Policy and Regulatory Developments

People's Republic of China

PBOC Normalizes Reserve Requirement Ratios for Offshore Financial Institutions' Renminbi Deposits Onshore

The People's Bank of China (PBOC) announced that offshore financial institutions' renminbi deposits with onshore financial institutions would be subject to reserve requirements, similar to other deposits, effective 25 January. Deposits from institutions such as central banks and sovereign wealth funds, however, will remain unaffected by the reserve requirements.

PBOC to Conduct Daily Open Market Operations

The PBOC announced that it would hold daily auctions for repurchase (repo) and reverse repo agreements beginning in February. The PBOC also said that it would provide written notice if a daily auction is to be canceled. The PBOC previously held open market operations twice a week but shifted to daily auctions to manage liquidity in advance of the Lunar New Year holidays.

PBOC Removes Onshore Bond Market Quota for Offshore Institutions

On 24 February, the PBOC announced that offshore financial institutions can now invest in the onshore interbank bond market without a quota. Prior to this, institutions investing under the Renminbi Qualified Foreign Institutional Investor (RQFII) and Qualified Foreign Institutional Investor (QFII) programs were subject to quotas.

Hong Kong, China

Hong Kong, China Adjusts Base Rate

On 17 December, the Hong Kong Monetary Authority (HKMA) adjusted the base rate by 25 basis points (bps) to 0.75% in response to the United States (US) Federal Reserve's policy rate hike on 16 December. Due to the fixed-rate nature of Hong Kong, China's currency regime, changes in the HKMA base rate track those of the US policy rate.

Indonesia

OJK to Allow *Shari'ah*-Compliant Mutual Funds to Invest Offshore

In November, Indonesia's financial supervisory body, Otoritas Jasa Keuangan (OJK), finalized regulations to allow *shari'ah*-compliant mutual funds to invest in offshore assets. The new regulations were made to boost Indonesia's *shari'ah* financing pool by allowing *shari'ah*-compliant mutual funds to invest 51%–100% of proceeds in the offshore debt, equity, and currency markets of International Organization of Securities Commission members.

Indonesia to Continue Frontloading Debt Issuance in 2016

In December, the Government of Indonesia announced that it would continue its policy of frontloading debt issuance in 2016, targeting completion of about 60% of its annual bond issuance within the first half of the year. The government plans to issue a total of IDR532.4 trillion in bonds this year, comprising IDR402.4 trillion in local currency (LCY) bonds and IDR130.0 trillion in foreign currency bonds, to help fund its 2016 budget shortfall.

Bank Indonesia and Reserve Bank of Australia Forge LCY Swap Agreement

On 15 December, Bank Indonesia and the Reserve Bank of Australia entered into a bilateral LCY swap agreement that allows the two central banks to exchange up to a maximum of AUD10 billion–IDR100 trillion to promote bilateral trade. The agreement is valid for a period of 3 years, subject to extension based on the mutual consent of both parties.

OJK Launches GMRA for Repo Transactions

In January, OJK launched the Global Master Repurchase Agreement (GMRA) Indonesia, which is a standard document used for conducting repo transactions between two parties. The GMRA Indonesia adopts the standard provisions of the International Capital Markets Association and includes provisions that abide by Indonesian laws. The finalization of the GMRA Indonesia is expected to boost repo transaction volume and provide an alternative funding source for banks and financial institutions.

Republic of Korea

FSC Unveils Financial Policy Road Map for 2016

In January, the Financial Services Commission (FSC) of the Republic of Korea unveiled its financial policy road map for 2016. The road map outlines 10 policy tasks that aim to promote the FSC's twin themes of financial reform and financial stability.

Crowdfunding Rules Established

The FSC reported the establishment of crowdfunding rules, effective 25 January, following Cabinet approval on 5 January of related amendments to the Enforcement Decree of the Financial Investment Services and Capital Markets Act. The amendments provide details on the scope of issuers, registration requirements, and investor protections in connection with crowdfunding intermediaries.

Malaysia

PBOC Grants RQFII Quota to Malaysia

In November, the PBOC announced the extension of its RQFII program to Malaysia with an aggregate quota of CNY50 billion. This will allow qualified financial institutions in Malaysia to participate in the People's Republic of China's (PRC) financial markets and aid in the development of the offshore renminbi market in Malaysia.

Philippines

BSP Amends Foreign Exchange Regulations

In February, Bangko Sentral ng Pilipinas (BSP) announced additional amendments to its Manual of Regulations on Foreign Exchange Transactions, including eliminating the requirement of BSP approval for offshore borrowing with respect to (i) purely private sector loans (without a guarantee from the public sector or banks) for the financing of energy and power infrastructure projects; and (ii) private nonbank financial institutions engaged in microfinance activities where proceeds from the loans are to be used for microfinance lending.

BSP Lifts Moratorium on Establishment of New Banks

In February, the BSP announced the lifting of the moratorium on the granting of new bank licenses. The first phase, effective through the end of 2017, allows existing thrift banks to apply for a license to convert themselves into a universal or commercial bank. The second phase, effective 1 January 2018, lifts all restrictions on the granting of new bank licenses. The second phase also grants application and licensing fee exemptions to new banks with head offices in unbanked areas, and for mergers and acquisitions for distressed banks.

Singapore

MAS and PBOC Launch Initiatives to Promote Cross-Border Renminbi Transactions

On 9 November, the Monetary Authority of Singapore (MAS) announced that the state visit of President Xi Jingping of the PRC to Singapore had led to a series of initiatives to strengthen cross-border renminbi transactions between the two markets. The initiatives include the expansion of an existing cross-border agreement with the municipalities of Suzhou and Tianjin to also cover Chongqing municipality. The expanded agreement will allow (i) Singapore banks to lend renminbi to companies in Chongqing, (ii) Chongqing companies to issue renminbi-denominated bonds and repatriate the funds back to the PRC, (iii) equity investment funds in Chongqing to invest in Singapore, and (iv) Chongqing corporates to conduct business in renminbi (including sending remittances) with companies in Singapore and to place direct investments. Other initiatives include an increase in Singapore's RQFII quota from CNY50 billion to CNY100 billion, and an agreement to renew and strengthen an existing bilateral currency swap agreement between MAS and the PBOC.

Thailand

SEC Revises Rules and Regulations on Mutual Fund Investment Policies

In January, the Securities and Exchange Commission, Thailand (SEC) announced revisions to rules and regulations pertaining to the investment policies of mutual funds and provident funds. The amendments were made to widen investor choices, strengthen investor protections, and make the economy's asset management industry more competitive.

SEC Introduces Strategic Plan to Develop a Robust Capital Market Ecosystem

In January, the SEC introduced its Strategic Plan, 2016–2018 to develop a robust capital market ecosystem. The plan covers four areas: financial product development, fundraising, markets and intermediaries, and the SEC's organizational development.

Viet Nam

SBV Now Publishing Daily Exchange Rates for Vietnamese Dong

In January, the State Bank of Viet Nam (SBV) began publishing daily exchange rate data for the Vietnamese dong and US dollar, as well as cross-rates of the Vietnamese dong versus other foreign currencies. The move aims to stabilize the foreign exchange market to strengthen macroeconomic conditions supportive of growth. The published VND–USD rates will be used by banking institutions that are permitted to conduct foreign exchange transactions to determine their buying and selling rates.