

Policy and Regulatory Developments

People's Republic of China

International Monetary Fund Includes Renminbi in Special Drawing Rights Basket

On 30 September, the International Monetary Fund (IMF) announced that it would include the Chinese renminbi in its Special Drawing Rights basket effective 1 October. The IMF said that the renminbi's inclusion is due to the currency's increasing role in the international monetary system. Other currencies included in the IMF's Special Drawing Rights are the United States (US) dollar, euro, Japanese yen, and pound sterling.

Trading in Credit Default Swaps Allowed

On 31 October, the People's Republic of China (PRC) allowed banks to begin trading credit default swaps as part of efforts to help hedge credit risks amid increasing concerns in the PRC's corporate bond market. The credit default swaps that are being traded in the PRC are similar to those traded in international markets. In the past, the PRC launched credit risk mitigation warrants to hedge against credit risk, but they were not well received by market participants.

Hong Kong, China

Hong Kong Monetary Authority Assigns Nine Offshore Renminbi Primary Liquidity Providers

On 27 October, the Hong Kong Monetary Authority released the new list of offshore renminbi primary liquidity providers after expiration of the first set of liquidity providers. The list contains nine institutions: Agricultural Bank of China; Bank of Communications; Bank of China (Hong Kong, China); BNP Paribas; China Construction Bank (Asia); Citibank, N.A.; HSBC; Industrial and Commercial Bank of China (Asia); and Standard Chartered Bank (Hong Kong, China). The list adds two additional liquidity providers from the previous seven. The Hong Kong Monetary Authority said that the expansion is part of efforts to strengthen the liquidity of the offshore renminbi bond market.

Indonesia

Bank Indonesia Issues Regulation on Foreign Exchange Call Spread Options

In September, Bank Indonesia announced a new regulation that allows banking institutions to engage in call spread option contracts on foreign exchange transactions. Only banks with capitalization of IDR5 trillion or more are allowed to participate in this hedging product. The regulation also requires an underlying transaction.

Parliament Approves 2017 State Budget

In October, the Indonesian Parliament approved the government's 2017 state budget, which estimated a deficit equivalent to 2.41% of gross domestic product. The 2017 budget projects revenues of IDR1,750.3 trillion versus spending of IDR2,080.5 trillion. The budget includes a hike in the cigarette excise tax and cuts in certain electricity subsidies. The underlying macroeconomic assumptions for the 2017 budget include (i) annual gross domestic product growth of 5.1%, (ii) annual inflation of 4.0%, (iii) an exchange rate of IDR13,300 per USD1, (iv) a 3-month Treasury bill rate of 5.3%, and (v) an Indonesian crude oil price of USD45 per barrel.

Republic of Korea

Financial Services Commission Announces Law on Corporate Governance for Financial Companies

The Financial Services Commission announced in August the State Council's approval on 26 July of the Enforcement Decree of the Act on Corporate Governance of Financial Companies as well as the effectivity of the decree on 1 August. The decree aims to promote the sound and transparent corporate governance of financial companies. Among its key provisions are disqualification criteria for directors and officers, recommended composition of the board of directors, a fit-and-proper rule for the largest shareholder, and performance-based pay for officers and employees.

Malaysia

Prime Minister Announces 2017 Federal Budget

On 21 October, the Prime Minister announced the release of Malaysia's 2017 federal budget with a total allocation of MYR260.8 billion for a 3.4% increase from the 2016 revised budget. The government also announced a fiscal deficit target of MYR40.3 billion, or 3.0% of gross domestic product, down from the 2016 target of 3.1%. Federal government revenue collection is expected to increase 3.0% y-o-y to MYR219.7 billion. The Prime Minister noted the decline in revenues due to the continued fall in oil prices, with an estimated loss of MYR30 billion. Collections from the implementation of the Goods and Services Tax, which was launched in 2015, had reached MYR30 billion as of 19 October 2016. The economy is expected to grow 4.0%–5.0% in 2017, while annual inflation is forecasted at 2.0%–3.0%.

Philippines

First Tax Reform Package Submitted to Congress in September

The Department of Finance announced in September that it had submitted its first of four tax reform packages to Congress. The proposed tax reform measures include restructuring the personal income tax system, widening the tax base, and adjusting excise taxes on automobiles and petroleum products. The comprehensive tax reform program will enable the government to raise the additional funds needed to increase public infrastructure spending and investments in human capital and social protection.

Singapore

Singapore Exchange Signs Memorandum of Understanding with Industrial and Commercial Bank of China

Singapore Exchange and the Industrial and Commercial Bank of China Limited, the sole renminbi-clearing bank in Singapore, signed a Memorandum of Understanding

on 19 September to enhance capital market links between Singapore and the PRC. The memorandum aims to support companies from the PRC in tapping Singapore's capital markets for equity and bond financing needs, particularly real investment trusts and offshore renminbi-denominated bonds. The memorandum also aims to realize secondary market activities of renminbi-denominated contracts listed on Singapore Exchange.

Thailand

Stock Exchange of Thailand Plans New Mutual Fund Service Platform in Early 2017

The Stock Exchange of Thailand on 26 September announced its plan to launch a new mutual fund service platform in the first quarter of 2017 to help broaden and make efficient the channeling and access of mutual funds by the public. An industry-wide test run is expected before the end of the year. The announcement came after memorandums of understanding were signed with about 40 mutual fund firms on 15 March. Upon launch, the many stakeholders—which include asset management firms, securities companies, unit investment trusts, life insurance firms, and commercial banks—have all committed to use the new platform to service customer needs in addition to the continued use of traditional person-to-person channels. According to the Securities and Exchange Commission, the plan is an important milestone in establishing Thailand's national infrastructure investment platform, making transactions easier for stakeholders and their customers.

Viet Nam

Hanoi Stock Exchange to Test Run Derivatives Product in November and December

The Hanoi Stock Exchange is continuing with preparations to launch a derivatives market. The exchange recently announced that regulations for future contracts on equity indices and government bonds will be implemented in November. The exchange will also test the trading system for the derivative products in November and December.