Policy and Regulatory Developments

People's Republic of China

The People's Bank of China Issues Central Bank Bills in Hong Kong, China

In June and August, the People's Bank of China issued renminbi-denominated bills in Hong Kong, China to help manage offshore liquidity and control the renminbi yield curve. The issuance comprised of (i) CNY10 billion 6-month central bank bills at a yield of 2.21% in June, and (ii) CNY20 billion 3-month central bank bills at a yield of 2.70%, and (iii) CNY10 billion of 1-year bills at a yield of 2.70% in August.

Hong Kong, China

Hong Kong Monetary Authority Keeps Countercyclical Capital Buffer at 1.0%

On 7 July, the Hong Kong Monetary Authority (HKMA) decided to hold the countercyclical capital buffer (CCyB) at 1.00%. The HKMA noted that the latest data based on the first quarter of 2020 indicators signal a higher CCyB at 2.25%. However, the HKMA gauged that economic recovery will be protracted given the high level of uncertainty. The HKMA decided to hold the CCyB steady at 1.00% and continue monitoring the economic situation. A lower CCyB provides additional funds for banks, allowing them to extend credit to support financing needs in various sectors of 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

2020 State Budget Deficit Estimated to Reach 6.34% of Gross Domestic Product

In June, a second revision to the 2020 state budget was signed into law, which called for increased spending and a wider budget deficit to support the economy amid the coronavirus disease (COVID-19) outbreak. The second revision to the 2020 state budget estimates a deficit amounting to IDR1.03 quadrillion, which is equivalent to 6.34% of gross domestic product (GDP), up from an earlier revision announced in April of a deficit equivalent to 5.07% of GDP. The government expects state spending to hit IDR2.73 quadrillion in 2020, while state revenue is projected to be IDR1.69 quadrillion.

Republic of Korea

The Republic of Korea's National Assembly Passes Third Supplementary Budget

On 3 July, the National Assembly of the Republic of Korea passed the third supplementary budget worth KRW35.1 trillion. The amount approved was lower than the proposed KRW35.3 trillion, yet it was still the largest of the three supplementary budgets passed in 2020 in response to the economic impact of the COVID-19 pandemic, bringing the aggregate amount of supplementary budgets to KRW54.4 trillion and the total policy package to KRW277 trillion.

The Government of the Republic of Korea Submits 2021 Fiscal Budget

On 3 September, the Government of the Republic of Korea submitted the 2021 fiscal budget proposal totaling KRW555.8 trillion, primarily to aid in economic recovery and support the Korean New Deal. The 2021 budget is 8.5% higher than the original 2020 budget and 1.6% higher than the final 2020 budget that included three supplementary budgets in response to the COVID-19 pandemic. Government revenues in 2021 are projected to grow 1.2% to KRW483 trillion. A fiscal deficit equal to 5.4% of GDP and aggregate government debt equal to 46.7% of GDP are expected. In addition, the government also submitted to the National Assembly its 2020–2024 fiscal management plan.

Malaysia

The Fintech Booster Programme Launched to Support Malaysian Companies

On 4 August, the Fintech Booster Programme of the Malaysia Digital Economy Corporation was launched.

In cooperation with Bank Negara Malaysia, the program aims to help financial technology companies based in Malaysia in their capacity building. Participating companies are introduced to the following aspects of the financial technology industry: legal and compliance, business model, and technology. As a centralized hub, the program fosters collaboration between industry players—such as consultants, advisors, and solution providers—in supporting the industry's growth, development, and innovation.

Philippines

Bangko Sentral ng Pilipinas Cuts Reserve Requirements for Thrift Banks and Rural and Cooperative Banks

In July, the Bangko Sentral ng Pilipinas (BSP) reduced the reserve requirements for thrift banks, and rural and cooperative banks by 100 bps each to 3.0% and 2.0%, respectively. The central bank stated that the move is a part of its omnibus package of reforms to assist the banking public with their liquidity requirements during the ongoing COVID-19 pandemic and to support the transition toward a sustainable recovery after the crisis. The reserve requirement cuts are expected to increase the lending capacity of the banks and release approximately PHP10 billion in cash into the economy, which will support small businesses and rural community-based clients. The reduction is effective 31 July.

