023. (b) Borrowers are also allowed to refinance their unsecured loans into longer-term loans with lower interest rates. (c) Credit card rates are capped at 20% annual interest. (d) **For Hire-Purchase of Motorcycles or Automobiles**: Lenders are required to offer either a three-month grace period for principal and interest or six-month debt suspension for principal (e) **Mortgages and SME Loans**: A three month debt suspension and cutting of interest rates on a case-by-case basis.

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Vietnam	▪ Instructions to State Bank of Vietnam in relation to monetary policy: The Government in Vietnam on 10 March 2020, partially required the State Bank of Vietnam to govern monetary policy more proactively and flexibly. Such measures include: stabilizing interest rates, exchange rates, gold and foreign exchange markets, consolidating the State foreign exchange reserves; instructing credit institutions to restructure loan repayment schedule, exempt and reduce interest rates, maintain debt groups to borrowers who are affected by the Covid-19 epidemic. ▪ Restructuring Debt Service & Cutting of Interest Rates: The State Bank of Vietnam on 13 March 2020 has instructed credit institutions and braches of foreign banks to restructure loan repayment schedules, exempt and reduce interest rates and maintain debt groups to borrowers who are affected by the Covid-19 epidemic.