Policy and Regulatory Developments

People's Republic of China

People's Bank of China Lowers Reporting Threshold for Certain Financial Transactions

In December, the People's Bank of China lowered the threshold—from CNY200,000 to CNY50,000—at which banks must notify the central bank of any domestic deposit, withdrawal, or transfer. In addition, the central bank announced that banks must report to the central bank cross-border transfers of CNY200,000 and above.

The People's Republic of China Allows Foreign Investors to Invest in Currency Derivatives

In February, the People's Republic of China's State Administration of Foreign Exchange announced that it would allow foreign institutions investing in the People's Republic of China's interbank bond market to purchase currency forwards, currency swaps, cross-currency swaps, and currency options. Investors will be only allowed to purchase these derivatives to hedge their bond investments.

Hong Kong, China

Hong Kong Monetary Authority Raises Countercyclical Capital Requirement for Banks

In January, the Hong Kong Monetary Authority raised the countercyclical capital buffer requirement for banks from 1.25% to 1.875% as part of its implementation of Basel III. The Hong Kong Monetary Authority said that domestic risks remain due to current credit levels and property prices.

Indonesia

Ministry of Finance Announces Government Bond Issuance Plan for 2017

In November, the Ministry of Finance announced that it would continue its frontloading policy for the issuance of government bonds in 2017. The ministry plans to issue about 60% of its gross issuance target for 2017 in the first 7 months of the year. The adoption of the frontloading policy aims to provide funding for government expenditures in the early part of the year given the seasonality in the timing of government revenues. The government bond issuance plan for 2017 calls for 20% of the total to be raised from the international market and the remaining from the domestic market. In the first quarter of 2017, the government is looking to raise IDR155 trillion worth of conventional and Islamic government bonds.

Bank Indonesia Signs Memoranda of Understanding with Bank Negara Malaysia and Bank of Thailand to Promote Local Currency Settlement Framework

Bank Indonesia, Bank Negara Malaysia (BNM), and the Bank of Thailand (BOT) signed two memoranda of understanding in December to promote the settlement of cross-border trade and direct investment in their respective local currencies. The agreements' goal is to help reduce financial costs and improve trade and investment.

Republic of Korea

Financial Services Commission Announces Measures to Improve Derivatives Market

In November, the Financial Services Commission announced measures to further develop the Republic of Korea's derivatives markets, including the simplification of the listing procedures and diversification of derivatives that can be issued in the exchange-traded derivatives market and increased flexibility in the requirements for investors. For the over-the-counter (OTC) derivatives market, Korea Exchange will allow certain non KRW-denominated OTC derivatives to be centrally cleared in the exchange. The Financial Services Commission will also consider introducing electronic trading platforms for the OTC derivatives market and will continue to strengthen risk management of both equity-linked and derivatives-linked securities by conducting regular stress tests of securities firms.

The Republic of Korea Will Frontload Spending in the First Half of 2017

In December, the Republic of Korea's Ministry of Strategy and Finance announced that it will frontload the spending of 68.0% of the government's 2017 budget of KRW339.7 trillion in the first half of the year. KRW123.4 trillion (36.3%) will be spent in the first quarter and KRW107.5 trillion (31.7%) in the second quarter. According to the ministry, the frontloading will be used to spur economic growth, with allocations earmarked for increasing employment, completing Social Overhead Capital projects, and improving safety.

Malaysia

Bank Negara Malaysia Restricts Activities in the Nondeliverable Forward Market

In November, BNM moved to discourage trading of Malaysian ringgit in the nondeliverable forward (NDF) market. The central bank sees it as speculative activity that can potentially destabilize the Malaysian ringgit. According to BNM, while the foreign exchange administration is unchanged and no new measures were introduced, existing rules that prohibit facilitation of Malaysian ringgit NDFs will be reinforced. Transactions relating to offshore Malaysian ringgit NDF market activities will not be recognized as the Malaysian ringgit is not an internationalized currency.

Exporters Can Retain Up to 25% of Proceeds in Foreign Currency

On 2 December, BNM announced that exporters can retain up to 25% of export proceeds in a foreign currency and the rest must be converted to Malaysian ringgit. Exporters may hold higher balances in a foreign currency to meet payment requirements with approval from BNM. A special deposit facility is being offered by BNM for Malaysian ringgit proceeds that pays a higher deposit rate of 3.25% per annum. The facility will be available until 31 December 2017 and is subject to further review. Other BNM measures include a requirement that domestic trade in goods and services by resident exporters be paid in Malaysian ringgit and that exporters are allowed to hedge and unhedge up to 6 months of their foreign currency obligations.

Philippines

Government Set to Borrow PHP631.3 billion in 2017

The Government of the Philippines plans to borrow PHP631.3 billion in 2017 to support its expenditures and loan payments. Of the total amount, 80% will come from domestic borrowing and 20% will be tapped from foreign sources. The government will boost its spending, particularly in infrastructure, to sustain the economy's growth momentum. It plans to raise the budget deficit to about 3% of gross domestic product in 2017.

