Policy and Regulatory Developments

People's Republic of China

PBOC Reduces Reserve Requirement Ratios

On 28 June, the People's Bank of China (PBOC) lowered the reserve requirement ratios of select financial institutions. City commercial banks and village and town commercial banks with a certain level of agricultural loans will be entitled to a 50-basis-points (bps) reduction in their reserve requirement ratios. Other banks—such as foreign banks and state-owned commercial banks that have met a certain level of loans to the agricultural sector or small enterprises—are entitled to a 50-bps reduction in their reserve requirement ratios. Finally, finance companies will have their reserve requirement ratios reduced by 300 bps.

PBOC Removes Bond Quotas for Sovereign Wealth Funds and Central Banks

On 16 July, the PBOC removed investment bond quotas for foreign central banks, sovereign wealth funds, and certain international financial institutions, such as the World Bank, investing in the interbank bond market. In addition, the application process for these institutions was streamlined and now requires simply registering with the PBOC before investing.

PBOC Revises Exchange-Rate-Setting Mechanism

On 11 August, the PBOC revised its central parity exchange-rate-setting mechanism. The PBOC said that under the new guidelines, market makers should submit quotes based on the prior closing of the interbank foreign exchange market, along with current demand and supply conditions. The quote should also take into account exchange rate movements in other currencies. According to the PBOC, external factors such as a recovering economy in the United States (US), weaker growth in the European Union and Japan (among other economies), and a strong trade surplus have led to a disparity in market expectations in the renminbi exchange rate versus the current exchange rate being set. The new mechanism is designed to move the central parity exchange rate more in line with market expectations.

Hong Kong, China

Hong Kong, China Issues US$-Denominated *Sukuk*

On 28 May, the Government of the Hong Kong Special Administrative Region of the People's Republic of China issued a US$1.0 billion 5-year *sukuk* (Islamic bond). This was the second *sukuk* issued by the government, with the first taking place in September 2014. The bond was priced at a rate of 1.894%. The government said that the *sukuk* is based on the *wakalah* structure, in which one-third of the assets are based on units in a Hong Kong, China building and the remainder are in *shari'ah*-compliant commodities.

Indonesia

Bank Indonesia Eases Macroprudential Measures to Spur Growth

In June, Bank Indonesia eased macroprudential measures by revising its policies for loan-to-value and financing-to-value ratios for property loans, and for automotive loan down payments. Bank Indonesia increased by 10 percentage points the loan-to-value ratio for property loans and the financing-to-value ratio for *shari'ah*–compliant property credit, which raised the maximum loanable amount for home buyers. Also, Bank Indonesia reduced by 5 percentage points the down payment requirement for automotive loans, bringing the new minimum down payment for two-wheelers to 20% and for passenger cars to 25%. The relaxation of these macroprudential policies aimed to support economic growth.

Bank Indonesia Revises Auction Process for Monetary Instruments and Expands Tenors for Reverse Repos

In August, Bank Indonesia revised its auction process for reverse repurchase agreements (reverse repo) for government bonds and *Sertifikat* Bank Indonesia (SBI), as part of efforts to stabilize the rupiah. The central bank said that it will offer a fixed rate on the two instruments instead of a variable rate. Also, Bank Indonesia will offer longer tenors such as 3-month reverse repos, and increase issuances of 9-month and 12-month SBIs. The frequency of foreign exchange swaps was also reduced to a weekly basis.

Republic of Korea

MOSF Announces 2015 Supplementary Budget

The Ministry of Strategy and Finance (MOSF) announced in July a supplementary budget for 2015. About KRW5.4 trillion will be used to finance the revenue shortfall in 2015, while KRW6.2 trillion will be utilized to augment budget expenditures—specifically for water resources management and support of the working class, and to deal with the adverse effects of the Middle East Respiratory Syndrome. MOSF stated that the supplementary budget will be largely funded by government bonds.

FSC to Enhance KRX's Competitiveness

The Financial Services Commission (FSC) reported in July plans to improve the competitiveness of the Korea Exchange (KRX). Specifically, the FSC intends to establish a holding company for KRX, which will have as its subsidiaries the Korea Stock Price Index exchange, the Korean Securities Dealers Automated Quotations exchange, and the derivatives exchange. Revisions to the Financial Investment Services and Capital Markets Act are planned to allow for the creation of this holding company.

