Policy and Regulatory Developments

People's Republic of China

Restrictions Eased on Overseas Funding

On 16 September, the National Development and Reform Commission eased restrictions on corporations seeking funding overseas. The new guidelines streamline the process by which corporations apply for a foreign currency loan and issue offshore renminbi bonds. The previous process required approval on a per deal basis, but the new regulations only require corporations to register with the National Development and Reform Commission.

PBOC Reduces Reserve Requirement Ratios

On 18 October, the People's Bank of China (PBOC) lowered the reserve requirement ratios of financial institutions by 50 basis points. For large banks, the changes resulted in a reserve requirement ratio of 17.5%, while for medium-sized banks the ratio was reduced to 15.5%. Select financial institutions involved in lending to the agricultural sector or to small and medium-sized enterprises will qualify for an additional reduction of 50 basis points.

Hong Kong, China

Hong Kong, China Issues Fifth iBond Series

On 7 August, the Government of the Special Administrative Region of Hong Kong, China issued HKD10 billion worth of inflation-linked bonds (iBonds), marking the government's fifth issuance of iBonds. Total tenders reached HKD35.7 billion.

Indonesia

Bank Indonesia Announces Additional Rupiah Exchange Rate Stabilization Measures

On 30 September, Bank Indonesia announced additional policy measures to stabilize the rupiah exchange rate. In addition to maintaining rupiah exchange rate stability, the new policy package strengthens rupiah liquidity management. The new measures include Bank Indonesia's intervention in the forward market and the offering of 3-month Bank Indonesia certificates of deposit and 2-week reverse repurchase tradable government securities. Policy measures were also announced to help manage the supply and demand of foreign exchange, including, among others, issuing foreign-currency-denominated Bank Indonesia certificates, reducing the holding period for *Sertifikat* Bank Indonesia to 1 week, and tax incentives on term deposits for exporters depositing their foreign exchange earnings with Indonesian banks or converting proceeds into rupiah.

Republic of Korea

Korea Exchange Is Designated as a Trade Repository

The Financial Services Commission (FSC) announced in August that the Korea Exchange has been designated as a trade repository that will compile, manage, and analyze data on over-the counter derivatives transactions. The FSC stated that this will strengthen the credibility and international competitiveness of the Republic of Korea's financial market infrastructure.

FSC to Improve Competitiveness of Financial Investment Business Entities

The FSC announced in October that it will introduce measures to enhance the competitiveness of financial investment business entities in the Republic of Korea. The planned measures are aimed at improving the corporate financing functions of brokerage firms, widening the scope of business activities of securities companies, and easing regulatory restrictions in order to diversify certain types of financial services. Among the FSC's plans are to allow companies with total assets worth less than KRW2 trillion to issue private placements of securities, and to revise regulations to allow the investment banking departments of securities companies to engage in certain brokerage activities such as buying and selling short-term bonds.

Malaysia

Prime Minister Announces 2016 Federal Budget

On 23 October, the prime minister announced the release of Malaysia's 2016 federal budget, which totals MYR267.2 billion, up from the 2015 revised budget total of MYR260.7 billion. Federal government revenue is estimated to be MYR225.7 billion in 2016, MYR3.2 billion higher than the 2015 target. The government also announced a fiscal deficit target of 3.1% of gross domestic product in 2016, down slightly from 3.2% in 2015. The economy is expected to grow between 4.0% and 5.0% in 2016, and annual inflation is expected to be between 2.0% and 3.0%. The government also announced plans for both tax relief and higher income tax rates of 26% (from 25%) for those with an income of MYR0.6 million–MYR1 million and 28% (from 25%) for those with income of more than MYR1 million. The goods and services tax is expected to contribute to the MYR39 billion increase in revenue in 2016, although certain basic goods and medicines shall be exempted from this tax. A small reduction in subsidy allocations from MYR 26.2 billion to MYR26.1 billion is also expected in 2016.