Bangko Sentral ng Pilipinas Discontinues Trust Entities' Access to Deposit Facility

Bangko Sentral ng Pilipinas (BSP) decided in November to discontinue the access of trust entities to its Overnight Deposit Facility and Term Deposit Facility beginning 1 July 2017 in an effort to rationalize the use of the deposit facility as a liquidity management tool.

Bangko Sentral ng Pilipinas Will Adopt Liquidity Coverage Ratio Framework

Universal and commercial banks will formally adopt a Liquidity Coverage Ratio beginning 1 January 2018 as part of the BSP's move to liberalize liquidity rules. According to the BSP, once the formal adoption is in place, the following guidelines could be lifted: (i) liquid assets should be equivalent to at least half of government deposits and other liabilities, (ii) foreign-currency–denominated liquid assets should be equivalent to at least 30% of foreign currency deposit unit liabilities, and (iii) foreign-currency–denominated assets should be equivalent to 70% of foreign currency deposit unit liabilities in the same currency as the liability. The Liquidity Coverage Ratio framework will require universal and commercial banks to hold sufficient high-quality liquid assets that can easily be converted into cash to service liquidity requirements over a 30-day stress period.

Singapore

Monetary Authority of Singapore Launches Asian Bond Grant Scheme

On 17 November, the Monetary Authority of Singapore announced its Asian Bond Grant Scheme that will run from 2017 until 2019. To qualify under the scheme, the following criteria, among others, must be met: (i) issuers should be a first-time Asian company or nonbank financial institution with global headquarters in a member of the Association of Southeast Asian Nations, Australia, the People's Republic of China, India, Japan, the Republic of Korea, or New Zealand; (ii) bond issuance must be at least SGD200 million (or its equivalent in the respective local currency or a G3 currency); and (iii) bonds must have a maturity of at least 3 years. Also, the bonds should be listed on the Singapore Exchange, while SGD-denominated bonds should be rated by either Fitch Ratings, Moody's Investors Service, or Standard and Poor's.

Those who meet these criteria may apply for the grant to help offset 50% of the one-time issuance costs, which include international legal fees, arrangers' fees, auditors' fees, credit rating fees, and listing fees. The objective of the scheme is to broaden the issuer base in the Singapore bond market.

Monetary Authority of Singapore and Bank of Japan Establish Bilateral Local Currency Swap Agreement

On 30 November, the Monetary Authority of Singapore and Bank of Japan signed an agreement allowing for the exchange of local currencies of up to SGD15 billion or JPY1.1 trillion. The swap agreement, which will be in effect for 3 years, aims to enhance financial stability and provide liquidity to cross-border transactions of financial institutions based in both markets.

Thailand

Thailand's Securities and Exchange Commission Strengthens Measures against Shadow Banking

Thailand's Securities and Exchange Commission introduced a measure, effective 16 January, limiting intermediary holdings to one third for every new issuance of unrated debt securities falling below investment grade. In addition, intermediaries are restricted from being the main creditor of the debt issuer. Intermediaries are given 120 days to comply and are instructed to examine the quality of the unrated debt securities, verify and conduct due diligence regarding the issuer's financial health, and make the information available to investors. According to the Securities and Exchange Commission, the regulation is meant to stop intermediaries, such as asset management firms, from getting involved in shadow banking activities, especially with regard to unrated noninvestment grade debt.

Bank of Thailand Releases Planned Issuance Program for Bonds in the First Half of 2017

For the first half of 2017, the BOT announced that auction days and issuance frequencies for all types of BOT bonds will remain unchanged from the previous year. A new issue of the 3-year floating-rate bond was opened in February, while the opening of new 1-year bills will be moved to the last month of each quarter to accommodate seasonal liquidity factors and the monthly reopenings will continue to enhance secondary market liquidity. Beginning in the second quarter of 2017, the BOT plans to introduce a postauction option for successful competitive bidders of bonds with maturities of at least 1 year in which additional purchases will be possible at a weighted-average accepted yield.

Viet Nam

Ministry of Finance to Submit 2017–2020 Roadmap for the Local Currency Bond Market

In January, Viet Nam's Ministry of Finance disclosed that it plans to submit its 4-year roadmap for the local currency bond market. The 2017–2020 roadmap is expected to improve fiscal and monetary policy coordination for better supervision of Viet Nam's financial markets. The roadmap includes, among other activities, the launch of bond derivatives in the first quarter of 2017, issuance of floating-rate government bonds in the second quarter, and creation of a corporate bond database to provide greater transparency.

Viet Nam to Issue VND183.3 Trillion of Government Bonds in 2017

In February, the State Treasury of Viet Nam announced its bond issuance plan for 2017 amounting to VND183.3 trillion. Of the total issuance, 15% will comprise bonds with maturities of 3 years or less, 60% will comprise bonds with maturities of between 5 years and 10 years, and the remaining 25% will comprise bonds with maturities of 15 years to 30 years.