Policy and Regulatory Developments

People's Republic of China

The People's Bank of China Reduces Reserve Requirement Ratio for Financial Institutions

The People's Bank of China (PBOC) announced that it would reduce the reserve requirement ratio for financial institutions by 50 basis points, effective 6 January. The reduction is expected to release more than CNY800 billion worth of funds into the financial system. The PBOC hopes that financial institutions will use the additional liquidity to promote the development of micro- and small-sized enterprises and private companies.

The People's Bank of China Issues Bills in Hong Kong, China

In February, the PBOC issued a total of CNY30 billion of central bank bills in Hong Kong, China, comprising CNY20 billion worth of 2-month bills with a coupon rate of 2.55% and CNY10 billion worth of 1-year bills with a coupon rate of 2.60%.

The People's Bank of China Implements Pilot Program for Treasury Bond Futures for Banks

In March, the PBOC announced that it would implement a pilot program allowing select commercial banks and insurance companies to trade Treasury bond futures at the China Final Futures Exchange. The PBOC's move is meant to help diversify the investor base of the Treasury bond futures market and promote its development. The PBOC also said that the initiative would help banks' risk management and allow them to diversify their range of investment products. Currently, banks and insurance companies are not allowed to trade or invest in Treasury bond futures.

Hong Kong, China

Hong Kong, China Unveils HKD120 Billion Stimulus Package, including Individual Handouts of HKD10,000

At Hong Kong, China's Legislative Council budget meeting on 26 February, the Finance Secretary announced an economic stimulus package worth HKD120.0 billion. The package was designed as a countercyclical measure to bolster the weakened economy, which contracted 1.2% year-on-year in 2019 amid months of political protests. Hong Kong, China's economy is now facing additional challenges brought about by the outbreak of the coronavirus disease 2019 (COVID-19). A cash handout of HKD10,000 for every resident aged 18-years old and above is a key part of the package, which is intended to spur consumer spending and provide financial relief to residents.

The package also features measures to support businesses, including a full government guarantee on loans of up to HKD2.0 million for small and medium-sized enterprises, waivers for certain government fees and charges, reduced rent for short-term tenancies of government land, lower water and sewerage charges, electricity subsidies for transport enterprises, and fee waivers for tourism and securities industries. In addition to the cash handouts, relief measures for individuals include tax rebates, electricity subsidies for households, additional allowances for social security beneficiaries, allowances for students, and waivers for 1 month's rental of public housing. The government had previously rolled out four rounds of relief measures between August and December 2019 worth over HKD25.0 billion.

Indonesia

Bank Indonesia and Japan's Ministry of Finance Sign a Memorandum of Cooperation to Promote the Use of Local Currencies

In December, Bank Indonesia and Japan's Ministry of Finance signed a memorandum of cooperation to promote the use of local currencies for trade and direct investment settlement. The cooperation calls for information sharing and periodic discussion between the two parties. Among other provisions, it provides for exchange rate quotations and interbank trading of the Indonesian rupiah and Japanese yen.

Bank Indonesia Announces Monetary and Financial Stability Measures

In March, Bank Indonesia announced several measures to strengthen monetary and financial stability amid ongoing uncertainties in global financial markets due to the outbreak of COVID-19. Among the measures announced were (i) the optimization of a three-pronged policy to ensure the stability of the Indonesian rupiah through Bank Indonesia's intervention in the domestic nondeliverable forward market, spot market, and government bond market; (ii) a reduction in foreign exchange reserve requirements for commercial banks to 4.0% from 8.0%, effective 16 March 2020; (iii) a 50-basis-points reduction in rupiah reserve requirements for export–import financing, effective 1 April 2020; (iv) an expansion of the range of available hedging instruments for foreign investors; and (v) a reiteration that global and domestic custodian banks may be used by foreign investors for their investment activities.

Republic of Korea

Bank of Korea Lowers 2020 Growth Forecast to 2.1%

On 27 February, the Bank of Korea lowered the 2020 gross domestic product (GDP) growth forecast to 2.1% from a 2.3% projection released in November. A GDP growth forecast of 2.4% was maintained for 2021. The lower GDP growth forecast was due to expectations of weaker consumption in the short-term as a result of the outbreak of COVID-19. Inflation forecasts for 2020 and 2021 were maintained at 1.0% and 1.3%, respectively.

The Republic of Korea Announces COVID-19 Support Package

On 28 February, the Government of the Republic of Korea announced a support package worth more than KRW20 trillion to respond to the COVID-19 outbreak. The package will be partially financed through a supplementary budget. Approximately KRW4 trillion from government reserve funds will be allotted for disease prevention, support for local governments and small businesses, and imports of manufacturing supplies. A total of KRW7 trillion will be allotted for the financial and tax support of families and businesses affected by the outbreak, including a 50% income tax cut for landlords to facilitate rent reduction, along with individual tax cuts for car purchases to boost consumption. The package will also include KRW9 trillion worth of loans, guarantees, and investments to be coursed through financial institutions and public institutions.

National Assembly to Pass KRW11.7 Trillion Supplementary Budget

On 4 March, the Government of the Republic of Korea announced a KRW11.7 trillion supplementary budget to address the COVID-19 outbreak. The supplementary budget will be reviewed and is expected to be approved by the National Assembly. Funding for the supplementary budget will be via KRW10.3 trillion worth of debt issuance and KRW1.4 trillion from surplus funds. Specifically, KRW3.2 trillion is expected to finance expected revenue shortages, and KRW8.5 trillion will be disbursed for expenditures to control and prevent diseases, support small businesses, boost consumption, and support local economies hit by the outbreak.

