Policy and Regulatory Developments

People's Republic of China

The People's Bank of China Reduces Reserve Requirement Ratio for Banks

On 6 September, the People's Bank of China (PBOC) announced that it would reduce by 50 basis points (bps) the reserve requirement ratio of financial institutions, effective 16 September. In addition, rural commercial banks operating solely within provincial administrative regions would be entitled to an additional 100 bps cut, with the reduction to be phased in on 15 October and 15 November.

The People's Republic of China Removes Quota on Some Foreign Investor Programs

On 10 September, the State Administration of Foreign Exchange announced that it would remove quota limits on its Qualified Foreign Institutional Investor and Renminbi Qualified Foreign Institutional Investor programs. The government said that this would make it easier for foreign investors to participate in the domestic market of the People's Republic of China's (PRC).

China Securities Regulatory Commission Places Limit on Private Corporate Bond Issuance

On 15 October, the China Securities Regulatory Commission announced that the total amount of outstanding corporate bonds sold privately would be limited to 40% of a company's net assets. Additional bonds issued exceeding this ratio may only be used to repay existing debt.

Hong Kong, China

Government Unveils HKD19.1 Billion Economic Support Package

On 15 August, the Government of the Hong Kong Special Administrative Region of the People's Republic of China unveiled fiscal support measures worth HKD19.1 billion to provide support to citizens and businesses affected by the economic downturn. The measures for citizens include extra payments to social security recipients, subsidies for students from the primary and secondary levels, 1 month of free rent for low-income tenants of government housing, and a one-off electricity subsidy worth HKD2,000. The support for businesses includes waivers for 27 groups of fees and charges for the retail, catering, and tourism sectors; a reduction of rent for short-term tenancies of government lands; a new loan guarantee for small businesses; and retraining for workers.

Hong Kong Monetary Authority Cuts Countercyclical Capital Buffer by 50 bps to 2.0%

On 14 October, the Hong Kong Monetary Authority lowered the countercyclical capital buffer from 2.5% to 2.0%, the first reduction since 2015. The move was intended to allow banks to release an additional HKD200 billion–HKD300 billion of bank credit. In its press statement, the Hong Kong Monetary Authority stressed that economic conditions in Hong Kong, China have deteriorated since June and the freeing of funds will allow banks to provide support to the economy and help counter the economic downturn. The countercyclical capital buffer is an integral part of the Basel III regulatory capital framework designed to increase the resilience of the banking sector in periods of excess credit growth.

Indonesia

Government Reduces Tax on Interest Income from Bonds

In August, the Government of Indonesia signed a new regulation that will lower the tax on interest income from bond investments to 5.0% from 15.0% for infrastructure investment funds, real estate investment funds, and asset-backed securities. The reduction in taxes will take effect in 2020 and be adjusted to 10% by 2021, making the applicable tax rates for these financial products at par with those of mutual funds.

Bank Indonesia and Bank Negara Malaysia Sign Local Currency Bilateral Agreement

In September, Bank Indonesia and Bank Negara Malaysia (BNM) signed a bilateral agreement to strengthen monetary and financial cooperation. The two central banks agreed on a local currency bilateral agreement of up to USD2 billion (or the equivalent of MYR8 billion or IDR28 trillion). The local currency bilateral agreement will remain effective for 3 years and is subject to extension. Also, the two central banks signed a memorandum of understanding for the development of payment systems and digital financial innovation.

Republic of Korea

The Republic of Korea's Government Proposes KRW513.5 Trillion Budget for 2020

On 29 August, the Government of the Republic of Korea submitted its 2020 budget totaling KRW513.5 trillion for approval. The planned budget entails a 9.3% increase in government spending over 2019 levels and is focused on helping boost the economy and promoting innovation. The main policies of the 2020 budget include increased spending for research and development; support for exports, investment, and consumption; strengthened social safety nets; improved quality of life; and strengthened national defense and diplomacy. The government projects revenues to be KRW482 trillion, a marginal 1.2% annual increase, due to continued weakness in the semiconductor industry and fiscal decentralization. Correspondingly, the target fiscal budget deficit as a share of gross domestic product will rise to 3.6% in 2020 from 1.9% in 2019.

