

Policy and Regulatory Developments

People's Republic of China

The People's Bank of China Cuts Reserve Requirement Ratio

On 6 December, the People's Bank of China reduced the reserve requirement ratio of financial institutions by 50 basis points, effective 15 December. The central bank estimates that the move will reduce the average reserve requirement ratio of financial institutions to 8.4%.

Interim Rules for Bond Connection Between Interbank and Exchange Bond Market Released

On 20 January, the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the National Interbank Funding Center, Shanghai Clearing House, and China Securities Depository and Clearing Corporation jointly announced the publication of interim rules for trading between the interbank bond market and the exchange bond market. The interim rules are another step toward the interconnection of the interbank and exchange bond markets following the July 2020 announcement from the participating parties to develop such connections.

Hong Kong, China

Hong Kong Monetary Authority Issues Bond Linked to Hong Kong Overnight Index Average

On 17 November, the Hong Kong Monetary Authority (HKMA) issued its first bond indexed to the Hong Kong Overnight Index Average, an alternative to the London Interbank Offered Rate. The HKMA allocated a total of HKD1.0 billion of 1-year indexed floating-rate notes amid strong demand, receiving tender applications exceeding HKD6.4 billion.

Hong Kong Monetary Authority Continues Increase of Exchange Fund Bill Issuance

On 13 December, the HKMA announced a planned increase in issuance of 91-day Exchange Fund Bills (EFBs) by HKD5.0 billion in each of the eight regular tenders from 4 January to 22 February 2022. The HKMA

had earlier increased the issuance of 91-day EFBs by HKD5.0 billion in each of the tenders from 7 September to 21 December to meet robust market demand for short-term EFBs amid abundant liquidity in the financial system.

Indonesia

Bank Indonesia Announces a Series of Upward Adjustments to the Reserve Requirement Ratio

In January, Bank Indonesia announced a series of upward adjustments to the reserve requirement ratio for conventional commercial banks, shariah banks, and shariah business units. The move was made as part of the normalization of liquidity policy. Adjustments to the reserve requirement ratio will be conducted gradually with effect on 1 March, 1 June, and 1 September. The corresponding adjustments in the rupiah reserve requirement ratio for conventional commercial banks will be from the current 3.5% to 5.0%, 6.0%, and 6.5%. For shariah banks and business units, the reserve requirement ratio will be raised from 3.5% to 4.0%, 4.5%, and 5.0%, over the same period.

Republic of Korea

National Assembly Passes the 2022 Budget

On 3 December 2021, the National Assembly passed the KRW607.7 trillion budget for 2022, which was higher than the original proposal of KRW604.4 trillion. The additions to the budget include programs intended to provide pandemic support for small businesses, boost consumption, and reinforce disease control measures. The 2022 budget was 8.9% higher than the original KRW558.0 trillion 2021 budget, and almost at par with the aggregate 2021 budget (including the two supplementary budgets) of KRW604.9 trillion. The 2022 budget is expected to result in a consolidated fiscal deficit equivalent to 2.5% of gross domestic product (GDP), an improvement from 4.4% in 2021, and a national-debt-to-GDP ratio of 50.0%, down slightly from 50.2% in 2021. The expected improvements in these two ratios were also due to an increase in the amount of revenue forecast in 2022 versus the prior year.

National Assembly Passes the First 2022 Supplementary Budget

On 21 February, the National Assembly passed the first 2022 supplementary budget worth KRW16.9 trillion, which was KRW3.3 trillion more than the original proposal. The supplementary budget is expected to provide support for small businesses and vulnerable groups, and fund disease control measures. This will bring the 2022 total budget to KRW624.3 trillion, resulting in a revised fiscal-deficit-to-GDP ratio of 3.3% versus 2.5% in the original 2022 budget.

Malaysia

Bank Negara Malaysia Establishes Business Recapitalization Facility

On 21 January, Bank Negara Malaysia established a business recapitalization facility worth MYR1.0 billion. This facility is meant to support the growth of small and medium-sized enterprises (SMEs) by providing them with financing options to manage their debt obligations. Through this facility, SMEs can obtain a combination of debt financing and equity financing from participating financial institutions, or they can obtain pure equity financing through the issuance of stocks. With the establishment of this facility, Bank Negara Malaysia also aims to help affected SMEs recover from the economic downturn caused by the pandemic.

Philippines

Bangko Sentral ng Pilipinas Expands the List of Eligible Participants to Trade Its Securities

On 10 December, the Bangko Sentral ng Pilipinas (BSP) added trust entities to the list of eligible participants to trade BSP securities in the secondary market. According to the central bank, the increase in secondary market participation is in line with BSP's continued efforts to strengthen the effectiveness of its market-based instruments for monetary operations.

