Policy and Regulatory Developments

People's Republic of China

The People's Republic of China Places New Requirements on Repurchase Transactions

The People's Republic of China on 29 December placed restrictions on the use of repurchase transactions in order to better manage leverage risk and provide greater oversight of the financial system. Under the new rules, financial institutions are required to document all repurchase transactions and are not allowed to use verbal agreements to enter into such transactions. In addition, financial institutions must report their transactions to the People's Bank of China should the total outstanding amount of repurchase transactions exceed a certain percentage of their net assets. The percentages vary based on the type of institution as follows: 80% for banks; 20% for securities firms, fund managers, and futures brokerages; and 20% for insurance companies.

Hong Kong, China

Hong Kong, China Releases Tentative Issuance Schedule for Exchange Fund Bills and Notes

On 15 February, the Hong Kong Monetary Authority released a tentative issuance schedule for Exchange Fund Bills and Notes for the second quarter of 2018. A total of HKD800.2 billion worth of bills of various tenors will be issued within the quarter and a 2-year note worth HKD1.2 billion will be issued in May. Of the total amount of Exchange Fund Bills to be issued, 76% are 91-day bills and 19% are 182-day bills. For 91-day bills, the amounts are rollover amounts that take into account planned adjustments to the maturity spectrum of the Exchange Fund Bills and Notes portfolio. Details of new issues of bills will be confirmed and announced at least 4 business days prior to the respective tender dates, and 7 business days for notes.

Indonesia

Fitch Ratings Upgrades Indonesia's Sovereign Credit Rating to BBB

On 20 December, Fitch Ratings raised Indonesia's sovereign credit rating one notch from BBB– to BBB with a stable outlook, the second-lowest investment grade. According to the rating agency, the upgrade was largely due to Indonesia's resilience to external shocks as a result of macroeconomic policies that focus on stability, a more flexible exchange-rate policy that has helped the economy build its foreign reserves buffer, a monetary policy that limits episodes of volatile capital outflows, and macroprudential measures that have helped curb a sharp rise in corporate external debt. This was Indonesia's second upgrade in 2017 after S&P Global Ratings raised Indonesia's sovereign rating from junk status.

Republic of Korea

The Republic of Korea Announces Plans to Develop the Korea Treasury Bond Market

In November, the Government of the Republic of Korea announced plans to develop its sovereign bond market. These include, among others, revisions to regulations involving primary dealers to encourage more active market participation. The government will also continue to issue inflation-linked Korea Treasury Bonds (KTBs)—at a volume of less than 15% of the total amount of 10-year KTB issuance—to provide market guidance on bond supply; and promote repurchase agreements to facilitate short-term financing in the market. To meet the market's demand for long-term debt, the government will issue additional long-tenored KTBs.

Government to Issue KRW106.4 Trillion of Korea Treasury Bonds in 2018

In December, the Government of the Republic of Korea announced it would issue KRW106.4 trillion of KTBs in 2018. Of this total volume, 35%–45% of the KTBs will have maturities of 3–5 years, 20%–30% will have maturities of 10 years, and 30%–40% will have maturities of 20 years or longer.

Ministry of Strategy and Finance Announces Economic Policies for 2018

In December, the Ministry of Strategy and Finance (MOSF) announced its economic policies for 2018. The MOSF stated that the Republic of Korea's economic recovery is expected to continue in 2018, supported by strong global economic growth and improvements in domestic consumption. However, uncertainties remain, including rising interest rates, increased protectionism, and tighter competition among manufacturers due to a narrowing technology gap. To address these risks, the government will formulate policies intended to create more jobs and improve incomes, particularly in new industries, small and medium-sized enterprises, and the public sector. The government will also prioritize projects that promote "growth through innovation" across all industries such as building infrastructure to develop fintech. The MOSF forecasts full-year 2018 gross domestic product growth of 3.0% and inflation of 1.7%. The government will also frontload 34.5% of its budgetary allocation in the first quarter of 2018.

