

# Policy and Regulatory Developments

## People's Republic of China

### People's Bank of China Reduces Reserve Requirement Ratio

The People's Bank of China in September reduced the reserve requirement ratio (RRR) by 50 basis points (bps). The move will bring the average RRR of the banking sector to 6.60%. The central bank stated that the move was meant to promote a monetary and financial environment conducive to growth of the domestic economy.

## Hong Kong, China

### Hong Kong Monetary Authority Lowers Countercyclical Capital Buffer Ratio to 0.5%

On 18 October, the Hong Kong Monetary Authority cut the countercyclical capital buffer (CCyB) ratio for banks in Hong Kong, China from 1.0% to 0.5%. The lower CCyB will release additional funds that banks can use to support the financing needs of the domestic economy, particularly small and medium-sized enterprises. The monetary authority noted that while the domestic economy recovers, sectors such as small and medium-sized businesses continue to face challenges amid uncertainties in both the domestic and global economic landscapes. The CCyB is an integral part of the Basel III regulatory capital framework designed to improve the resilience of the banking sector against system-wide risks.

## Indonesia

### 2025 State Budget Bill Approved by Parliament

In September, the House of Representatives passed the 2025 State Budget Bill amounting to IDR3,621.1 trillion. With revenue collection projected at IDR3,005.1 trillion, the fiscal deficit is estimated to reach IDR616.2 trillion, equivalent to 2.5% of gross domestic product (GDP). This is lower compared with the 2024 state budget, which programmed a budget shortfall equivalent to 2.7% of GDP. Debt financing is projected to be IDR775.9 trillion, funded through bond issuances (IDR642.6 trillion) and

loans (IDR133.3 trillion). Underlying macroeconomic assumptions for the 2025 state budget include: (i) GDP growth of 5.2%; (ii) an inflation rate of 2.5%; (iii) an exchange rate of IDR16,100 per USD1; and (iv) a 10-year government bond yield of 7.1%, among others.

## Republic of Korea

### FTSE Russell Announces the Republic of Korea's Inclusion in the World Government Bond Index in November 2025

On 8 October, the FTSE Russell announced its plan to include the Republic of Korea in the FTSE World Government Bond Index starting November 2025. This will be done in a phased approach to allow global market participants to prepare for the inclusion. Upon inclusion in the index, the Republic of Korea's inclusion ratio will also gradually increase over the following year. As of October 2024, the Republic of Korea's weight in the index upon inclusion is projected to be at 2.2%, which would be ranked the ninth largest among all included economies. The inclusion in the index is expected to stabilize bond yields and increase foreign exchange liquidity in the market to support the Korean won. However, FTSE Russell noted that the government's 50-year bonds will not be included due to their low liquidity and outstanding balance in the market.

## Malaysia

### Malaysia Announces 2025 Budget Spending Plan

On 18 October, the Government of Malaysia approved the proposed budget spending plan for 2025 amounting to MYR421.0 billion. This budget is approximately 3.3% greater than the 2024 budget and projects a fiscal deficit of around 3.8% of GDP, with an assumption of GDP growth of 4.5%–5.5% in 2025. State revenue, projected at MYR339.7 billion, will increase 5.5% from this year and will be supported by initiatives such as expanded sales and services tax, a carbon tax, and excise duties on sugary beverages.

## Philippines

### Bangko Sentral ng Pilipinas Cuts Reserve Requirement Ratio

Effective 25 October, the RRR for banks and nonbank financial institutions was reduced by 250 bps to 7.0%. The RRR for digital banks was also cut by 200 bps to 4.0%, while the RRRs for thrift banks and rural and cooperative banks were lowered by 100 bps to 1.0% and 0.0%, respectively. The adjustments are expected to lower intermediation costs and promote better pricing for financial services, aligning with the central bank's persistent efforts to reduce distortions in the financial system.

### Bureau of Internal Revenue Issues Guidelines on *Sukuk* Taxation

In July, the Bureau of Internal Revenue issued guidelines on tax treatment for *sukuk* (Islamic bonds), which adhere to Sharia law and prohibit interest. Tax on *sukuk* will be based on gains or profits specified in the contracts, such as profit-sharing ratios, rental income, mark-up, price differentials, or the sale of underlying assets. *Sukuk* are also subject to a documentary stamp tax unless exempted. Banks will evaluate *sukuk* investments based on their contractual cash flow features and assess them for impairment based on expected credit losses. The tax treatment aims for neutrality between Islamic and conventional banking transactions.

## Singapore

### Singapore Continues Implementation of Green Plan 2030

On 25 September, Singapore's Ministry of Finance released the newest edition of the Singapore Green Bond Report. The latest report shows allocations for the Jurong Region Line and Cross Island Line in support of government efforts to position Singapore as a leader in sustainability. Launched in 2021, the Singapore Green Plan 2030 aims to advance Singapore's sustainable development goals. The recent allocations to finance the capital expenditures needed for the Jurong Region Line and Cross Island Line expand a major pillar in the project to advance mass public transportation.

## Regional Central Banks Collaborate to Make Cross-Border Transactions More Efficient

On 28 October, the Monetary Authority of Singapore, along with the central banks of the Republic of Korea, Australia, and Malaysia, announced a partnership to improve efficiencies in cross-border payments. The initiative, entitled Project Mandala, seeks to simplify and streamline cross-border transactions by embedding market-specific regulatory and policy requirements into a unified compliance framework. This model aims to automate key compliance tasks such as anti-money laundering checks and foreign exchange regulations to reduce transaction delays and improve transparency.

## Thailand

### Thai Cabinet Approves Fiscal Year 2025 Public Debt Plan

On 1 October, the Thai cabinet approved a public debt management plan for fiscal year (FY) 2025. The government plans to borrow a total of THB3.6 trillion in FY2025, which started on 1 October 2024. About THB1.2 trillion was allotted for new borrowing, mainly to finance the budget deficit, while THB1.8 trillion was earmarked for debt restructuring and THB489.1 billion for debt repayment. The borrowing plan includes THB1.3 trillion of sovereign bonds, of which THB140.0 billion will be issued through bond switching, THB520.0 billion in Treasury bonds, THB120.0 billion in savings bonds, and the rest in promissory notes and term loans. Public debt is expected to reach 66.8% of GDP at the end of FY2025, which is below the legal limit of 70%.

## Viet Nam

### State Bank of Vietnam Amends Rules on Bills Issuance

On 30 August, the State Bank of Vietnam issued Circular No. 44 amending Circular No. 16 issued in 2019. The new circular includes general and specialized finance companies as part of the eligible entities that can buy and sell central bank bills. These entities will be added to the financial companies that belong to the regulated entities in Circular No. 16. This amendment will take effect on 23 October 2024.

## State Bank of Vietnam Revises Rules on Banks' Sale and Purchase of Corporate Bonds

In June, the State Bank of Vietnam issued Circular No. 11 amending the regulation on mandatory principles and procedures relating to banks' sale and purchase of corporate bonds. Effective 12 August, banks must use noncash payment services when paying for traded corporate bonds. Furthermore, bond sellers must provide banks with information about related persons, in accordance with the Law on Credit Institutions, before the date on which the banks buy their bonds.