Policy and Regulatory Developments

People's Republic of China

People's Bank of China Reduces Reserve Requirement Ratios

In March, the People's Bank of China lowered the reserve requirement ratios of financial institutions by 50 basis points (bps). For large banks, the changes resulted in a reserve requirement ratio of 17.0%.

Value-Added Tax Applied to Financial Transactions

On 23 March, the People's Republic of China issued guidelines for the new value-added tax (VAT). Under the plan, the People's Republic of China will shift from levying a business tax on certain transactions and industries to a VAT-based one. The financial industry is one of the sectors affected, with interest income from loans and other income to be subject to a 6.0% VAT instead of a 5.5% business tax.

Hong Kong, China

Tentative Schedule Released for Hong Kong Special Administrative Region Government Bond Issuance in April–September

On 9 March, the Hong Kong Monetary Authority released a tentative schedule for Hong Kong Special Administrative Region Government bond issuance in April through September under the Institutional Bond Issuance Programme. A 3-year HKD4.0 billion bond was issued on 13 April, a 5-year HKD2.5 billion bond was issued on 11 May, a 10-year HKD1.2 billion bond will be issued on 29 June, and a 15-year HKD0.6 billion bond will be issued on 7 September.

Indonesia

Bank Indonesia Allows Islamic Banks to Hedge Foreign Exchange Risk

Bank Indonesia issued a new regulation allowing Islamic banks to engage in hedging activities. The rule, which took effect on 26 February, will allow Islamic banks to hedge their foreign exchange risks. Bank Indonesia expects that the new regulation will contribute to the further development of Islamic-based financial markets.

Bank Indonesia to Shift Policy Rate to 7-Day Repo Rate

On 15 April, Bank Indonesia announced that it would shift its policy rate from the reference rate to the 7-day repo rate. According to the Governor of Bank Indonesia, "the move aims to improve the effectiveness of monetary policy transmission." The move to the new policy rate will take effect on 19 August.

Republic of Korea

Financial Services Commission to Invigorate Financial Advisory Services

The Republic of Korea's Financial Services Commission (FSC) announced in March its plan to amend regulations to invigorate the Republic of Korea's financial advisory services sector. The FSC will amend the Enforcement Decree of the Financial Investment Services and Capital Markets Act in the first half of 2016 in order to create a new registration category for financial advisers covering certain types of financial products—such as derivative-linked securities, funds, and savings products—and to lower their capital requirements to KRW100 million from KRW500 million. Planned amendments to the Financial Investment Services and Capital Markets Act are also aimed at allowing eligible "robo-advisors" to directly render front-office services to their clients. The FSC has plans to (i) propose amendments to the Regulation on Financial Investment Business that will introduce detailed requirements for Independent Financial Advisers, and (ii) create best practice guidelines for financial advisory providers for investor protection purposes.

Financial Services Commission Outlines Corporate Restructuring Plan

The FSC announced its corporate restructuring plan in April, focusing on financially distressed firms and vulnerable sectors. The plan has three tracks that focus on (i) cyclically vulnerable sectors such as the shipbuilding and shipping industries, (ii) main debtor groups and individual companies, and (iii) oversupplied sectors such as the petrochemical and steel industries.

Malaysia

Bank Negara Malaysia and Bank of Thailand Launch Local Currency Settlement Framework

In March, Bank Negara Malaysia and the Bank of Thailand announced the launch of a local currency settlement framework intended to promote bilateral trade between the two economies. The framework will allow Malaysian and Thai businesses greater access to local currency and financial services in appointed banks in both markets. The framework follows a memorandum of understanding signed between the two central banks in August 2015.

Securities Commission Malaysia Introduces Regulatory Framework for Peer-to-Peer Financing Program

In April, the Securities Commission Malaysia introduced the regulatory framework for a peer-to-peer financing (P2P) program, including requirements for the registration of a P2P platform. The P2P electronic platform facilitates access to market-based financing for eligible private and unlisted companies. The framework also outlines the duties and responsibilities of a P2P operator, as well as the types of issuers and investors who can participate in the platform.

Philippines

The Philippines and Malaysia Sign Bilateral Agreement under the Association of Southeast Asian Nations Banking Integration Framework

In March, the Bangko Sentral ng Pilipinas (BSP) and Bank Negara Malaysia signed a bilateral agreement under the Association of Southeast Asian Nations (ASEAN) Banking Integration Framework that provides guidelines for the entry of Qualified ASEAN Banks into the Philippine and Malaysian markets.

Bangko Sentral ng Pilipinas Adopts Basel III Liquidity Coverage Framework

In March, the BSP's Monetary Board approved the liquidity coverage ratio framework developed under Basel III, which requires Philippine universal and commercial banks, as well as foreign bank branches in the Philippines, to hold a sufficient stock of high-quality liquid assets in order to enhance their liquidity positions.

Bangko Sentral ng Pilipinas Implements Interest Rate Corridor System

In May, the BSP announced that it will formally implement an interest rate corridor system starting 3 June. The BSP stated that this shift in its monetary operations was made to improve the transmission of monetary policy. Through this system, short-term interest rates will be guided toward the overnight reverse repurchase rate, which is the BSP's policy interest rate.

Singapore

Monetary Authority of Singapore and the People's Bank of China Renew Bilateral Currency Swap Agreement

In March, the Monetary Authority of Singapore and the People's Bank of China renewed their bilateral currency swap arrangements for an additional 3 years. The arrangement provides up to CNY300 billion of liquidity for eligible financial institutions operating in Singapore.

Monetary Authority of Singapore Allows Corporate Bond Issuers to Tap Retail Market

In May, the Monetary Authority of Singapore issued two regulations allowing corporate bond issuers to tap the retail market. Corporate issuers may issue bonds through the Bond Seasoning Framework, which allows firms who met the criteria set by the Singapore Exchange to sell bonds to retail investors. Wholesale bonds issued by these issuers may be re-denominated in smaller lots and offered for sale to retail investors through the secondary market 6 months after the listing of the bonds. Issuers may offer additional bonds targeted for retail investors without a prospectus.

Corporate issuers may also issue bonds through the Exempt Bond Issuer Framework, which allow issuers with higher eligibility criteria under the Bond Seasoning Framework to offer bonds to retail investors without a prospectus.

As an incentive, the Ministry for Finance will grant tax concessions for eligible issuers who issue bonds under these frameworks.

Thailand

Securities and Exchange Commission and the Association of Investment Management Companies to Prepare Institutional Investor Code

In March, the Securities and Exchange Commission, Thailand and the Association of Investment Management Companies announced the preparation of the Thailand Institutional Investor Code. Through the code, the Securities and Exchange Commission, Thailand and the Association of Investment Management Companies aim to promote responsible investment among institutional investors through the establishment of policies based on corporate governance principles. The code will also provide guidelines for institutional investors in monitoring the operations of the companies they have invested in to protect the interest of their clients and the investment management industry as a whole.

Viet Nam

Ha Noi Stock Exchange and Viet Nam Securities Depository to Test Run Derivatives Market

In March, Ha Noi Stock Exchange (HNX) and the Viet Nam Securities Depository announced that members may participate in the test run of a derivatives market in September and October before the official launch by the end of the year. According to HNX, two products would initially be offered: future contracts for share indexes and government bonds with a 5-year maturity. The trading of derivatives contracts will be conducted through HNX and clearing will take place through the Viet Nam Securities Depository.