Policy and Regulatory Developments

People's Republic of China

The People's Republic of China Eases Foreign Capital Entry Rules

In September, the People's Republic of China (PRC) streamlined the existing regulations for the Renminbi Qualified Foreign Institutional Investor program and the Qualified Foreign Institutional Investor program. The new rules combined the two existing regulations into one and also made application requirements easier and simplified procedures. The new regulations took effect on 1 November.

The People's Republic of China Issues USD-Denominated Bonds

In October, the Government of the PRC issued USD6.0 billion worth of 3-year, 5-year, 10-year, and 30-year bonds. The bonds are the first USD-denominated bonds issued by the Government of the PRC since 1996 that are marketed to United States (US) investors under 144a Rules. The USD1.25 billion 3-year bond was issued with a coupon rate of 0.40%, while the USD2.25 billion 5-year bond was issued with a coupon rate of 0.55%. The USD2.0 billion 10-year bond was issued with a coupon rate of 1.2%, and the USD0.5 billion 30-year bond was issued with a coupon rate of 2.25%.

Hong Kong, China

Hong Kong Monetary Authority Holds Countercyclical Capital Buffer at 1.0%

On 12 October, the Hong Kong Monetary Authority (HKMA) announced that the countercyclical capital buffer (CCyB) would remain unchanged at 1.0%. The HKMA noted that the latest data based on the second quarter indicators signaled the need for a higher CCyB of 2.5%. However, the HKMA deemed that considering the high level of uncertainty facing the economy, holding the CCyB steady at 1.0% was more appropriate. A lower CCyB releases additional liquidity into the banking system by raising banks' lending capacity to support the economy. The CCyB 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

Indonesia's Parliament Approves 2021 State Budget

In September, the Indonesian Parliament approved the 2021 state budget, which calls for a deficit equivalent to 5.7% of gross domestic product (GDP). The 2021 state budget estimates revenue will reach IDR1,743.7 trillion, while state spending is expected to total IDR2,750.0 trillion. The underlying macroeconomic assumptions for the 2021 state budget include (i) economic growth of 5.0%, (ii) average inflation of 3.0%, (iii) an exchange rate of IDR14,600 per USD1, (iv) an average 10-year bond yield of 7.29%, and (v) Indonesian crude oil price of USD45 per barrel.

Republic of Korea

The National Assembly Passed the Fourth Supplementary Budget

On 22 September, the National Assembly passed the fourth supplementary budget of 2020 worth KRW7.8 trillion. This brings the aggregate amount of all four supplementary budgets to KRW62.2 trillion. The budget is expected to fund additional coronavirus disease (COVID-19) relief programs to support small businesses and low-income households.

The Republic of Korea Announces New Fiscal Rules

On 5 October, the Government of the Republic of Korea announced new fiscal rules to address the rapid increase in national debt. Although the economy's fiscal soundness and debt ratios are still considered low compared to its similarly rated peers, the government aims to maintain its fiscal sustainability. One rule is to maintain the government-debt-to-GDP ratio below 60% and the consolidated fiscal balance deficit at 3% or less of GDP. Implementation is expected to take effect starting in 2025 after a transition period of 3 years.

Malaysia

FTSE Russell Keeps Malaysia in Its FTSE World Government Bond Index

On 24 September, FTSE Russell decided to keep Malaysia in its FTSE World Government Bond Index, but the economy remained on the data provider's FTSE Russell Fixed Income Watch List for possible exclusion. In its September 2020 fixed-income review, FTSE Russell acknowledged Bank Negara Malaysia's policy reforms to enhance secondary market bond liquidity and improve foreign exchange market structure. FTSE Russell will continue to monitor developments in the Malaysian bond market as Bank Negara Malaysia's policies take effect and assess whether these regulatory reforms translate into practical improvements for international participants.

Philippines

Bangko Sentral ng Pilipinas Issues Central Bank Securities

The Bangko Sentral ng Pilipinas (BSP) started issuing BSP securities on 18 September as an additional instrument to manage liquidity in the financial system. According to the BSP, this initiative will help the central bank shift to more market-based monetary operations and support the implementation of monetary policy under the interest rate corridor framework. The addition of BSP securities to the supply of risk-free financial instruments in the banking system could help in the development of the local currency bond market. The BSP securities will be one of the monetary policy tools to mop up excess liquidity. Initial offerings will be small in volume and have shorter tenors but will eventually be scaled up and have longer maturities. The issuance of the securities is allowed under the New Central Bank Act that was signed in February 2019.

Bangko Sentral ng Pilipinas Approves Provisional Advance to the Government of the Philippines

On 1 October, the BSP approved the Government of the Philippines' request for a provisional advance of PHP540.0 billion to be used for budget deficit financing amid the COVID-19 pandemic. This came after the Bureau of the Treasury fully settled the previous PHP300.0 billion repurchase agreement on 29 September. The fresh funds will be settled on or before 29 December and will have zero interest. The new tranche is pursuant to Section 89 of the New Central Bank Act as amended in the Bayanihan II Act, which allows the government to avail of provisional advances from the central bank of up to PHP846.0 billion. Market participants expect the new funds to lift some burden from the government to increase borrowing.

Singapore

Monetary Authority of Singapore Expands Access to Liquidity Facilities

On 3 September, the Monetary Authority of Singapore (MAS) announced various measures to enhance financial institutions' access to Singapore dollar and US dollar funding. On 28 September, a Singapore Dollar Term Facility was launched to provide financial institutions flexible options in terms of SGD-denominated borrowing at longer tenors. The facility, which compliments the overnight MAS Standing Facility, offers SGD-denominated funds with 1-month and 3-month tenors. The new facility makes available more options for collateral composed of cash and other marketable securities in various currencies. For domestic systemically important banks, residential property loans may be pledged as collateral with the Singapore Dollar Term Facility. MAS also enhanced the US Dollar Facility, established in March, which allows banks to borrow US dollars by pledging SGD-denominated collateral. Similar to the Singapore Dollar Term Facility guidelines, options for collateral for the US Dollar Facility were also expanded.

Thailand

Securities and Exchange Commission and Thai Bond Market Association Launch Environment, Social, and Governance Bond Hub

On 21 October, the Securities and Exchange Commission and the Thai Bond Market Association jointly launched an environment, social, and governance (ESG) information platform to support investors and issuers of ESG bonds by making information publicly available. The ESG bond information hub was created by the Thai Bond Market Association from a platform developed by Luxembourg Green Exchange.

Viet Nam

Ministry of Finance Issues Guidance on Bond Issuance Information Disclosure

On 14 August, the Ministry of Finance issued Circular No. 77/2020/TT-BTC to provide guidance on its existing decrees, Decree No. 81/2020/ND-CP and Decree No. 163/2018/ND-CP, on the provision of bond issuance information in the domestic market. In particular, the circular guides the (i) information disclosure regime of bond issuers; (ii) information disclosure on the corporate bond website; and (iii) reporting regime of the stock exchange, corporate bond issuance consulting organizations, and bond depository organizations.[6]

[6] The Ministry of Finance guides the issuance of corporate bonds. See https://english.luatvietnam.vn/circular-no-77-2020-tt-btc-dated-august-14-2020-of-the-ministry-of-finance-on-guiding-a-number-of-provisions-of-the-governments-decree-no-81-2020-189347-Doc1.html.