Policy and Regulatory Developments

People's Republic of China

The People's Bank of China Allows Foreign Investors to Trade in the Exchange Market

In May, the People's Bank of China announced that foreign investors would be allowed to trade in its smaller exchange market, effective 30 June. The move was made to further attract capital flows into the bond market, following substantial capital outflows in February and March. In addition, financial institutions will be allowed to trade bonds and invest in derivatives and other financial instruments permitted by the People's Bank of China and the China Securities Regulatory Commission.

Hong Kong, China

Hong Kong Monetary Authority Maintains Countercyclical Capital Buffer Ratio at 1.0%

On 5 May, the Hong Kong Monetary Authority (HKMA) held the countercyclical capital buffer ratio (CCyB) steady at 1.0%. The HKMA noted that the latest economic data as of the fourth quarter of 2021 signaled a CCyB of 1.0%. Furthermore, economic activities slowed in the first quarter of 2022 and uncertainties regarding global and domestic conditions heightened. Thus, the HKMA decided to keep the CCyB unchanged at 1.0% and will continue to closely monitor developments. The CCyB is an integral part of the Basel III regulatory capital framework intended to improve the resilience of the banking sector.

Indonesia

Bank Indonesia to Accelerate Adjustments to Bank Reserve Requirement Ratios

On 24 May, Bank Indonesia announced that it would quicken the pace of reserve requirement ratio adjustments from its earlier announcement made in January. The move is part of the central bank's liquidity normalization policy. The first adjustment to the reserve requirement ratio proceeded as planned on 1 March. Subsequent adjustments will now take effect on 1 June, 1 July, and 1 September, bringing the rupiah reserve requirement ratio for conventional commercial banks to 6.0%, 7.5%, and 9.0%, respectively. The corresponding adjustments for Shariah banks and business units will be 4.5%, 6.0%, and 7.5%, respectively.

Republic of Korea

The Republic of Korea's National Assembly Passes the Second Supplementary Budget

On 29 May, the National Assembly passed the second supplementary budget of KRW62.0 trillion, which is to be largely allocated for programs involved in improving people's livelihoods. These include, among others, programs to compensate small business owners hit hard by the pandemic (KRW28.7 trillion) and policies intended to ensure proper pandemic control and the gradual transition to the general health-care system (KRW7.1 trillion). The government also announced that financing for the proposed supplementary budget would not entail the issuance of government bonds. The resulting 2022 budget is expected to generate a consolidated fiscal deficit equivalent to 3.3% of gross domestic product (GDP) and a government-debt-to-GDP ratio of 49.7%.

Malaysia

Bank Negara Malaysia Launches the Malaysia Islamic Overnight Rate

On 25 March, the Bank Negara Malaysia (BNM) announced the establishment of the Malaysia Islamic Overnight Rate (MYOR-i), which will be used as a reference rate for Shariah-compliant financial products. MYOR-i is expected to help develop the Islamic financial market of Malaysia, reinforcing best practices in the Shariah-compliant financial system. The BNM noted that MYOR-i is the first Islamic benchmark in the world that is transaction-based, and it will replace the Kuala Lumpur Islamic Reference Rate immediately. With this new Islamic benchmark, the BNM aims for better transparency and innovation in Islamic finance, leading to efficiency in pricing financial instruments and boosting the economy of Malaysia.

Philippines

Bureau of the Treasury Issues the Philippines' First Sustainability Samurai Bond

In April, the Bureau of the Treasury (BTr) issued the Philippines' first sustainability samurai bond in Japan. The issuance was part of the government's sustainability strategy to capture new accounts and mobilize capital from environmental, social, and governance-conscious investors, with the objective to transition to a more sustainable and climate-resilient economy. It also highlighted the government's commitment to climate change mitigation and adaptation and to deepening its domestic sustainable finance market. The JPY70.1 billion multi-tranche debt sale comprised 5-year bonds (JPY52.0 billion), 7-year bonds (JPY5.0 billion), 10-year bonds (JPY7.1 billion), and 20-year bonds (JPY6.0 billion).

Bureau of the Treasury Plans to Borrow PHP650.0 billion in the Second Quarter of 2022

The BTr is set to borrow PHP200.0 billion per month from the domestic debt market in April and May. The amount of monthly borrowing is lower compared to March (PHP250.0 billion). In June, the BTr is set to borrow PHP250.0 billion again as it has calibrated the volume based on domestic requirements and past rejections. In the months of April and May, the planned monthly Treasury bill offerings were PHP60.0 billion and Treasury bond offerings were PHP140.0 billion. In June, the Treasury bill and Treasury bond offerings were PHP75.0 billion and PHP175.0 billion, respectively.

Singapore

Singapore and Australia to Jointly Develop Financial Technology

On 13 April, Monetary Authority of Singapore and Australia Treasury signed an agreement committing both parties to strengthening their economies' financial technology network. Under the FinTech Bridge Agreement, the two governments agreed to improve multilateral cooperation on financial technology, expand business opportunities in each other's markets, work together with experts in both economies to generate new financial technology opportunities for Singaporeans and Australians, and share information on issues and market trends in financial technology.

Thailand

Thai Government Approves New Borrowing of THB1.4 Trillion for Fiscal Year 2022

On 12 April, the Government of Thailand approved new borrowing of THB1.40 trillion for fiscal year 2022, up from the previously planned amount of THB1.36 trillion. The new borrowing plan is projected to raise public debt to 62.8% of GDP at the end of the fiscal year, which is still below the government's 70.0% limit. The plan includes THB10.0 billion of borrowing for the state oil fund to stabilize domestic fuel prices, THB29.3 billion for restructuring government debt, and THB39.4 billion for investment projects. Public debt stood at 60.6% of GDP at the end of March.

Bank of Thailand Eases Foreign Exchange Regulations

As part of continuing efforts to develop Thailand's foreign exchange ecosystem, the Bank of Thailand announced a new set of regulatory changes on 18 April. Rules for cross-border currency transfer and payment transactions were relaxed to allow Thai residents greater flexibility in conducting foreign exchange transactions. Rules related to foreign exchange hedging were eased to help Thai companies manage their foreign exchange risks more efficiently. Documentary requirements for foreign exchange transactions were also simplified to reduce costs and facilitate foreign exchange activities through online channels. However, cross-border transfers of the Thai baht to pay for digital assets are still prohibited.

Viet Nam

Viet Nam Prime Minister Calls for Law Revision on Corporate Bonds

In April, Prime Minister Pham Minh Chinh issued Directive No. 304, which includes instructions for the Ministry of Finance to revise regulations on the corporate bond market in order to enhance efficiency in enforcing greater transparency and ensuring safety in the market. The directive stated that the focus should be placed on companies with a large amount of bond issuance, high-interest rates, and those having unfavorable business performance without sufficient guarantees. This follows the growing number of cases in Viet Nam of unlawful practices related to corporate bond issuance.