Philippines

BSP to Implement Interest Rate Corridor System by 2Q16

In September, the Bangko Sentral ng Pilipinas (BSP) announced its plan to implement an interest rate corridor system by 2Q16. The system will include the implementation of a deposit facility and a lending facility that will form a corridor around the BSP's policy rate. These facilities shall be conducted via weekly auctions of term deposits. The interest rate corridor system is expected to support the development of the capital market by encouraging more active liquidity management and increased trading by financial institutions. The new system also aims to reduce reliance on the reserve requirement for the market's liquidity management.

BSP Releases New Regulations on Treasury Activities

In October, the BSP released new regulations on treasury activities conducted by BSP-supervised financial institutions, particularly the management of operational risk. The new regulations highlight the responsibility of firms' board of directors and senior management in establishing standards of good behavior and compliance with market conduct rules. The regulations also require BSP-supervised financial institutions to differentiate among the various functions of treasury units to separate possibly conflicting duties such as risk-taking and recording, and reconciliation and settlement. The BSP expects the control units of the financial institutions it supervises—risk management, compliance, and audit—to regularly monitor treasury activities.

Singapore

Singapore Sells its First Singapore Saving Bonds

In September, the Monetary Authority of Singapore (MAS) accepted a total of SGD413 million in applications for its first offering of Singapore Savings Bonds. However, the issue was met with weak demand that fell short of the SGD1.2 billion target. The savings bond program is aimed at providing individual investors with a long-term savings alternative with safe returns. The Singapore Savings Bonds carry a maturity of 10 years and are fully backed by the government. The bonds will be issued monthly for at least 5 years. Up to SGD4 billion worth of Singapore Savings Bonds could be issued in 2015, depending on demand.

MAS and the PRC to Promote Cross-Border Renminbi Transactions

On 13 October, Singapore and the People's Republic of China (PRC) agreed to undertake new initiatives to promote renminbi transactions in Singapore. The existing cross-border renminbi transactions covering Suzhou Industrial Park and the Singapore–Sino Tianjin Eco City will be expanded to cover the cities of Suzhou and Tianjin. The new initiatives will allow banking institutions in Singapore to provide renminbi lending to corporates in Suzhou and Tianjin. Corporates in Suzhou and Tianjin will also be allowed to issue renminbi bonds in Singapore.

Thailand

Cabinet Approves Growth Measures

The cabinet approved five policy measures in October to improve the Thai economy, enhance business sentiment, and develop the government's venture capital program. These measures, proposed by the Ministry of Finance, include (i) reducing the corporate income tax rate to 20% from 23%, (ii) providing corporate income and dividend tax exemptions for government venture capital funds over a span of 10 years, (iii) lowering real estate transfer and mortgage fees, (iv) providing a THB10 billion 1-year budget to the Government Housing Bank, and (v) allowing taxable income deductions over 5 years for first-home buyers of up to 20% of the home's value.

Viet Nam

SBV Reduces Dollar Interest Rates

In September, the State Bank of Viet Nam (SBV) reduced interest rates on US dollar deposits as part of efforts to stabilize the Vietnamese dong. Effective 28 September, the interest rate ceiling was reduced to zero from 0.25% for the US dollar deposits of corporates, and to 0.25% from 0.75% for the US dollar deposits of individuals. The move aims to discourage hoarding of foreign currency and to aid in the implementation of monetary policy and banking activities.

National Assembly Approves Proposal to Resume Issuance of Treasury Bonds with Maturities of Less Than 5 Years

In October, the National Assembly approved a Ministry of Finance proposal to issue government bonds with maturities of 5 years or less beginning in November. Regulations passed in November 2014 limited issuance of Treasury bonds in 2015 to those with maturities of 5 years or more. However, sluggish demand for longer-dated bonds (5 years and up) has made it difficult for the government to fulfill its issuance target. The Ministry of Finance has proposed the issuance of 1-year, 2-year, and 3-year bonds beginning in November.

National Assembly Approves Government Plan to Sell US$3 Billion Worth of International Bonds

In October, the National Assembly approved the government's plan to raise US$3 billion through the issuance of bonds in order to fund debt maturing in 2015 and 2016. The National Assembly's Committee for Budget and Finance, however, noted that borrowing costs for the offshore issuance should not exceed domestic borrowing costs.