Policy and Regulatory Developments

People's Republic of China

The People's Bank of China and the State Administration of Foreign Exchange Implement Cross-Border Pilot Program for Multinational Corporations

In March, the People's Bank of China and the State Administration of Foreign Exchange launched a pilot program to allow multinational corporations with good credit standing to enjoy a more streamlined process for cross-border fund transfers. The pilot program is meant to integrate multinational corporations' transfers of both Chinese yuan and foreign currencies. The benefits of the pilot program for the companies include a unified policy on Chinese yuan and other foreign currencies, the relaxation of quotas on external debt and overseas loans, and the easier cross-border transfer of currencies and purchases of foreign currencies subject to quota.

The People's Bank of China Adjusts Foreign Exchange Reserve Requirement Ratio

Effective 15 June, the foreign exchange reserve requirement ratio of financial institutions was raised to 7.0% from 5.0%, as previously announced by the People's Bank of China in May.

Hong Kong, China

Hong Kong Monetary Authority and Bank of Japan Launch a Cross-Border Delivery-Versus-Payment Link

On 1 April, the Hong Kong Monetary Authority and the Bank of Japan (BOJ) launched a delivery-versus-payment link for cross-currency securities transactions between the Hong Kong Dollar Clearing House Automated Transfer System and the BOJ Financial Network System for Japanese Government Bond (JGB) Services. The delivery-versus-payment link provides settlement infrastructure for Hong Kong dollar sale and repurchase transactions using JGBs as collateral. It helps reduce settlement risk by guaranteeing simultaneous delivery of Hong Kong dollars in Hong Kong, China and JGBs in Japan. The link is operated by the BOJ in Japan and the Hong Kong Interbank Clearing Limited in Hong Kong, China.

Hong Kong Monetary Authority Launches Green and Sustainable Finance Grant Scheme

On 10 May, the Hong Kong Monetary Authority launched the Green and Sustainable Finance Grant Scheme, which will provide subsidies for eligible bond issuers and loan borrowers to cover expenses related to bond issuance and external review services. The scheme, which will last for 3 years, aims to strengthen Hong Kong, China's position as a regional green and sustainable finance hub, and help enrich its green and sustainable finance ecosystem. Eligible green and sustainable loans are those issued in Hong Kong, China with a size of at least HKD200 million, or the equivalent in a foreign currency, and have procured pre-issuance external review services by a recognized provider.

Indonesia

Indonesia Expands Economic Stimulus Program

In January, Indonesia raised its National Economic Recovery budget to IDR553 trillion from the previously approved IDR372 trillion budget. The program includes programs for health spending and social support.

Bank Indonesia Revises Regulation for Monitoring Foreign Exchange Transactions

In June, a new Bank Indonesia regulation came into effect to strengthen the monitoring of foreign exchange transactions. Under the new regulation, banks must include in the foreign exchange transaction monitoring system those client transactions with a transaction value of at least USD250,000 and derivative transactions with a minimum value of USD1 million.

Republic of Korea

National Assembly Passes KRW14.9 Trillion Supplementary Budget

On 25 March, the National Assembly passed the KRW14.9 trillion supplementary budget, which was slightly less than the proposed KRW15.0 trillion. The additional budget will mostly be used to fund COVID-19 relief programs, support for small businesses hit by the pandemic, and job retention and creation programs. The supplementary budget brought the total 2021 budget to KRW572.9 trillion and increased the fiscal deficit to 4.5% of GDP.

Malaysia

FTSE Russell Removes Malaysia from Its Watch List

On 29 March, FTSE Russell announced that it had removed Malaysia from its fixed-income watch list and retained Malaysia in its FTSE World Government Bond Index. The decision was made in consideration of regulatory enhancements in Malaysia's financial market. When Malaysia was included in FTSE Russell's watch list in 2019, Bank Negara Malaysia (BNM) introduced regulations that made its government bond market more accessible to foreign investors by improving secondary market liquidity and facilitating foreign exchange transactions.

Bank Negara Malaysia Liberalizes Foreign Exchange Policy

On 31 March, BNM introduced regulations that provide greater flexibility to export-oriented industries. Effective 15 April, resident exporters can (i) manage the conversion of their export proceeds based on their foreign currency needs, (ii) settle their domestic trades in foreign currency with other residents, (iii) extend the repatriation of their export proceeds without seeking approval from BNM, and (iv) net-off their export proceeds against permitted foreign currency liabilities without seeking approval from BNM. Resident corporates can engage in commodity derivatives hedging with nonresident counterparties. These new regulations aim to attract foreign direct investments to support Malaysia's economic recovery.

