Policy and Regulatory Developments

People's Republic of China

China Securities Regulatory Commission Release New Corporate Bond Guidelines

In February, the China Securities Regulatory Commission introduced new rules governing listed corporate bonds. Under the new rules, corporate bonds will no longer require a credit rating to be listed. In addition, a new registration system will be implemented.

Hong Kong, China

Hong Kong Monetary Authority Holds Countercyclical Capital Buffer at 1.0%

On 28 January, the Hong Kong Monetary Authority (HKMA) held the countercyclical capital buffer (CCyB) unchanged at 1.0%. The HKMA noted that the latest data based on indicators from the third quarter of 2020 signaled the need for a higher CCyB of 2.5%. However, the HKMA determined that, considering the high level of uncertainty facing the economy, it was more appropriate to hold the CCyB steady at 1.0% and continue to monitor the economic situation. A lower CCyB releases additional liquidity into the banking system by raising banks' lending capacity to support the economy. The CCyB is an integral part of the Basel III regulatory capital framework designed to increase the resilience of the banking sector in periods of excess credit growth.

Indonesia

Bank Indonesia Improves Calculation Methodology for the Jakarta Interbank Spot Dollar Rate

In February, Bank Indonesia announced a new regulation to improve the accuracy and relevancy of the Jakarta Interbank Spot Dollar Rate (JISDOR) and to align with international standards. The regulation, which will come into effect on 5 April 2021, calls for extending the data collection window for spot transactions used in the calculation of JISDOR and adjusting the publishing time of the JISDOR from morning to afternoon.

Republic of Korea

National Assembly Passes KRW558 Trillion 2021 Budget

On 2 December, the National Assembly of the Republic of Korea passed the KRW558.0 trillion 2021 budget. The total was KRW2.2 trillion higher than the proposed budget, which included a KRW7.5 trillion increase in allocation for policies related to easing the impact of the coronavirus disease (COVID-19) pandemic and other national priorities, while KRW5.3 trillion was removed from other programs. The 2021 budget is expected to result in a fiscal deficit of KRW75.4 trillion, or the equivalent of 3.7% of gross domestic product.

Republic of Korea Announces 2021 Economic Outlook and Policies

On 21 December, the Government of the Republic of Korea announced its economic outlook for 2021 along with its economic policies. The domestic economy is projected to grow 3.2% year-on-year on the back of improvements in domestic demand and export performance. Inflation is also expected to rise to 1.1% in 2021 from 0.5% in 2020. Economic policies in 2021 will focus on helping the economy regain growth momentum and supporting programs that will promote innovation and sustainable development. These include addressing continued uncertainties arising from the pandemic via expansionary fiscal policies to promote growth, vaccine distribution, and disease prevention.

Government Announces Measures to Strengthen Foreign Exchange Liquidity for Nonbank Financial Institutions

On 20 January, the Government of the Republic of Korea announced plans to further improve foreign exchange (FX) liquidity management and support mechanisms, particularly for nonbank financial institutions. This was the result of a short-term dollar shortage experienced in March 2020 amid the sudden impact of the pandemic on financial markets. Measures include a closer monitoring of nonbank financial institutions' risk management of

FX liquidity and derivatives transactions, introduction of three new indicators to assess FX liquidity, and improvements in existing regulations. Moreover, the government will strengthen the institutional framework, particularly the provision of a liquidity backstop, ensuring that FX liquidity is adequate in the event of another foreign liquidity crunch.

Malaysia

Financial Markets Committee to Develop Alternative Reference Rate for Malaysia

In December, Bank Negara Malaysia's Financial Market Committee was tasked to head the development of an alternative reference rate for the Malaysian financial market. The new reference rate will eventually replace, or be used together with, the current Kuala Lumpur Interbank Offered Rate as the committee deliberates its continued use. The move is in line with the Financial Stability Board's recommendation encouraging financial benchmark reforms around the world to improve the integrity of global reference rates.

Bank Negara Malaysia Extends Statutory Reserve Requirement Rule

On 20 January, Bank Negara Malaysia extended until the end of 2022 the policy of allowing banks to utilize Malaysian Government Securities and Government Investment Issues to meet the 2.0% statutory reserve requirement threshold. The extension aims to promote bank liquidity to support their activities during the pandemic.

Philippines

Bangko Sentral ng Pilipinas Approves Another PHP540 Billion Loan to the Government

On 28 December, the Bangko Sentral ng Pilipinas approved another PHP540 billion loan to the central government to augment its pandemic funds. The loan will be settled within 3 months, which can be extended for another 3 months, and bears no interest. This is the third advance to the government from the central bank following the loans granted in March and October 2020. The Bayanihan to Recover as One Act increases the amount the central bank can lend to the central government from 20% to 30% of its average annual revenue, or PHP850 billion.

Financial Institutions Strategic Transfer Act Signed into Law

On 17 February, the Financial Institutions Strategic Transfer Act was signed into law. The act will allow financial institutions like banks to offload nonperforming assets to asset management companies, thereby improving financial institutions' liquidity to allow them to provide more credit to businesses. The law will ease the nonperforming loan ratios of banks, which have increased as a result of the impact of the COVID-19 pandemic.

Singapore

Singapore to Transition from Swap Offer Rate and Singapore Interbank Offer Rate to Singapore Overnight Rate Average

In December, Monetary Authority of Singapore (MAS) empowered the committee in charge of overseeing the economy's transition from the Swap Offer Rate and Singapore Interbank Offer Rate to the Singapore Overnight Rate Average. The move came as the Association of Banks in Singapore, the Singapore Foreign Exchange Market Committee, and the steering committee recommended last year to discontinue the use of the Singapore Interbank Offer Rate in favor of the Singapore Overnight Rate Average.

Monetary Authority of Singapore and Federal Reserve Extend Bilateral Swap Agreement

In December, MAS and the United States (US) Federal Reserve extended to 30 September 2021 their USD60 billion bilateral swap agreement. In line with this, MAS also extended to 30 September the duration of its US dollar facility, which offers up to USD60 billion in funding to banks. The swap agreement aims to enhance US dollar lending to businesses in Singapore to support their operations during the pandemic. The effort also ensures financial liquidity and stability.

Thailand

Bank Indonesia and the Bank of Thailand Expand Local Currency Settlement Framework

On 21 December, Bank Indonesia and the Bank of Thailand announced the expansion of the rupiah–baht settlement framework as part of continuing efforts to promote wider use of local currencies to facilitate trade and investment between Indonesia and Thailand. Direct investment is now included as an underlying transaction covered by the local currency settlement framework. Relevant foreign exchange rules and regulations were also relaxed through more flexible documentation requirements. The two central banks appointed additional commercial banks in their respective countries to support the implementation of the expanded rupiah–baht settlement framework.

Viet Nam

Government of Viet Nam Issues New Corporate Bond Market Regulation

On 31 October, the Government of Viet Nam issued Decree No. 153/2020/ND-CP, which regulates the private offering and trading of corporate bonds in the domestic market and the offering of corporate bonds in the international market effective 1 January 2021. This replaced Decree No. 81/2020/ND-CP that came into effect on 1 September 2020. The previous decree tightened the standards of corporate bond issuance but resulted in the bond market losing growth momentum after its implementation.