Policy and Regulatory Developments

People's Republic of China

The PRC to Swap Local Government Debt

On 8 March, the Government of the People's Republic of China (PRC) announced a CNY1 trillion quota for local governments to swap higher-yielding, maturing debt for municipal bonds, a plan that will cover roughly half of all high-yield debt maturing in 2015. The debt swap is targeted to be completed by the end of August. Issuance will be via private placement and the new bonds cannot be traded on the interbank or exchange bond markets. The bonds, however, can be used as collateral for the People's Bank of China's (PBOC) repo transactions or its standing lending facilities.

PBOC Reduces Reserve Requirement Ratios

On 20 April, the PBOC reduced the reserve requirement ratio for deposit-taking financial institutions by 100 basis points (bps). In addition, the reserve requirement ratio for rural financial institutions, including rural credit cooperatives, and village and town banks, was reduced by an additional 100 bps. The reserve requirement ratio of the Agricultural Development Bank of China was reduced by an additional 200 bps, while banks with a certain level of loans to the agricultural sector or small enterprises qualify for an additional 50 bps reduction.

Asset Securitization Expanded

On 14 May, the State Council said that it would expand the current asset securitization pilot program by CNY500 billion in order to improve banks' liquidity. The government's plan is to use the funds generated by asset-backed security sales for housing renovation, water, and railway projects.

Hong Kong, China

The PRC Issues Dimsum Bonds in Hong Kong, China

On 20 May, the Government of the PRC successfully auctioned CNY12.0 billion worth of dimsum bonds in Hong Kong, China. The CNY 5.0 billion 3-year tranche was priced with a coupon of 2.8%, the CNY3.0 billion 5-year tranche carries a coupon of 3.0%, the CNY1.5 billion 7-year was priced at a coupon of 3.36%, the CNY1.5 billion 10-year tranche was priced at 3.39%, the CNY0.5 billion 15-year tranche was priced at 3.60%, and the CNY0.5 billion 30-year tranche was priced at 4.1%.

Indonesia

Government Approves 2015 Revised State Budget

In February, the House of Representatives approved a revised 2015 state budget that reduced the deficit to the equivalent of 1.9% of gross domestic product (GDP) from the 2.2% of GDP estimated in the original budget. The revised state budget calls for spending of IDR1,984.1 trillion versus revenue of IDR1,761.6 trillion. To help finance the deficit, the legislative assembly authorized the Ministry of Finance to issue bonds worth IDR297.7 trillion, compared with IDR277.0 trillion in the original budget. The underlying macroeconomic assumptions for the revised 2015 state budget include: (i) annual GDP growth of 5.7%, (ii) annual inflation of 5.0%, (iii) an exchange rate of IDR12,500–US$1, (iv) a 3-month Treasury bill rate of 6.2%, and (v) an Indonesian crude oil price of US$60 per barrel.

Republic of Korea

FSC Introduces Financial Market Infrastructure Guidelines

The Financial Services Commission (FSC) introduced in March its Business Guideline for Financial Market Infrastructures, aiming to implement business standards for the Korea Exchange and Korea Securities Depository that are consistent with the Principles for Financial Market Infrastructures launched in April 2012 by the Bank for International Settlements' (BIS) Committee on Payment and Settlement Systems and the International Organization of Securities Commissions (IOSCO).

FSC Announces Capital Market Reforms

The FSC announced in April a series of policy directions and tasks for reforming the country's capital markets. The tasks include promoting the country's private bond market, which would support the FSC's policy directive of boosting investments in start-up and venture capital companies, as well as invigorating the country's derivatives market.

Malaysia

Singapore, Malaysia, and Thailand Sign Memorandum of Understanding on Cross-Border Equity and Debt Securities Offerings

In March, a Memorandum of Understanding was signed between the Monetary Authority of Singapore (MAS); Singapore Exchange, Securities Commission Malaysia, and Thailand's Securities and Exchange Commission (SEC) for the creation of a streamlined review framework for the Association of Southeast Asian Nations (ASEAN) common prospectus. This framework aims to facilitate cross-border offerings of equity and debt securities in ASEAN. The framework is expected to be implemented beginning in 3Q15.

