Policy and Regulatory Developments

People's Republic of China

National Development and Reform Commission Issues New Rule to Speed Up Bond Issuance by Creditworthy Corporations

The National Development and Reform Commission (NDRC) of the People's Republic of China (PRC) announced on 5 December a program streamlining bond issuance requirements for highly rated companies. Companies in the PRC that meet the following criteria are eligible: (i) a credit rating of AAA, (ii) attainment of financial ratios and performance indicators set by the NDRC according to industry, (iii) industry is aligned with national policy, (iv) no default in the past 3 years, (v) no major regulatory or legal violations, and (vi) no negative opinion issued by the certified public accountant on the company's financials. The NDRC also imposed additional restrictions such as allowing no more than 50% of the bond proceeds to be used for working capital.

People's Bank of China Unveils Measures to Support Perpetual Bank Bonds

On 24 January, the People's Bank of China (PBOC) announced new measures to help promote banks' issuance of perpetual bonds. One is a new facility called Central Bank Bills Swap that will allow purchases of banks' perpetual bonds to exchange them with the PBOC for central bank bills. The PBOC also said that it would allow perpetual bonds issued by banks with a credit rating of AA and higher to be used as collateral for the PBOC's Medium-Term Lending Facility and Standing Lending Facility.

Hong Kong, China

Bond Connect Now on Bloomberg Terminals

In January, Bond Connect Company Limited introduced Bloomberg as a second trading platform for Bond Connect, allowing eligible overseas investors to access the China Interbank Bond Market via the Bloomberg terminal. The move seeks to boost international participation and support the sustainable development of Bond Connect, which is a mutual market access scheme that allows investors from the PRC and overseas to trade in each other's bond markets through market infrastructure linkages in Hong Kong, China. Since its launch in July 2017, market participation in Bond Connect has been growing steadily, with 450 approved international institutional investors by the end of October 2018. Currently, Bond Connect allows northbound trading; southbound trading will commence at a later date.

Green Finance Study Tour in Hong Kong, China

In January, the Hong Kong Monetary Authority (HKMA), the Research Bureau of PBOC, and the Hong Kong Green Finance Association co-organized a 3-day visit for representatives of potential green bond issuers from the PRC. The study tour aimed to encourage green bond issuance in Hong Kong, China in order to take advantage of the city's advanced financial platform, international investor network, and supportive government initiatives. This scheme not only allows enterprises and institutions to secure international financing, but it also promotes development and compliance of the green securities market of the PRC as well as Hong Kong, China's status as an international financial center. The PBOC and the HKMA commit to strengthen their cooperation to further enhance the process of PRC green bond issuances in Hong Kong, China and will continue to encourage cooperation and interconnection between green markets in the PRC and Hong Kong, China.

Hong Kong Monetary Authority Holds Fintech Roundtable

In January, the HKMA held a high-level fintech roundtable, from Mutual Understanding to Global Collaboration, which aimed to facilitate an exchange of ideas and discussions on current fintech topics. Attended by senior representatives from international organizations and central banks and regulatory authorities, the roundtable included presentations and panel discussions on case studies of cross-border collaborations, open banking, and the use of emerging technologies in providing financial services. With the view that cross-border issues are likely to gain importance as fintech continues to develop, the roundtable also aimed to strengthen cross-border collaboration among jurisdictions to promote innovation and technology adoption.

Hong Kong Exchanges and Clearing Launches New Primary Market Information Platform

In February, Hong Kong Exchanges and Clearing (HKEX) launched a new primary market information platform, in line with announcements made by the PRC regarding its plan for the creation of a new economic region known as the Greater Bay Area. The HKEX said that the platform "will work like a bond issuance connect, which will make it easier for overseas investors to trade the newly issued bonds." The portal will provide Bond Connect investors with information about newly issued bonds in the PRC.

Indonesia

Bank Indonesia and Monetary Authority of Singapore Establish Bilateral Financial Arrangement

In November, a bilateral financial arrangement was established between Bank Indonesia and the Monetary Authority of Singapore (MAS), allowing the swap of currencies equivalent to USD10 billion between the two parties. The arrangement, which is available for a period of 1 year, comprises two agreements: (i) a new local currency bilateral swap of up to SGD9.5 billion or IDR100 trillion, and (ii) an enhanced bilateral repurchase agreement of up to USD3.0 billion in repo transactions involving US dollars with the government bonds of major markets as collateral.

Bank Indonesia Issues Short-Term *Sukuk*

In December, Bank Indonesia issued short-term *sukuk* (Islamic bonds) for the first time. These short-term instruments, known as Sukuk Bank Indonesia (SukBI), are one of Bank Indonesia's monetary policy instruments for managing liquidity in the financial system. Bank Indonesia will issue SukBI in maturities of 1 week, 2 weeks, 1 month, and 3 months. On 21 December, Bank Indonesia raised IDR3,053 billion from the sale of 1-week and 2-week SukBI.