Philippines

Bangko Sentral ng Pilipinas Increases Net Open Foreign Exchange Limit

In June, the Monetary Board of the Bangko Sentral ng Pilipinas approved an increase in the net open foreign exchange position (NOP) limit for banks in response to rising demand for foreign exchange that is underpinned by the increased volume of trade transactions and investments. The NOP limit was raised to either 25% of qualifying capital or USD150 million, whichever is lower. The previous limit was 20% of unimpaired capital or USD50 million. According to the Bangko Sentral ng Pilipinas, the increase in the NOP limit is part of a larger set of amendments to the framework for the management of banks' open foreign exchange positions, which aim to make the calculation and measurement of a bank's NOP more risk-based. The amendments will take effect on 1 August 2021.

Bureau of the Treasury Plans to Borrow PHP555 Billion in the Second Quarter of 2021

The Bureau of the Treasury (BTr) is set to borrow PHP555 billion from the domestic debt market in the second quarter of 2021. For April and May, the monthly programmed Treasury bill offerings were PHP100 billion, while Treasury bond offerings were PHP70 billion. In June, the BTr increased its issuance plan by holding more auctions and shifting to a higher offer volume of Treasury bonds. The BTr is seeking to raise PHP215 billion from the market in June, comprising PHP75 billion of Treasury bills and P140 billion of Treasury bonds, through its weekly auctions.

Singapore

Bilateral Investment Treaty with Indonesia Begins

On 9 March, the bilateral investment treaty signed in 2018 by Singapore and Indonesia entered into force. The treaty establishes rules and additional protections for investors and investments in each other's economies. The establishment of the bilateral investment treaty aims to foster a better economic relationship and increase investment flows between Singapore and Indonesia.

Singapore and Japan Renew Bilateral Swap Arrangement

On 21 May, Monetary Authority of Singapore and the BOJ renewed the existing bilateral swap arrangement between Singapore and Japan. Singapore can swap Singapore dollars up to the equivalent of USD3 billion in Japanese yen. Japan can swap Japanese yen up to the equivalent of USD1 billion in Singapore dollars. With the renewal of the arrangement, the two economies will be able to continue to exchange their local currency for United States dollars from each other. This gives flexibility to both economies in meeting their liquidity needs, while also promoting financial stability and better economic ties between Singapore and Japan.

Thailand

Bank of Thailand Adjusts Bond Issuance Program for 2021

The Bank of Thailand (BOT) adjusted its bond issuance program for 2021 to accommodate changes in market demand and support the government's financing needs for COVID-19 relief measures. The BOT and the Public Debt Management Office continued to coordinate so that BOT and government bonds would be issued at different sections of the yield curve. In particular, the BOT discontinued the issuance of 6-month bills and 3-year bonds in line with the Public Debt Management Office's plan to issue 6-month Treasury bills and 3-year government bonds in 2021. The BOT also terminated the issuance of 2-week bills as the need for these short-term bills had declined in recent years. Furthermore, the BOT replaced the Bangkok Interbank Offered Rate-linked floating rate bonds with Thai Overnight Repurchase Rate-linked floating rate bonds to promote the development of the new reference rate.

Viet Nam

Ministry of Finance Lists Market Makers

Viet Nam's Ministry of Finance released Decision No. 2290/QD-BTC, which lists market makers for the debt market effective 1 January–31 December 2021. The market markers for 2021 comprise 17 commercial banks and securities firms, up from only 13 in 2020. The entities have the right to participate in the bidding of government bonds, act as the main guarantor organization for the issuance of government bonds, and provide inputs for drafting new policies for the bond market. The Ministry of Finance will evaluate the entities toward the end of the year if they can maintain their status as market makers.

State Bank of Vietnam Issues Regulation to Control Credit Quality in Risky Sectors

In May, the State Bank of Vietnam issued Official Dispatch No. 3029/NHNN-TTGSNH to credit institutions and foreign bank branches, instructing them to implement strict control over the quality of credit in sectors with potential risks such as real estate and securities. High-risk credit areas include investments in corporate bonds, securities credit, real estate, build-operate-transfer, and consumer loans. For corporate bonds, issuance from the real estate sector has rapidly increased in volume, with almost none having any collateral. This risks the formation of a property bubble that could inflict huge losses on investors when the bubble bursts.