Malaysia

BNM to Create Comprehensive Guidelines on Major Islamic Finance Contracts

In June, Bank Negara Malaysia (BNM) announced that it will create a comprehensive set of guidelines for all major Islamic finance contracts, including the finalization of operating standards, by the end of the year. The guidelines will address inconsistencies in the use and interpretation of Islamic contracts, and will complement the existing *shari'ah* guidelines already issued by BNM.

SC Implements Lodge and Launch Framework for Wholesale Products

On 15 June, the Securities Commission Malaysia (SC) implemented the Lodge and Launch Framework for wholesale products, which incorporate the Guidelines on Unlisted Capital Market Products issued on 29 March. This initiative is expected to significantly reduce the time-to-market for wholesale products from the current approval timeframe of 14–21 days. The Lodge and Launch Framework enables wholesale products to be launched to the market once all required information is submitted via the SC's online system. The wholesale products covered under this initiative include wholesale funds, structured products, bonds, *sukuk*, and asset-backed securities.

Philippines

Department of Finance Issues Guidelines on Government Depository Banks

Consistent with its mandate to ensure effective management of government resources, on 4 July, the Department of Finance issued revised guidelines on the application of the Treasury Single Account, which involves the automation and integration of the government's Public Financial Management System. The Treasury Single Account, which consolidates all government bank accounts, allows the National Treasury to determine its available resources in a speedy manner, reducing costs in the process. The new set of guidelines also highlight the roles of government offices and agencies in prudent fiscal management.

Singapore

Singapore Signs Third Bilateral Swap Agreement with Japan

The third bilateral swap agreement between Japan and Singapore was signed on 21 May by the Bank of Japan and the Monetary Authority of Singapore (MAS). The agreement aims to enhance bilateral financial cooperation, strengthen trade ties, and contribute to economic growth between the two countries by enabling authorities to exchange their local currencies for US dollars. The facility will allow Japan to swap Japanese yen worth up to US$1 billion while Singapore can exchange Singapore dollars up to US$3 billion.

MAS Launches Singapore Savings Bond

In July, MAS launched the Singapore Savings Bond, a capital-protected government bond that will be made available only to retail investors. The Singapore Savings Bond will pay tax-exempt, semi-annual interest with a step-up feature, at a rate based on the average yield of benchmark Singapore Government Securities the month prior to issuance. The 10-year bond, which will have a denomination of SGD500 and a limit of SGD100,000 for each holder, will first be issued on 1 October. MAS plans to issue a total of SGD2.4 billion of savings bonds this year.

Thailand

SEC Eases its Facilitation of Debt Securities Offerings

The Securities and Exchange Commission, Thailand (SEC) reported in July that it had eased the process by which it facilitates debt securities offerings via the Capital Market Supervisory Board's approval of revisions to existing regulations. Under the revised rules, which according to the SEC will take effect in 3Q15, an issuer can be given a 2-year program allowing for multiple debt securities offerings within the prescribed period. The SEC stated that this will help promote issuance of corporate bonds.

SEC Revises Regulations on Cross-Border Offerings of Debt Securities and Collective Investment Schemes

The SEC announced in May that the Capital Market Supervisory Board had revised regulations governing cross-border offerings of debt securities and collective investment schemes. One of the revisions will allow nonresident issuers to sell *sukuk* in Thailand. The revised regulations, according to the SEC, will take effect in 3Q15.

Viet Nam

SBV Widens Exchange Rate Trading Band

On 12 August, the State Bank of Viet Nam (SBV) widened the exchange rate trading band for the Vietnamese dong to ±2% from ±1%. The decision to adjust the exchange rate trading band was made to minimize the effect of the unexpected devaluation of the Chinese renminbi on 11 August. On 19 August, the SBV further widened the exchange rate trading band to ±3%. As a result, the new VND–US$ exchange ceiling rate was set at VND22,547 per dollar and the floor exchange rate at VND21,333 per dollar.

SBV Devalues the Vietnamese Dong for the Third Time in 2015

On 19 August, the SBV weakened the Vietnamese dong by 1% to a reference rate of VND21,890 per dollar. This marked the third time since the beginning of the year that the reference rate has been adjusted. The move was made to mitigate the effects of the Chinese renminbi's depreciation, as well as in response to concerns over a possible rate hike by the US Federal Reserve.