Republic of Korea

The Government of the Republic of Korea Releases Bond Issuance Plan for 2019

In December, the Ministry of Economy and Finance (MOEF) released its bond issuance plan for 2019 amounting to KRW99.6 trillion. Under the plan, a higher share of Korea Treasury Bonds (KTBs) with longer maturities will be issued, including the issuance of 50-year KTBs, amid rising interest from investors. Of the total planned volume, 35%–45% of the issuance comprises KTBs with maturities of 3–5 years, 20%–30% are KTBs with maturities of 10 years, and 30%–40% are KTBs with maturities of 20 years or longer.

The Ministry of Economy and Finance Announces Economic Policies for 2019

In December, the MOEF announced its economic policies for 2019, which include its economic outlook. The government expects, among others: (i) full-year 2019 gross domestic product growth of 2.6%–2.7%, (ii) annual inflation of 1.6%, and (iii) the current account surplus declining to USD64 billion. In order to address domestic risks such as mounting household debt, a weakening job markets, and shrinking private sector investment, the MOEF said that "the government will focus on income-led growth, innovative growth (growth led by industrial innovation), and a fair economy (an economy that works for all)". The MOEF also stated that "the government will work to prepare for changes in the future, such as those the Fourth Industrial Revolution and the low birth [rate] and [an] ageing society will bring, as well as to prepare for economic cooperation with North Korea."

Malaysia

Securities Commission Malaysia to Regulate the Offering and Trading of Digital Assets

The Securities Commission Malaysia (SC) will regulate the offering and trading of digital assets in Malaysia in accordance with Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019, which came into force in January. Digital assets will be prescribed as securities, and as such the SC will put in place relevant regulatory requirements for the issuance and trading of digital assets at digital asset exchanges in the country. Functions of digital assets relating to payment and currency matters should comply with Bank Negara Malaysia's regulation. Digital assets are also subject to the SC's Guidelines on Prevention of Money Laundering and Terrorism Financing. According to the SC and the central bank's joint statement, guidelines are currently being put in place to bring digital assets within the remit of securities laws to promote fair and orderly trading, and to ensure investor protection.

Malaysia to Issue Samurai Bonds to Retire Costly Debt

As part of the Malaysia's fiscal consolidation under Prime Minister Mahathir Mohamad, the government announced in November it would issue samurai bonds amounting to JPY200 billion before March 2019. The proceeds of the bond sale will be used to reduce the burden of costly loans taken by the previous administration as part of government effort to address Malaysia's debt woes. The JPY-denominated debt will have a tenure of 10 years and a coupon rate of 0.63%. The Government of Japan will guarantee the issuance via Japan Bank for International Cooperation.

Philippines

The Philippines Adopts Basel III Provisions on Countercyclical Capital Buffers

In November, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) released Circular 1024 amending the Manual of Regulations for Banks and Non-Bank Financial Institutions in order to incorporate the provisions of Basel III regarding countercyclical capital buffers. On top of the minimum 6% common equity tier 1 ratio, banks will also be subject to a countercyclical capital buffer of 0%, which will be adjusted upward (not exceeding 2.5%) subject to a monetary board assessment of systemic events. If the buffer needs to be increased, a bank has 12 months from the announcement to comply. However, decreases to the buffer are effective immediately. Furthermore, the determined level of countercyclical capital buffer must be met before capital can be distributed to shareholders.

Singapore

Monetary Authority of Singapore Loosens Restrictions on Investment in Singapore Savings Bonds, Raises Individual Limits

Due to the public's request, starting 1 February 2019, Singaporean investors will be able to buy Singapore Savings Bonds (SSBs) through their Supplementary Retirement Scheme funds. Furthermore, the limit for purchases of SSBs was set at SGD200,000, up from SGD100,000. Supplementary Retirement Scheme funds encourage investors to plan and save for their retirement. In order to monitor SSB holdings, the My Savings Bonds portal will be available to investors starting in March.

Thailand

Bank of Thailand Revises its Issuance Program for 2019

The Bank of Thailand (BOT) made some adjustments to its bond issuance program in 2019. There will no longer be reopenings for 1-year BOT bills; instead there will be monthly auctions for new issues effective in March. The BOT assessed that the change will help avoid heightened volatility in short-term bond yields at the time of their maturities. In addition, the number of reopenings for 3-year BOT floating rate bonds every month will be reduced to five from eleven. Finally, the maximum issue size for 3-year BOT bonds was reduced to THB45 billion from THB60 billion, while the maximum issue size for 3-year BOT floating rate bond was increased to THB25 billion.

Viet Nam

Decree 163 on Issuance of Corporate Bonds Comes Into Effect

Decree 163 came into effect on 1 February allowing companies with just 1 year of operations to issue corporate bonds. The new regulation also requires firms to provide an issuance plan, including the use of proceeds and full disclosure of relevant information for bond investors. In addition, disbursement of proceeds from the issuance of green bonds will be monitored and supervised to ensure that it will be used for green projects.