Malaysia

Bank Negara Malaysia Liberalizes Foreign Exchange Policies

On 16 August, BNM issued several new policies on foreign exchange administration to provide more flexibility and efficiency for businesses in managing their foreign exchange risks. Resident investors are allowed to hedge their foreign currency current account obligations up to their underlying tenure. Resident treasury centers may hedge on behalf of their related entities. Nonresident treasury centers may also do so, but they must register first with BNM. Nonresident investors are allowed to hedge on an anticipatory basis through an appointed overseas office for the settlement of their trades in goods and services. Finally, the definition of domestic MYR borrowing has been revised to exclude credit facilities used by corporations for miscellaneous expenses. This aims to help businesses manage their operational expenses without undue impact on their investment activities.

Philippines

Bangko Sentral ng Pilipinas Launches the First Other Financial Corporations Survey

In October, the Bangko Sentral ng Pilipinas launched the first Other Financial Corporations Survey (OFCS), a comprehensive measure of the assets and liabilities of other financial corporations. These include, among others, trust entities, private and public insurance companies, government financial institutions, and nonmoney market funds covering unit investment trust funds and investment companies. The OFCS aims to identify the concentration of vulnerabilities in the financial sector in relation to other sectors in the economy. The OFCS report will include sections on net foreign assets, domestic claims, and other liabilities of other financial corporations. It will also be publicly available to the public within 4 months after the end of each corresponding quarter.

Regional

Asian Bond Markets Initiative Holds Workshops in September and October

In September and October, the Asian Bond Markets Initiative organized a series of events to aid in the deepening of local currency bond markets in ASEAN+3.[6] A green bond workshop was held in September to present an overview of green finance and green bonds. *AsianBondsOnline* and the Ministry of Finance of Viet Nam jointly organized a capacity building workshop on developing the secondary corporate bond market and bond pricing in Viet Nam. In October, the ASEAN+3 Bond Market Forum and the Shenzhen Stock Exchange co-organized the 32nd ASEAN+3 Bond Market Forum meeting in Shenzhen.

[6] ASEAN+3 comprises the 10 member economies of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea.

Singapore

Singapore and the People's Republic of China to Strengthen Each Other's Financial Markets

On 15 October, the Monetary Authority of Singapore and the PBOC discussed measures to expand activities between the capital markets of the PRC and Singapore that would help strengthen both markets. The PBOC agreed to grant DBS Bank with a settlement agent license, which will allow it to trade, settle, and hold custody of debt instruments from the PRC's interbank bond market on behalf of foreign investors. The Monetary Authority of Singapore and the PBOC also agreed to develop mechanisms that would equip select Singaporean and Chinese banks with custody and trading services to help investors in the PRC's bond market.

Thailand

Mutual Funds Subject to 15% Income Tax, Effective 30 August

A tax regulation amendment affecting the bond market came into effect on 30 August. Investments in mutual funds became subject to a 15.0% withholding tax on gross income. The amendment was intended to reduce discrepancies in the tax burdens imposed on direct investments in debt instruments compared to investments in debt instruments through mutual funds. Prior to the amendment, direct investments in debt instruments were subject to a 15.0% withholding tax on interest, profits, or discount, while investments in mutual funds with an asset allocation in debt instruments were tax-exempt.

Government of Thailand Approves Fiscal Stimulus Package to Boost Growth

On 20 August, the Thai cabinet approved a THB316.0 billion stimulus package to boost the sluggish economy. The stimulus package included additional allowances for low-income earners and the elderly, debt relief and loans for farmers affected by the ongoing drought, incentives for domestic tourism and investment, credit support for small- and medium-sized enterprises, and low-interest loans for home buyers. The government estimates that the stimulus measures will raise full-year 2019 growth by 0.5–0.6 percentage points to at least 3.5%.

Viet Nam

State Treasury Plans to Issue VND70 Trillion Worth of Government Bonds in the Third Quarter of 2019

In August, the State Treasury announced its plan to issue VND70 trillion worth of government bonds in the third quarter of 2019. The issuance plan comprises (i) 5-year Treasury bonds worth VND4 trillion, (ii) 7-year Treasury bonds worth VND2 trillion, (iii) 10-year Treasury bonds worth VND27 trillion, (iv) 15-year Treasury bonds worth VND26 trillion, (v) 20-year Treasury bonds worth VND6 trillion, and (vi) 30-year Treasury bonds worth VND5 trillion. The volume of issuance, however, may be adjusted subject to market conditions and the funding needs of the government.