

Policy and Regulatory Developments

People's Republic of China

People's Bank of China Reduces Reserve Requirement Ratio

On 17 March, the People's Bank of China (PBOC) reduced the reserve requirement ratio for financial institutions by 25 basis points, effective 27 March. The cut, which brings the weighted-average reserve requirement ratio for financial institutions to around 7.6%, was taken to support economic recovery and provide adequate liquidity in the banking system.

Hong Kong, China

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

On 4 May, the Hong Kong Monetary Authority (HKMA) held the countercyclical buffer ratio steady at 1.0%. The HKMA noted that economic data as of the fourth quarter of 2022 showed a steady recovery of the domestic economy and indicated a countercyclical buffer ratio of 0.0%. However, the HKMA decided to hold the ratio unchanged at 1.0% given lingering uncertainties in the global economic environment. The countercyclical buffer ratio is an integral part of the Basel III regulatory capital framework intended to improve the resilience of the banking sector in periods of excess credit growth.

Northbound Swap Connect Starts Operation

On 15 May, the PBOC, Hong Kong Securities and Futures Commission, and HKMA launched the Northbound channel of Swap Connect, a new mutual access program between the People's Republic of China (PRC) and Hong Kong, China's interbank interest rate swap markets. The program provides international investors access to the PRC's financial derivatives market through links established between financial institutions in the PRC and Hong Kong, China. By facilitating interest rate swaps, the program provides global investors in the PRC's bond market with a tool to manage interest rate risks. The initial daily trading quota for Swap Connect was set at CNY20.0 billion.

Indonesia

Government of Indonesia Sells the First Sovereign Blue Bonds in the World

On 19 May, the Government of Indonesia sold the first blue bonds issued by a sovereign entity. The blue bond sale comprised a 7-year and 10-year tranche denominated in Japanese yen with issue sizes of JPY14.7 billion and JPY6.0 billion, respectively. Blue bonds are bonds issued with the proceeds to be used to fund marine-related conservation initiatives and projects. The issuance is in line with the government's commitment to sustainable financing and efforts to diversify financing instruments and widen the investor base.

Republic of Korea

The Republic of Korea to Continue Institutional Reforms for Inclusion in the World Government Bond Index

On 30 March, FTSE Russell announced that the Republic of Korea would remain on the watch list for the World Government Bond Index after attaining first place on the list in September 2022. Market authorities in the Republic of Korea have undertaken and will continue to undertake institutional reforms to improve the structure and investor accessibility of the Republic of Korea's capital market. These include, among others, the exemption of withholding tax on Korea Treasury Bonds for foreign investors, abolishment of the Investment Registration Certificate scheme, and other foreign exchange (FX) market reforms. The inclusion in the World Government Bond Index is expected to increase foreign participation in the government bond market, balance market demand and supply, and improve market stability.

Malaysia

Malaysia Makes Cross-Border Payments Easy

In March and May, Bank Negara Malaysia, together with the Monetary Authority of Singapore (MAS) and Bank Indonesia, launched connected QR code payment systems between Singapore and Indonesia. Customers of participating Malaysian financial institutions can now scan Singapore's Network for Electronic Transfers QR codes and Indonesia's Quick Response Code Indonesian Standard to make retail payments. Likewise, customers of Singaporean and Indonesian institutions can make use of Malaysia's DuitNow QR codes. This improved connectivity promotes financial inclusion and upholds the Association of Southeast Asian Nations' goal of promoting connected retail payment systems in the region. The regional cooperation also benefits small- and medium-sized enterprises by boosting economic activities between markets and making it easier for consumers to settle in select local currencies.

Philippines

Bangko Sentral ng Pilipinas Revises Foreign Exchange Regulations

In its effort to streamline the procedures and documentary requirements for FX transactions, the Bangko Sentral ng Pilipinas (BSP) amended its FX regulations in March. Under the revised guidelines, the BSP permanently lifted the notarization requirement for certain supporting documents on trade and nontrade current account transactions as well as foreign investments. The BSP also waived the processing fee for noncompliance within the prescribed period for the submission of applications or requests for various FX transactions. Additionally, the BSP will continue to issue International Operations Department documents in electronic format and will permit authorized agent banks, their subsidiaries, and affiliated FX firms to receive BSP-issued documents via electronic means. The initiative aims to bolster economic integration with regional and global markets, as well as to enhance data capture for FX transactions.

Singapore

Singapore Strengthens Commitment to a Green Future

In April, the MAS launched its Finance for Net Zero Action Plan, which promotes financing geared toward decarbonization in Singapore's power generation and transportation industries, among others. The MAS plans to include transition bonds and loans in its sustainable bond and loan grant schemes. The central bank will ensure proper risk management in the lending activities mentioned, following international best practices.

Showing its commitment to a green future, the MAS and the PBOC launched a Green Finance Task Force in the same month. One of the aims of the group is to enhance the connectivity of the sustainable bond markets of Singapore and the PRC, allowing easy access to each market's green and transition bonds.

Thailand

Public Debt Management Office Plans THB40.0 Billion Issuance of Savings Bonds

On 27 April, the Government of Thailand's Public Debt Management Office announced a triple-tranche offering of savings bonds amounting to THB40.0 billion and with a subscription period of 10–23 May. The first tranche worth THB10.0 billion was accessible to retail investors through Krungthai Bank's Sasom Bond Mung Kung e-wallet. The second tranche worth THB25.0 billion was also open to individual investors through dealer banks (e.g., Bangkok Bank, Krungthai Bank, Kasikorn Bank, and Siam Commercial Bank) via mobile banking or over-the-counter transactions. The final tranche worth THB5.0 billion was made available to nonprofit organizations at the counters of dealer banks. The planned savings bond issuance aims to help finance the government's budget deficit for fiscal year 2023 and follows the record issuance of THB46.1 billion worth of savings bonds in December 2022.

Viet Nam

Corporate Bond Regulations Amended

Due to various challenges faced by corporate bond issuers since the implementation of Decree No. 65 in September 2022, coupled with the recent turmoil in the domestic real estate market, the Government of Viet Nam issued Decree No. 8 on 5 March. The new decree aims to amend and suspend several provisions stipulated in Decree No. 65, and loosens the government's restrictions on corporate bond regulations to help ease pressure on corporate bond issuers. Decree No. 8 allows issuers to negotiate with bondholders and extends payments by a maximum of 2 years if holders agree. It also allows issuers to make payments by assets other than cash for domestically issued bonds and suspends the requirements for professional investor status and credit ratings to 1 January 2024. Furthermore, the previous rule on a 30-day distribution period for each private placement has been postponed until the end of 2023. The new regulations provide issuers with additional time to encourage investment, increasing the likelihood of a successful bond offering.