Bureau of the Treasury Launches Bonds.PH

In July, the Bureau of the Treasury launched Bonds.PH, the first mobile application in Asia for the distribution of government bonds enabled by distributed ledger technology. The system, which utilizes blockchain technology, allows tamper-proof record keeping and can facilitate complex transactions. Such technology supports financial inclusion in the economy as it makes investing, especially to the unbanked, easier and more secure. The Bureau of the Treasury's issuance of Retail Treasury Bonds in July utilized this technology.

Bangko Sentral ng Pilipinas Approves the Exclusion of Debt Held by Market-Makers from Single Borrower's Limit

In July, the BSP approved a new policy that excludes debt securities acquired from market-making activities of BSP-supervised financial institutions from the single borrower's limit (SBL) as part of initiatives to develop the capital market. According to the BSP's new policy, market-making activities from 1 August 2020 to 31 July 2021 will be excluded from the SBL computation for 90 calendar days from the time of acquisition of the securities. Beginning 1 August 2021, the debt securities will only be excluded from the SBL computation for a period of up to 60 calendar days. The BSP stated that this policy will promote liquidity and transparency in the market by giving market-makers latitude to continue providing prices for debt securities in the secondary market and to make available an exit mechanism for investors to liquidate their holdings.

Singapore

Monetary Authority of Singapore Announces Initiatives to Support Singapore Overnight Rate Average

On 5 August, Monetary Authority of Singapore (MAS) launched initiatives that boost the adoption of Singapore Overnight Rate Average (SORA) as a benchmark in the Singapore financial market. On 21 August, MAS began issuing SORA-based, floating-rate notes on a monthly basis to expand money market instruments and develop the use of SORA as a floating-rate benchmark. MAS will promote transparency by publishing key statistics on various tenors utilizing SORA. To ensure compliance and robustness in the use of SORA, MAS prescribed its use as a benchmark under the Securities and Futures Act. Finally, to meet international best practices and assure market confidence, MAS issued a statement of compliance with International Organization of Securities Commissions principles. These initiatives will help Singapore's financial industry transition from the use of the Swap Offer Rate to SORA.

Thailand

Public Debt Management Office Launches THB1 Savings Bonds via Blockchain

On June 24, the Ministry of Finance issued THB200 million worth of savings bonds at an unprecedented face value of THB1 each through Krungthai Bank's blockchain-based e-wallet. Using the blockchain system, the Public Debt Management Office was able to lower the amount of the savings bond face value from the regular THB1,000. The small-ticket bonds were part of the government's plan to encourage low-income earners to invest in risk-free assets. The bonds were divided into 5-year and 10-year tenors, with the 5-year bond carrying a coupon of 2.4% and the 10-year bond carrying a coupon of 3.0%. The bonds were sold in under 2 minutes, prompting the Public Debt Management Office to issue a second batch worth THB5,000 million on 25 August.

Viet Nam

Ministry of Finance Amends Decree to Tighten the Trading of Privately Placed Corporate Bonds

In July, Viet Nam's Ministry of Finance amended several points under Decree No. 163/2018/ND-CP to tighten the trading of privately placed corporate bonds in the domestic market. In the new version, depository organizations must provide information about corporate bond trading within 1 working day of the trade being completed. Regular updates about bond registration and depository must be provided to the stock exchange monthly, quarterly, and yearly. The amended decree will take effect on 1 September 2020.

Viet Nam Government Issues New Decree to Raise the Standards in the Corporate Bond Market

In July, the Government of Viet Nam issued Government Decree No. 81 to raise standards in the corporate bond market and ensure information transparency. In particular, the decree will limit private issuance to minimize risks for individual investors and will impose more responsibility on underwriters when evaluating the financial capacity of issuers. The decree also states that the total bond issuance of a company cannot exceed its equity capital by five times and that the gap between two bond issuances must be at least 6 months. The issuer must also declare the purpose of the funds and provide a business plan for proper monitoring by investors. The new decree takes effect on 1 September.