Policy and Regulatory Developments

People's Republic of China

Shanghai Free Trade Zone Processes Cross-Border Renminbi Payments

On 18 February, the People's Bank of China (PBOC) announced it would allow five payment companies to process cross-border renminbi payments in the Shanghai Free Trade Zone: Allinpay, 99Bill, ChinaPay, Dongfang Electronics, and Shengpay. The five companies will open accounts with the Shanghai branches of ICBC, Bank of China (BoC), CBC, China Merchants Bank, and China Minsheng Bank to help facilitate the transfers.

PBOC Resumes Repo Auctions

On 18 February, the PBOC conducted its first repo auction in 8 months when it auctioned 14-day repurchase agreements at a rate of 3.8%. The total amount issued was CNY48 billion.

CIRC Relaxes Investment Limits for Insurance Companies

On 19 February, the China Insurance Regulatory Commission (CIRC) released new regulations regarding allowable investments for insurance companies. There will no longer be limits for fixed-income investments. Prior to this, fixed-income investing had some restrictions, such as investments only in corporate bonds with credit ratings of BBB and above, as well as a 40% limit in corporate bonds.

Limits on equity investments were also raised to 30%. Prior to this, the limits were 25% in listed equities, and 10% in unlisted equities and equity investment funds.

Banks Liquidity Coverage Ratio Requirement Increased

On 20 February, the China Banking Regulatory Commission (CBRC) announced new rules requiring banks to maintain a 100% Liquidity Coverage Ratio (LCR) by 2018 compared with the prior requirement of 60%. The LCR requirement will increase by 10% each year until reaching 100% in 2018.

Hong Kong, China

Hong Kong, China and Malaysia to Promote Offshore Renminbi Business

On 3 December, Hong Kong, China and Malaysia conducted the first meeting of the Hong Kong–Malaysia Private Sector Dialogue on Offshore Renminbi Business. The purpose of the dialogue is to jointly develop the offshore renminbi business. During the dialogue, both economies agreed to expand cooperation between banks in Hong Kong, China and Malaysia. They also agreed to promote awareness about the use of the renminbi in trade settlement and promote the development of the reminbi *sukuk* (Islamic bond) market.

Indonesia

Bank Indonesia Signs MRA with Domestic Banks

On 18 December, a mini Master Repo Agreement (MRA) was signed between Bank Indonesia and eight Indonesian banks. The mini MRA will serve as a standard contract for interbank repo transactions. The eight banks include Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, Bank Central Asia, Bank Panin, Bank Bukopin, Bank DKI, and Bank Jabar Banten. This move is expected to promote and deepen the repo market as most transactions were previously undertaken through bilateral agreements due to the absence of a standardized global MRA in Indonesia.

Bank Indonesia Issues New Regulations for Hedge Swap Transactions

As part of efforts to deepen Indonesia's domestic foreign exchange market, Bank Indonesia announced new regulations to expand currency swap facilities for hedging transactions. The new regulations, which took effect on 3 February, aim to minimize exchange rate risks and increase investment activities in Indonesia. Under the new regulations, a hedging contract may be entered into by a bank within a period of up to 3 years through hedge swap transactions with Bank Indonesia at maturities of 3, 6, and 12 months. Other regulatory improvements were also announced, including the expansion of underlying transaction coverage, the extension of transaction tenors, and settlement by netting.

Republic of Korea

MOSF Introduces Policy Directions for KTB Market

The Ministry of Strategy and Finance (MOSF) announced in December policy measures for the management and development of the Korea Treasury Bonds (KTB) market. MOSF specifically noted the need for smooth fiscal fund-raising through the stable issuance of KTBs. To achieve this, MOSF cited maintaining the monthly KTB issuance volume at KRW8 trillion, optimizing the proportion of KTB issuance by tenor, and making slight adjustments to KTB issuance plans based on market conditions. In addition, MOSF also aims to promote KTBs as a benchmark in capital markets and cited the need for consolidation of data and information on KTBs managed by different institutions, amendments on KTB futures by tenor (e.g., introducing the issuance of longer-term KTB futures), and extensive revision of the relevant act on government bonds.

MOSF Revises Regulations on KTB Issuance and the Primary Dealer Management System

MOSF revised regulations on KTB issuance and the primary dealer management system, effective 1 January. Among the major revisions were the strengthening of the role of primary dealers in holding KTBs; adding the trading performance of primary dealers in "off-the-run" KTBs listed on the Korea Exchange as an evaluation item; reducing the interval in the differential pricing auction for 10-year KTBs from 3 basis points (bps) to 2 bps; and equal treatment in the evaluation of both conversions and buy-backs, with evaluations to be conducted on a monthly basis instead of a quarterly basis.

