Policy and Regulatory Developments

People's Republic of China

People's Bank of China Reduces Reserve Requirement Ratio

On 7 October, the People's Bank of China (PBOC) reduced the reserve requirement ratio of large commercial banks, joint stock commercial banks, city commercial banks, non-country rural commercial banks, and foreign-funded commercial banks by 100 bps. In addition, the PBOC announced that maturing funds from its Medium-Term Lending Facility for that day would not be renewed, effectively using some funds freed by the reserve requirement ratio cut to repay the lending facility. The PBOC said that the net effect would be a release of CNY750 billion of funds into the banking system.

Hong Kong, China

Delivery-versus-Payment Settlement Fully Implemented in Bond Connect

In August, delivery-versus-payment settlement was fully implemented under the Bond Connect program. This mechanism allows for the payment and delivery of securities in real time, reduces settlement risks, and facilitates settlement efficiency, providing more convenience to international investors through Bond Connect.

Indonesia

Bank Indonesia Lowers the Minimum Transaction Limit for Foreign Exchange Swaps to USD2 Million

In August, Bank Indonesia lowered the minimum transaction limit for conducting foreign exchange hedging via swaps to USD2 million from USD10 million. With the reduced floor for hedging transactions, Bank Indonesia expects the volume of hedging transactions to increase. The hedging facility is available for transactions involving US dollars, Japanese yen, euros, and Chinese renminbi. In addition, the central bank is planning to relax documentary requirements for tapping the facility.

Republic of Korea

Government Announces Measures to Promote Investment and Boost Employment

In October, the Government of the Republic of Korea announced measures to promote investment and boost employment, noting the slowdown in growth as investment and employment continued to be weak. To help economic growth regain momentum, the government plans to promote private sector investment, increase public investment, pursue innovation-driven growth, and support the job market. Measures include the allotment of KRW2.3 trillion in the first quarter of 2019 to projects that have been delayed due to financial and regulatory challenges. A total of KRW15.0 trillion worth of facility investment support programs will be launched within the year. The government will also pursue the development of new markets such as remote healt-care services and the sharing economy.

Malaysia

Securities Commission Malaysia Liberalizes the Corporate Bond and *Sukuk* Markets for Retail Investors

The Securities Commission Malaysia announced on 19 September the liberalization of its regulatory framework to provide greater access for retail investors to Malaysia's corporate bond and *sukuk* markets. The liberalized framework will allow a more efficient issuance process for corporate bonds and *sukuk* to be offered to retail investors, as well as expand the range of corporate bonds and *sukuk* that can be offered. The Securities Commission Malaysia also introduced a new seasoning framework to enable retail investors to access existing corporate bonds and *sukuk*, which are currently traded by sophisticated investors in the over-the-counter market. The regulation came into effect on 11 October.

Philippines

BSP Approves Rules on Bond Issuance

On 10 August, the Bangko Sentral ng Pilipinas (BSP) enhanced rules on bond issuances in order to develop the LCY bond market. Aside from complying with the Securities Regulations Code, universal banks, commercial banks, and quasi-banks need to satisfy additional criteria to be eligible to issue bonds and commercial paper. They must have a CAMELS rating of at least 3, with a management rating not lower than 3. They must not have major risk management and compliance concerns, must be compliant with BSP rules, and must not have pending enforcement actions from the BSP. For quasi-banks, they must have at least an acceptable RAS rating. In order to promote security, price transparency, and price discovery, the bonds to be issued must be traded in a Securities and Exchange Commission-recognized market. An issuance does not need approval from the central bank. The concerned bank need only submit a certification that they have complied with and met all criteria for issuing bonds. The additional rules aim to help promote an efficient debt market that protects investors.

Singapore

MAS Introduces New Structure for Investment Funds

On 10 September, the Monetary Authority of Singapore (MAS) introduced a new corporate structure for investment funds called Variable Capital Company (VCC), an entity that manages local and international funds. The framework allows VCCs greater flexibility in terms of capital structure so that it can be used by both open-ended and closed-ended funds with varying investment strategies depending on their needs. VCCs, which are deemed to be cost-efficient, can be established as a standalone or an umbrella structure with multiple subfunds having different investment objectives. In order to cater to the needs of investors in global investment funds, VCCs are allowed to use different accounting standards in preparing financial statements. Finally, the framework prevents VCCs from commingling assets and liabilities between funds. These developments will help strengthen Singapore's position as a financial hub by providing full services for both local and international investors and fund managers.

Thailand

Thailand Plans to Develop "Bond Coin" to Facilitate Settlement of Corporate Bonds

The Thai Bond Market Association is studying the development of a digital token or "bond coin" to facilitate settlement and clearing of corporate bonds. Under the plan, participants will have information regarding payment stages, interest rates, and other time-sensitive information. The aim will be to shorten traditional banking processes from about 7–10 days to 1–3 days and to reduced corporate bond clearing from 2 days to less than 24 hours. The plan will come in three phases: (i) the development of a bond registrar subscription system to record bond transactions between participants; (ii) the inclusion of additional features such as bond deposit servicing and system development; and (iii) structuring of the "bond coin," which will include a clearing and settlement infrastructure using the digital token.

Viet Nam

State Treasury Lowers Bond Issuance Plan for 2018

In October, the State Treasury lowered its bond issuance plan for 2018 to VND175 trillion from VND200 trillion as originally planned. The breakdown of issuance volume for each maturity is as follows: (i) 5-year bonds at VND31 trillion, (ii) 7-year bonds at VND11 trillion, (iii) 10-year bonds at VND64 trillion, (iv) 15-year bonds at VND51 trillion, (v) 20-year bonds at VND9 trillion, and (vi) 30-year bonds at VND9 trillion.