Bangko Sentral ng Pilipinas Includes Digital Banks in Its Monetary Operations

On 10 December, the BSP approved the addition of digital banks to the list of eligible participants in the BSP's monetary operations to further improve the transmission of monetary policy. The inclusion will provide digital banks access to the BSP's facilities—including the reverse repurchase facility, overnight lending facility, overnight deposit facility, term deposit facility, and BSP securities facility—for their liquidity management requirements.

Bangko Sentral ng Pilipinas Approves Second-Phase Amendments on Foreign Currency Deposit System Regulations

In December, the BSP approved the second phase of amendments to regulations on the foreign currency deposit system. In the amendments, the BSP will allow Islamic banks and digital banks to engage in foreign exchange transactions and streamline the related licensing requirements for banks applying for foreign currency deposit unit (FCDU) authority. Authorized banks will only have to notify the BSP of their intention to engage in FCDU operations as compared to previous rules that prior approval from the BSP was required before they can engage in such transactions. The amendments also rationalized the prescriptive requirements for certain FCDU transactions such as those involving foreign currency derivatives and securities.

Singapore

Singapore and the People's Republic of China Strengthen Financial Cooperation

On 29 December, Monetary Authority of Singapore (MAS) announced several initiatives to promote financial cooperation between Singapore and the People's Republic of China. To allow broader access for Singaporean investors to the bond market of the People's Republic of China, Singapore Exchange and China Foreign Exchange Trade System are exploring ways to connect the two exchanges' bond trading platforms. To develop green finance, MAS and the People's Bank of China committed to look into public-private partnership in coming up with clear definitions of green activities and promoting green financial technology. These initiatives aim to foster inclusive financial growth for both economies.

Monetary Authority of Singapore and Bank Indonesia Deepen Bilateral Collaboration

On 21 January, MAS and Bank Indonesia committed to strengthening their cooperation through a memorandum of understanding. The document highlighted the commitment of the two economies to cooperate with each other when it comes to central bank functions. Among other functions, MAS and Bank Indonesia agreed to collaborate on fostering payment innovation and fighting money laundering and the financing of terrorism. The two central banks also committed to partnering in developing digital innovations in finance.

Thailand

Bank of Thailand Adjusts Bond Issuance to Accommodate Government Borrowing and Promote the Thai Overnight Repurchase Rate

On 4 January, the Bank of Thailand (BOT) announced its bond issuance program for 2022. The new issuance schedule considered the government's borrowing requirements to fund COVID-19 relief measures as well as the need to promote the development of the Thai Overnight Repurchase Rate (THOR). To accommodate the Public Debt Management Office's plan to increase issuance of 3- to 5-year bonds, the BOT will reduce the issuance frequency and reopening of its 2-year fixed rate bonds in 2022. In addition, the BOT will not issue new 6-month bills or 3-year fixed rate bonds in 2022, as the Public Debt Management Office will auction bonds with those tenors. To further develop the use of THOR as a new reference rate, the BOT will increase the auction size of 6-month and 1-year THOR-linked floating-rate bonds. The BOT will also start auctioning new 2-year THOR-linked floating-rate bonds in June.

Viet Nam

State Bank of Viet Nam Regulates Corporate Bond Transactions

In November, the State Bank of Viet Nam issued Circular No. 16/2021/TT-NHNN on regulating the purchase and sale of corporate bonds by credit institutions and foreign bank branches. Corporate bonds must satisfy the following conditions before a transaction can proceed: (i) issued in accordance with the law, (ii) denominated in Vietnamese dong; and (iii) under the legal ownership of the seller and not yet mature for principal and interest payment. The seller must also confirm that corporate bonds are not in dispute; are permitted for transactions under law; and are not in a state of being traded with a term, discounted, or rediscounted. Corporate bond issuance in the following cases is prohibited: (i) to restructure debts of the bond-issuing enterprise, (ii) to contribute capital or purchase shares at another enterprise, and (iii) to raise working capital. A credit institution may purchase corporate bonds only when its nonperforming loan ratio is under 3%.⁷

⁷ LuatVietnam. 2021. Circular 16/2021/TT-NHNN Prescribing the Purchase and Sale of Corporate Bonds by Credit Institutions and Foreign Bank Branches. September. <https://english.luatvietnam.vn/circular-no-16-2021-tt-nhnn-dated-november-10-2021-of-the-state-bank-of-vietnam-prescribing-the-purchase-and-sale-of-corporate-bonds-by-credit-insti-212774-Doc1.html>.