Malaysia

Bank Negara Malaysia Signs Local Currency Settlement Frameworks with Bank Indonesia and Bank of Thailand

Bank Negara Malaysia and Bank Indonesia signed the Local Currency Settlement Framework, which is a bilateral arrangement between Malaysia and Indonesia to promote the use of local currencies (Malaysian ringgit and Indonesian rupiah) for the settlement of the trade of goods and services between the two economies. The central banks will appoint banks in Malaysia and Indonesia with foreign exchange flexibilities to facilitate access for exporters and importers to Malaysian ringgit and Indonesia rupiah for the settlement of bilateral trade. In addition, Bank Negara Malaysia signed an expanded Local Currency Settlement Framework with the Bank of Thailand to include the settlement of bilateral direct investment using Malaysia ringgit and Thai baht. This coverage is on top of the existing framework between Malaysia and Thailand. The frameworks were both signed on 23 December and became effective on 2 January.

Philippines

The Philippines Reduces Reserve Requirement Ratios

The Monetary Board of the Bangko Sentral ng Pilipinas on 15 February announced that it would reduce reserve requirement ratios by 1 percentage point as part of its operational fine-tuning. The move reflects the central bank's shift to more market-based measures and instruments in managing monetary policy, and will reduce the reserve requirement ratio of universal and commercial banks to 19%.

Singapore

The Monetary Authority of Singapore and the China Securities Regulatory Commission to Enhance Supervisory Cooperation

In November, the Monetary Authority of Singapore and the China Securities Regulatory Commission agreed to bolster supervisory cooperation, particularly on sharing information about derivative products. The two regulators also discussed initiatives to develop their capital markets, including the listing of qualifying Chinese firms in Singapore and the possibility of mutual recognition of collective investment schemes.

The Monetary Authority of Singapore and Securities Commission Malaysia to Establish Stock Market Trading Link

In February, the Monetary Authority of Singapore and Securities Commission Malaysia announced plans to establish a stock market trading link between Bursa Malaysia and Singapore Exchange by the end of 2018. This will facilitate efficiency in the cross-border listing of shares for issuers, as well as improved trading and settlement for investors from both markets. The initiative is part of efforts under the Association of Southeast Asian Nations Capital Markets Forum to develop financial connectivity and integration in the region.

Thailand

Thailand's Securities and Exchange Commission Tightens Bondholder Protections

Thailand's Securities and Exchange Commission is setting up new rules to reduce the risks individual investors face in buying both short- and long-dated bonds. Efforts to tighten investor protections emanated from the increased appetite of Thai high-net-worth investors for higher-yielding bonds despite defaults in short-term bills of exchange.[5] The revised framework includes a proposal for all long-term corporate bonds that are offered to high-net-worth investors to be appointed a representative, equivalent to a trustee, who will take care of the investors' requirements in the event of a default, covenant breach, or litigation. Another proposal under consideration is the appointment of a financial adviser who will perform due diligence on any public offering of bonds rated below investment grade. Public offerings are to be tightened and more transparency and additional disclosures are to be required of companies. The new rules are set to be implemented in two stages on 1 April and 1 July.

Viet Nam

Viet Nam Releases Government Bond Issuance Plan for 2018

On 26 February, Viet Nam's State Treasury released the government's bond issuance plan for 2018. Under the plan, Viet Nam will borrow a total of VND200,000 billion in 2018. In terms of maturity, Viet Nam plans to issue VND20,000 billion worth of securities with tenors of less than 5 years, VND30,000 billion worth of 5-year bonds, VND36,000 billion worth of 7-year bonds, VND37,000 billion worth of 10-year bonds, VND32,000 billion worth of 15-year bonds, VND20,000 billion worth of 20-year bonds, and VND25,000 billion worth of 25-year bonds.

[5] High-net-worth investors are defined as investors with at least THB70 million in net asset value or an annual income of THB10 million.