

Client Alert

6 April 2020

For further information, please contact:

Brian Chia
Partner
+603 2298 7999
brian.chia@wongpartners.com

Sue Wan Wong
Partner
+603 2298 7884
suewan.wong@wongpartners.com

Yi Yong Choo
Associate
+603 2299 6427
yiyong.choo@wongpartners.com

Q&A for Banking and Insurance Institutions Operating During the MCO

The Movement Control Order ("**MCO**"), which limits the journeys for non-essential purposes in Malaysia, is now due to end on 14 April 2020 ("**Restricted Period**"). Since the Restricted Period came into force, Bank Negara Malaysia ("**BNM**") has provided guidance on the deployment of financial services and the obligations of financial institutions in light of the MCO.

Are financial institutions required to remain open as "Business as Usual"?

1. Banks, development financial institutions, conventional insurers and takaful operators must continue operating their respective services.
2. Operations at the premises should be kept to a minimum, including choosing to only open select branch offices, have limited counter services and reduced operating hours. Customers must also be kept informed of the change.
3. Bank branches will be the primary channel by which customers can walk-in to obtain remittance and money changing services. Money services business licence holders that operate through an online platform can also continue to operate.
4. Non-critical services provided by the financial institutions and critical functions (which can be conducted through remote access) should be carried out remotely.
5. Financial institutions shall develop and maintain a set of recovery options to ensure financial soundness and preserve long-term viability of their institutions.
6. Third party providers that support the provision of essential services by financial institutions must register with BNM and obtain the authorisation letter from BNM to provide their services.

What are the obligations of financial institutions to its workforce who are providing services at the physical premises?

1. Introduce social distancing and crowd containment measures at the various branch offices.
2. Ensure that the physical premises and equipment are cleaned and disinfected accordingly.
3. Ensure that hand sanitizers are made widely available to employees.
4. Carry out risk assessments and improve work procedures to minimise the exposure of the employees to virus.



5. Conduct daily body temperature checks on all employees at the entrance of the physical premises.

What are the obligations on banks in assisting their customers to manage the impact of the COVID-19 outbreak?

1. For individuals and SMEs, deferment in conventional loans or Islamic financing repayment obligations for a period of 6 months and have not been in arrears for more than 90 days as at 1 April 2020.
2. Provide individuals and SMEs with information that their loan / financing repayments have been deferred through appropriate channels.
3. For corporations, facilitate requests for moratorium on loan or financing repayments and restructuring of loans or financing.
4. Convert outstanding balance of credit card facilities for customers who have not been able to meet the minimum monthly payment on credit card consecutively for last 3 months, or voluntarily opt-in for the conversion, into a 3-year term loan with reduced interest rates.
5. Provide customers with the continued use of credit card up to the remaining credit limit after taking into account the balance converted into a term loan or financing.

Banks must:

1. review the credit profile of their customers and determine who will qualify for the deferment and conversion packages;
2. map the communication protocol utilised when commencing discussions with the customers; and
3. formulate the plans and documentation for the deferment and conversion packages to be provided to each customer. Note that the documentation shall adhere to the Fair Treatment of Financial Consumers policy document.

By carrying out the steps above, banks can ascertain the impact of the provision of such packages to its capital buffers and liquidity ratios. Where banks find that their businesses will be adversely affected, they should discuss with BNM to propose additional measures to ensure that they will be able to continue to respond to the needs of their customers despite the poor economy outlook.

What are the obligations on insurers in light of COVID-19?

1. Creation of a fund of MYR 8 million to cover costs incurred for screening.
2. Offer a 3-month suspension on premiums by policyholders whose source of income is affected by COVID-19.
3. Provide the following assistance to affected policyholders until 31 December 2020:



- a) extend period during which a policyholder can reinstate a policy that has lapsed;
 - b) provide options to enable policyholders to continue to meet their premium/contribution payments;
 - c) waive fees and charges imposed for changes made to policies; and
 - d) waive penalties or consequences for late payments of premiums.
4. Facilitate requests for flexibilities by affected policyholders to meet their premiums/contributions.
 5. Expedite and facilitate claims processes related to COVID-19.

Insurers must also take into account the following:

1. investment portfolio which will likely be adversely affected given the poor performance of stock exchanges;
2. ability of customers to spend may be curtailed and therefore customers may postpone buying policies; and
3. there may be a fall in demand for certain policies such as travel insurance.

Insurers will have to consider the flexibilities offered by BNM and assess them against their businesses and their capability to meet the regulatory requirements. Insurers will also have to plan ahead when the flexibilities cease, and determine if tightening measures will need to be implemented to preserve its capital or undertake capital raising exercises.

www.wongpartners.com

Wong & Partners
Level 21
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