Malaysia

Hong Kong, China and Malaysia Hold Joint Forum on Islamic Finance

On 3 December, the Hong Kong Monetary Authority (HKMA) and Bank Negara Malaysia (BNM) facilitated a forum on Islamic finance, with participants from eight commercial banks and three fund management companies. The Financial Services and the Treasury Bureau of Hong Kong, China; the Securities and Futures Commission of Malaysia; and the Hong Kong Exchanges and Clearing Limited also joined the meeting.

The forum reviewed the current developments of Islamic finance globally and in both jurisdictions, and discussed measures to further the development of Hong Kong, China's Islamic financial market, particularly the *sukuk* market and the Islamic fund management industry.

The participants agreed to (i) identify potential *sukuk* issuers, particularly corporates, and encourage cross-border *sukuk* issuances between Hong Kong, China and Malaysia; and (ii) actively consider launching Islamic funds and making use of the established mutual recognition framework for Islamic funds between Hong Kong, China and Malaysia to facilitate cross-border Islamic financial activities.

Philippines

BSP Issues Circular on Amendments to Regulations on FX Transactions

On 7 November, the Bangko Sentral ng Pilipinas (BSP) released the implementing circular on the amendments to the manual regulations on foreign exchange (FX) transactions. This included (i) allowing prepayment of BSP-registered short-term loans subject to required documents, (ii) waiver of the submission of documents to support reports on importations under documents against acceptance and open account arrangements, and (iii) clarification of the prescriptive period for filing requests for BSP registration of foreign direct investment and rules on currency swaps.

BSP Liberalizes Rules on the Issuance of LTNCTDs

On 23 December, the Monetary Board of BSP issued new guidelines liberalizing the issuance of Long-Term Negotiable Certificates of Time Deposits (LTNCTDs). This included lifting the PHP5 billion issue size cap for LTNCTD offerings by banks. With this are also refinements of the rules to promote issuer accountability. These include raising the reserve requirement from 3% to 6% of outstanding LTNCTDs, and listing the instruments on an accredited exchange platform.

Singapore

HKEx and SGX Cooperate on RMB Internationalization

On 4 December 2013, Hong Kong Exchanges and Clearing Limited (HKEx) and Singapore Exchange (SGX) signed a Memorandum of Understanding (MOU) that enables both exchanges to cooperate in promoting the internationalization of the renminbi. This cooperation can be in the form of product development, connectivity enhancement, technology development, and extraterritorial market infrastructure regulation.

RQFII License Applications Open for Eligible Singaporean Financial Institutions

On 24 January, the Monetary Authority of Singapore (MAS) announced that all Singapore-incorporated financial institutions that are approved by MAS to conduct fund management activities may submit applications for the Renminbi Qualified Foreign Institutional Investor (RQFII) license. This will allow them to offer renminbi investment products as well as invest offshore renminbi into the PRC's securities market. This move followed the recent allocation of an aggregate quota of CNY50 billion to Singapore under the PRC's RQFII program.

Thailand

SEC Sets Strategic Plans for Capital Market Development

The Securities and Exchange Commission (SEC) of Thailand announced in January its 2014–16 strategic plans for the development of Thailand's capital market. The objective of the plan is to step up capital market development in Thailand—specifically in the areas of corporate governance, market capitalization, liquidity, and sustainable development—in order to widen the market's visibility in the international community. The SEC also announced its key initiatives for 2014 that aim to improve the public's awareness and understanding of savings and investments. Furthermore, the SEC stated that it plans to carry out measures to issue regulations that will accommodate overseas offerings of equities, debt, and mutual funds, as well as conduct studies on the laws and regulations of overseas jurisdictions in order to facilitate the listing of foreign securities on the Stock Exchange of Thailand (SET).

SEC Revises Rules Governing Provident Fund Investments

The SEC announced in January revisions to the rules on provident fund investments, which are consistent with international standards, in order to provide greater investment opportunities and more clarity for provident funds. Effective 1 January, provident funds were allowed to invest in derivatives up to a permissible proportion for "efficient portfolio management" purposes.

Viet Nam

Government Issues New Decree on SBV

On 11 November, the government issued Decree No. 156/2013/ND-CP regulating functions, tasks, powers, and the organizational structure of the State Bank of Viet Nam (SBV). The decree states the tasks of SBV to include macroeconomic stability, inflation targeting and control, and ensuring credit institutions' sound operations within the legal framework. SBV is also tasked to implement national monetary policy, including re-financing, interest rates, exchange rates, reserve requirements, open market operations, and other tools and measures. The decree took effect on 26 December 2013.

Viet Nam's 2014 State Budget Approved

On 12 November, the National Assembly of Viet Nam approved the 2014 target economic indicators, including (i) 5.8% gross domestic product (GDP) growth, up from an estimated 5.4% in 2013; (ii) 7.0% inflation, slightly higher than 6.6% in 2013; (ii) VND782.7 trillion in state budget revenue and VND 1,006.7 trillion in budget expenditure; and (iii) a state budget deficit of VND224.0 trillion, or 5.3% of GDP. The largest portion of the state budget was allocated for development investments and debt payments.