

# Policy and Regulatory Developments

## People's Republic of China

### People's Bank of China Eases Foreign Borrowing Limits

In October, the People's Bank of China raised the ratio for the cross-border borrowing of firms and banks from 1.00 to 1.25. The move will allow companies to issue more foreign debt.

## Hong Kong, China

### Hong Kong Monetary Authority Announces Tentative Issuance for Hong Kong Special Administrative Region Government Bonds

On 30 September, the Hong Kong Monetary Authority announced the tentative issuance schedule for Hong Kong Special Administrative Region (HKSAR) bonds under the Institutional Bond Issuance Programme for the period between October 2022 and March 2023. The issuance schedule included planned issuances of bonds with tenors ranging from 1 year to 20 years. Of note are two planned switch tenders. The first such switch tender will involve issuance of a 3-year HKSAR bond in exchange for the early redemption of a 15-year HKSAR bond with an original maturity of March 2032. The other switch tender will involve the issuance of a 3-year bond in exchange for the early redemption of a 15-year bond with an original maturity of March 2036. Switch tender operations are intended to promote liquidity in the bond market by allowing market participants to switch bonds with different maturities through a competitive tender.

## Indonesia

### Indonesian Parliament Approves the 2023 State Budget

In September, the Indonesian Parliament approved the government's proposed budget for 2023, setting the deficit at IDR598.2 trillion or the equivalent of 2.8% of gross domestic product (GDP). The 2023 state budget estimates state revenues at IDR2,463.0 trillion and state expenditures at IDR3,061.2 trillion. Debt financing was projected to reach IDR696.3 trillion. The following

macroeconomic assumptions, among others, were used as reference for the budget: (i) an economic growth of 5.3%, (ii) an inflation rate of 3.6%, (iii) a 10-year bond yield of 7.9%, (iv) an exchange rate of IDR14,800 per USD1.0, and (v) an Indonesia crude price per barrel of USD90.0.

## Republic of Korea

### The Government Announces 2023 Budget Proposal

On 30 August, the Government of the Republic of Korea announced its 2023 budget proposal totaling KRW639 trillion. This represented a 5.2% increase from the original 2022 budget, which is less than the average yearly increase of 8.7% over the last 5 years. The proposed 2023 budget is also 5.9% less than the 2022 final budget, which includes the supplementary budget. The smaller annual increase in the budget is in line with government efforts to reduce spending as part of its 2022–2026 fiscal management plan to improve fiscal sustainability. The proposed budget is projected to result in a 0.6% fiscal-deficit-to-GDP ratio, which is lower than the 2.5% ratio for 2022. Priorities in the budget include the expansion of protections for low-income and vulnerable households, support for the private-sector-led economy, and improvements to national safety and security.

### Fiscal Rules Introduced

In its 13 September emergency ministerial meeting on economic affairs, the Government of the Republic of Korea announced its plans to introduce rules to improve the government's fiscal soundness. This includes the use of the managed fiscal balance as a standard for fiscal rules instead of the consolidated fiscal balance. In addition, the managed fiscal balance shall have an upper limit of 3% of GDP, and it will be reduced to 2% when government debt exceeds 60% of GDP. However, this shall not be applied in the case of exceptional situations such as wars, national disasters, and economic downturns. The rules shall be established on a legal basis via inclusion of fiscal rule management standards in the National Finance Act and will be used in the design of the 2024 budget proposal.

## Malaysia

### Government of Malaysia Issues First Sustainability Sukuk

On 30 September, the Government of Malaysia raised funds through its inaugural Sustainability Government Investment Issues, worth MYR4.5 billion and with a tenor of 15 years. The issuance showed Malaysia's commitment to develop a sustainable economy. The sustainable bond served as a new benchmark bond in Malaysia's Islamic bond market. The proceeds will be used to fund the government's social and green projects under its Sustainable Development Goals Sukuk Framework.