Malaysia

Bank Negara Malaysia and the Bank of Korea Renew Bilateral Swap Arrangement

In February, Bank Negara Malaysia and the Bank of Korea renewed their local currency bilateral swap arrangement, allowing the two central banks to exchange local currencies with each other up to MYR15.0 billion, or KRW5.0 trillion. The arrangement is valid for a 3-year period, which can be extended by mutual agreement of the two central banks. The bilateral swap arrangement aims to promote bilateral trade and financial cooperation between Malaysia and the Republic of Korea for the development of their respective economies.

Bank Negara Malaysia Issues Guidelines on Domestic Systemically Important Banks

In February, Bank Negara Malaysia issued guidelines on how it will identify Domestic Systemically Important Banks (D-SIBs) in Malaysia. D-SIBs are banks that can potentially cause significant disruption in the domestic financial system and economy if they were to fail. To ensure the stability of the Malaysian financial system, D-SIBs are required to hold higher capital requirements, such as a higher loss absorbency requirement, to mitigate the risk of failure during periods of distress. This requirement takes effect on 31 January 2021. The list of D-SIBs will be updated annually.

Philippines

Bangko Sentral ng Pilipinas Approves Amended Rules on Issuance of Bonds, Commercial Paper, and Long-Term Negotiable Certificates of Time Deposit

In December, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) approved amendments to rules on the issuance of long-term negotiable certificates of time deposit, bonds, and commercial paper. Related companies of the issuing bank are allowed to underwrite or arrange the issuance of the financial instruments if there are other unrelated third-party underwriters or arrangers. All parties involved must ensure that an objective due diligence review is conducted and that any conflict of interest is avoided. These amendments and reforms aim to promote efficiency in the issuance of the financial instruments and protect the interests of investors.

Bangko Sentral ng Pilipinas Approves Preliminary Policy Initiatives on Islamic Banks and Islamic Banking Units

In January, the Monetary Board of the BSP approved preliminary policy initiatives to advance the implementation of Republic Act No. 11439, which provides the BSP with the legal authority to issue rules and regulations on Islamic banking. These involve policies that will allow Islamic banks to operate alongside conventional banks under the same BSP regulation and supervision, while also taking into consideration the unique features of Islamic banking operations. Legal provisions would allow conventional domestic or foreign banks to open an Islamic banking unit or a subsidiary Islamic banks, subject to Monetary Board approval. Islamic banks will be required to establish their own Shari'ah Advisory Council to comply with Islamic banking principles.

Singapore

Monetary Authority of Singapore and Bank of Japan Renew Bilateral Swap Arrangement

In November, the Monetary Authority of Singapore and the Bank of Japan renewed their local currency bilateral swap arrangement. The arrangement allows the two banks to exchange local currencies with each other up to SGD15.0 billion, or JPY1.1 trillion, and is valid for a 3-year period. The arrangement aims to provide Japanese yen liquidity to Singapore financial institutions for their intraregional operations.

Thailand

Thailand Rolls Out Additional Fiscal Stimulus to Boost Economy

In October, the Thai cabinet approved an additional stimulus package worth THB5.8 billion to boost the slowing economy. The package included a THB2.0 billion consumption program, the reduction of real estate transfer fees amounting to THB2.6 billion, and low-interest loans from the Government Housing Bank worth THB1.2 billion. This second round of stimulus followed a THB316.0 billion package released in August.

In November, the Government of Thailand rolled out further stimulus to inject THB144.0 billion into the economy to prop up year-end growth. The package included a scheme to strengthen grassroots economies, with THB14.3 billion allotted for villages through the National Village and Community Fund, a THB50.0 billion loan program to support farmers, and a debt moratorium for members of the National Village and Community Fund. A subsidy for rice farmers to support the cost of rice production for the 2019/20 rice crop valued at THB2.6 billion is also part of the package. Another THB5.0 billion was allotted to support home buyers under the Baan Dee Mee Down project.

Thailand Reopens Bond Market to Foreign Issuers

In January, the Ministry of Finance eased its policy restricting foreign issuers of THB-denominated bonds to allow the exchange of proceeds in the foreign exchange market and the remitting of funds offshore. The Public Debt Management Office of the Ministry of Finance noted that there is enough liquidity in Thailand's financial market to remove the restriction that was established in 2016 to stop foreign issuers of THB-denominated bonds from remitting proceeds overseas. The restriction was relaxed slightly in 2017 when the Ministry of Finance allowed exceptions on a case-by-case basis. In 2018, the Ministry of Finance eased the rule further by allowing foreign issuers to exchange a portion of bond sale proceeds to United States dollars as part of efforts to curb the baht's appreciation.

Bank of Thailand Eases Rules to Temper the Baht's Appreciation

In February, the Bank of Thailand eased foreign exchange rules to moderate the baht's appreciation. The central bank increased the threshold of export and income proceeds that do not need to be repatriated from USD0.2 million to USD1.0 million. Exporters with proceeds or income above the new threshold will be allowed to use the funds to offset foreign exchange currency expenses without having to repatriate them. Exporters will only need to register with the Bank of Thailand and provide the necessary documentation.

Viet Nam

Ministry of Finance Announces 13 Market Makers for Government Bonds

In January, the Ministry of Finance announced 13 market makers, comprising banks and securities companies, who will be allowed to participate in the trading of government bonds and government-guaranteed bonds in 2020. The list of market markers includes three securities companies, nine commercial banks, and one member firm of Agribank. As a market maker, these firms may participate in government bond auctions and other issuances of government and government-guaranteed instruments, including debt swaps and repurchase agreements.