BNM and PBOC Renew Bilateral Currency Swap Arrangement

In April, Bank Negara Malaysia (BNM) and the PBOC renewed their bilateral currency swap arrangement for another 3 years. The size of the arrangement was maintained at CNY180 billion–MYR90 billion. The arrangement will continue to promote bilateral trade and investment flows between Malaysia and the PRC.

Philippines

BSP Announces Further Amendments to Foreign Exchange Regulations

In February, the Bangko Sentral ng Pilipinas (BSP) released further amendments to its Manual of Regulations on Foreign Exchange Transactions. These include the introduction of a policy that requires private sector, nonbank borrowers to maintain a long-term debt-to-equity ratio of at least 75–25 for the entire period of their foreign-currency-denominated loans. Other amendments include policies that could further enable and monitor legitimate trade transactions, and expand the coverage of short-term interbank loans that do not require prior BSP approval.

BTr Implements NRT for LCY Government Bonds

On 4 May 2015, the Bureau of Treasury (BTr) implemented the nonrestricted trading and settlement environment (NRT) for local currency (LCY) coupon-bearing government securities. BTr stated that the market is now able to facilitate these trades after various preparatory activities including market testing, establishing business continuity process and systems readiness protocols, and other international preparations conducted by market participants. The circular pertaining to this initiative was released on 22 September 2014. The circular provides guidance on the implementation of NRT across tax categories in the secondary market for Philippine LCY coupon-bearing government securities, with the intention of deepening liquidity in the bond market and providing additional investment avenues for tax-exempt institutions and individuals

Singapore

MAS to Launch Savings Bond Program

In March, MAS announced plans to launch a savings bond program aimed at providing individual investors with long-term savings options with safe returns. Singapore Savings Bonds carry a maturity of 10 years and are fully backed by the government. Investors may purchase bonds for a minimum amount of SGD500 and in increments of SGD500 thereafter. These savings bonds will carry a step-up interest rate based on long-term SGS rates. MAS plans to issue the savings bonds on a monthly basis and expects to commence issuance in the second half of 2015.

MAS Provides Retail Investors with Access to Investment Products

In April, MAS expanded the range of simple, low-cost investment products available to retail investors by providing them with expanded access to investment products such as Exchange-Traded Funds. With this enhancement, fund managers may now reclassify investment funds as Excluded Investment Products. Previously, all investment funds that used derivatives were classified as Specified Investment Products, which are more complex products and require enhanced safeguards for retail investors.

Thailand

SEC Allows Retail and Private Funds to Invest in GMS Financial Instruments

The SEC reported in January that the Capital Market Supervisory Board has approved revisions to investment rules to allow retail funds and private funds to invest in financial instruments in Greater Mekong Subregion (GMS) countries, which include Cambodia, the Lao People's Democratic Republic, and Myanmar.

SEC and ThaiBMA to Promote Corporate Bond Issuance

In March, the SEC launched a joint project with the Thai Bond Market Association (ThaiBMA) to entice local businesses to raise funds in the LCY corporate bond market. ThaiBMA will approve exemptions from registration fees and discounts from annual fees for businesses that participate in the project and issue long-term bonds in 2015.

BOT to Ease Foreign Exchange Regulations

The Bank of Thailand (BOT) announced in April plans to relax foreign exchange regulations in order to facilitate the foreign asset holdings of Thai residents and entice nonbanks to participate in foreign exchange transactions. The central bank plans to ease measures aimed at curbing speculation on the Thai baht to encourage nonresidents to borrow Thai baht from local financial institutions.

Viet Nam

Viet Nam to Launch Derivatives Market

On 5 May, Viet Nam issued a decree providing a legal framework and investment guidelines for a derivatives market. The target date for the market's launch is 2016. Under the decree, both individuals and institutions, except for some businesses, will be allowed to invest in derivatives. The derivatives will be listed on the Viet Nam's stock exchange and will initially only include stock indices and government bond futures.

SBV Devalues Dong for Second Time in 2015

On 7 May, the State Bank of Viet Nam (SBV) devalued the Vietnamese dong by 1% to a reference rate of VND21,673 per US$1. It marked the second time this year that the Vietnamese dong has been devalued. The move was made to enhance export competitiveness and boost economic growth.