Policy and Regulatory Developments

People's Republic of China

People's Bank of China Removes Reserve Requirement Ratio on Forward Transactions

In September, the People's Bank of China removed reserve requirements imposed on the trading of foreign currency forwards. Previously, the ratio was set at 20%.

China Securities Regulatory Commission Imposes Limits on Money Market Funds

The China Securities Regulatory Commission (CSRC) tightened regulations on money market funds in September. Under the new guidelines, money market funds are limited in their lending to a single institution. The rules require money market funds to limit their holdings of deposits, bonds, and other assets from a single bank to no more than 10% of the bank's net assets. Additionally, assets from a single bank cannot exceed 2% of the outstanding assets of the mutual fund. Money market funds also cannot hold investments issued by institutions with a credit rating lower than AAA.

Hong Kong, China

Hong Kong, China Includes US Dollar Bonds Issued by the People's Republic of China as Collateral for Renminbi Liquidity Facility

In November, the Hong Kong Monetary Authority declared that the USD-denominated bonds issued by the People's Republic of China in October will be allowable as collateral for the Renminbi Liquidity Facility that Hong Kong, China banks can tap as a source of renminbi liquidity.

Indonesia

Bank Indonesia Allows Euro Swaps

In October, Bank Indonesia allowed hedging transactions involving the euro. The minimum transaction size for euro swaps is EUR1 million with terms of 3 months and 6 months. Earlier in July, the central bank allowed hedging transactions for Japanese yen swaps. These measures are expected to reduce dependence on the US dollar for trade and investment activities.

Indonesia's 2018 State Budget Bill Approved

In October, the House of Representatives approved the government's proposed 2018 state budget, which estimates revenue amounting to IDR1,894.7 trillion and expenditure of IDR2,220 trillion. The budget deficit is projected to reach an equivalent of 2.2% of GDP. The underlying macroeconomic assumptions for the 2018 state budget include (i) annual GDP growth of 5.4%, (ii) annual inflation of 3.5%, (iii) an exchange rate of IDR13,400 per USD1, (iv) a 3-month Treasury bill annual rate of 5.3%, and (v) an Indonesian crude oil price of USD48 per barrel.

Republic of Korea

Financial Services Commission Announces Comprehensive Measures for Household Debt Management

In October, the Financial Services Commission announced new measures to manage the Republic of Korea's growing household debt. These measures are intended to "reduce financial risks in the short-term; and to strengthen macroeconomic soundness and household income and repayment ability in the mid- to long-term." The measures include providing tailored assistance based on a borrower's capacity to repay debt. To manage risks affecting consumption and economic growth, the government will manage the household debt aiming to bring down and maintain its growth rate over the next 5 years at below 8.2%. The government will also adjust the calculation of debt-to-income ratios and introduce a debt service ratio to evaluate the credit risk profiles of borrowers more accurately. Lastly, the government will take measures to manage household debt from sectors that are more vulnerable to financial risk.

Malaysia

Malaysian Government Sets Budget for 2018

Prime Minister Najib Razak announced Malaysia's 2018 budget on 27 October, which amounted to MYR280.3 billion, or 7.5% higher than in 2017. A total of MYR234.3 billion will be allotted for operating expenditure and MYR46 billion for development. While the spending plan has increased, revenue collection is also projected to expand 6.4% to MYR239.9 billion in 2018, allowing the government to maintain its fiscal consolidation target. Also announced was a cut of 2 percentage points to the personal income tax for those earning between MYR20,000 and MYR70,000 annually.

Philippines

Bangko Sentral ng Pilipinas Streamlines Regulations on Bank and Quasi-Bank Bond Issuance

On 6 October, Bangko Sentral ng Pilipinas (BSP) amended its regulations on the issuance of bonds and commercial paper by banks and quasi-banks in order to streamline requirements and provide greater flexibility in tapping the capital market as an alternative funding source. According to the central bank, the amendments include removal of the minimum bond features, such as the requirement on eligible collateral, which can constrain banks and quasi-banks from issuing debt securities. The revised regulations reiterate compliance with the securities law and its implementing rules and regulations.

Bangko Sentral ng Pilipinas, Bureau of the Treasury, and the Securities and Exchange Commission Set to Launch a Repurchase Market for Banks in November

In October, BSP announced the rollout of the repurchase market for banks in November. Together with the Bureau of the Treasury (BTr) and the Securities and Exchange Commission, this initiative forms part of the capital market road map presented by government agencies in August with the goal of deepening the domestic debt market. These agencies are targeting to implement a series of financial reforms within 18 months. According to the BSP, the initial phase would focus on improving benchmark markets as this is critical for pricing risk assets and other capital market instruments. In addition, the BTr has also been assessing the performance of Government Securities Eligible Dealers in the primary and secondary markets, which will be the basis for recognizing market-makers. The BTr will announce the preliminary market-makers and launch the enhanced Government Securities Eligible Dealers program early next year.

Singapore

Singapore and the People's Republic of China Strengthen Capital Market Cooperation

In a second supervisory roundtable held on 3 November, the Monetary Authority of Singapore and the CSRC strengthened cooperation on capital market development and supervision. In particular, both sides agreed to collaborate on facilitating the development of their derivatives markets, set up a framework in supervising fund managers, and support qualified companies based in the People's Republic of China to list in Singapore. The roundtable meeting aimed to allow for future collaboration by enabling the Monetary Authority of Singapore and the CSRC to have a greater understanding of each other's regulatory framework.

Thailand

Public Debt Management Office Allots Special Period to Foreign Entities for THB-Denominated Bond Issuance Applications

The Public Debt Management Office (PDMO) regularly accepts applications for Thai baht bond issuance by foreign firms three times a year in March, July, and November. In a measure to further ease the appreciation of the Thai baht, the PDMO in September opened an additional period (6 September–6 October) for foreign entities to apply for permission to issue THB-denominated bonds. Upon approval, foreign entities must comply with the conditions that (i) issued bonds must carry a tenor of 3 years or less, (ii) the issue date must fall between 1 November 2017 and 31 March 2018, and (iii) proceeds must be used for either domestic transactions in baht or onshore USD–THB spot exchange.

Public Debt Management Office Announces Funding Plan for Fiscal Year 2018

In September, PDMO conducted a public dialogue and announced its funding plan for fiscal year 2018, which will help finance its budget deficit projected at THB450 billion. About 56.0% of the borrowing plan will be financed through the issuance of benchmark bonds with maturities of 5, 10, 15, 20, 30, and 50 years. PDMO also plans to issue savings bonds and short-term debt securities, and conduct a debt switch program.

Viet Nam

Government Approves Road Map for Bond Market Development

In August, the Government of Viet Nam approved a 3-year road map for bond market development, with the aim of aligning the bond market with the money market and capital market. Under the road map, the share of bonds to GDP is expected to increase to 45% by 2020 and to 65% by 2030.