## Philippines

### Bureau of the Treasury Releases Borrowing Program for October 2022

The Bureau of the Treasury intends to borrow PHP200 billion from local creditors in October by offering PHP60 billion worth of Treasury bills and PHP140 billion worth of Treasury bonds with tenors of 3, 6, 10, and 13 years. The borrowing program for October is the same as September's planned borrowing, which the Bureau of the Treasury failed to meet due to investors' demand for higher yield in anticipation of a continued rise in interest rates. However, the government remains confident that funding requirements for its various programs remain adequate against current market circumstances.

## Singapore

### Monetary Authority of Singapore Lays Out Vision for 2025

On 15 September, the Monetary Authority of Singapore launched its Financial Services Industry Transformation Map 2025, which details Singapore's plans to be the chief financial center in the region. Under its key strategy of digitalizing financial infrastructure, the Monetary Authority of Singapore aims to develop its bond market infrastructure by making the processes for listing, issuance, and settlement more efficient. This will allow investors to choose Singapore as their preferred destination for bond listing and issuance.

## Thailand

### Thai Cabinet Approves Public Debt Management Plan for Fiscal Year 2023

On 27 September, the Thai cabinet approved the public debt management plan for fiscal year 2023, which started on 1 October. The plan puts the ceiling for government borrowing for fiscal year 2023 at THB1.05 trillion, of which THB820.0 billion was allotted for new central government debt to offset the annual budget deficit, manage liquidity in the Treasury, and invest in infrastructure projects. The remaining THB233.0 billion was allocated for new debt for state enterprises and other government agencies to finance investments in transport infrastructure, power transmission systems, and other general operations. Under the new plan, the ratio of public debt-to-GDP will reach 60.4% by the end of fiscal year 2023, which is within the public debt ceiling of 70.0% of GDP.

### Public Debt Management Offices Plans to Issue THB130.0 Billion of Government Savings Bonds in Fiscal Year 2023

On 12 October, the Public Debt Management Office (PDMO) announced that it plans to sell THB130.0 billion of government savings bonds in fiscal year 2023. The PDMO assessed that there is ample liquidity in the Thai bond market for government bond issuance. In fiscal year 2023, the PDMO will focus on issuing medium-term bonds with maturities of 10–20 years in response to high market demand for such tenors. The government plans to borrow up to THB30.0 billion from international lenders such as the Asian Development Bank and the Japan International Cooperation Agency, and it will not issue USD-denominated bonds unless necessary.

## Viet Nam

### Government Releases Guidance on Offering and Trading Privately Issued Corporate Bonds

In September, the Government of Viet Nam promulgated Decree No. 65/2022/ND-CP (Decree 65) to amend the existing regulations on the offering and trading of privately issued bonds. Decree 65 aims to enhance transparency and sustainability in the bond market by tightening disclosure requirements and imposing more

stringent conditions on bonds' private placements. It was developed to protect investors in several key areas, such as limiting the purpose of bond proceeds, implementing new requirements on the issuer's credit rating, and mandating additional disclosures by the issuers. Decree 65 also launches the centralized bond exchange system for bond registration and trading, which is expected to be operational by June 2023.

### State Bank of Vietnam Releases Guidance on Foreign Exchange Management for Foreign Borrowing and Foreign Debt Repayment

At the end of September, Circular No. 12/2022/TT-NHNN was issued by the State Bank of Vietnam to provide guidelines on foreign exchange administration relating to institutions' foreign borrowings and foreign debt repayments, which are not guaranteed by the government. The new circular focuses on public administrative reform, supplementing related processes and procedures, and improving the reporting mechanism to sustain enterprises' practical needs to borrow and pay off foreign debts and meet the State Bank of Vietnam's management objectives. The circular seeks to improve the legal framework for companies' borrowing and repayment of foreign loans, reflect the targets of public administrative reform through simplification and application of information technology in providing public services, and support companies to mobilize foreign financial resources for their business operations.