

Policy and Regulatory Developments

People's Republic of China

People's Bank of China Extends Support to the Real Estate Sector

On 10 July, the People's Bank of China announced that it would extend the duration of some support measures for real estate companies that were passed on 11 November 2022. The two measures to be extended are (i) delaying repayments of loans availed by real estate companies by 1 year, and (ii) not making adjustments for the risk classifications of real estate companies for the duration of the loans provided.

People's Bank of China Raises Macroprudential Adjustment Parameter

On 20 July, the People's Bank of China, together with the State Administration of Foreign Exchange, raised the macroprudential adjustment parameter from 1.25 to 1.50 for cross-border financing. The macroprudential adjustment parameter forms part of the calculation that determines the maximum amount of cross-border financing that enterprises and financial institutions can have outstanding.

Hong Kong, China

Hong Kong Monetary Authority Maintains Countercyclical Capital Buffer Ratio at 1.0%

On 13 July, the Hong Kong Monetary Authority (HKMA) announced that the countercyclical buffer (CCyB) ratio remained unchanged at 1.0%. The HKMA stated that economic activities had further stabilized and the latest indicators based on data from the first quarter of 2023 signaled a CCyB of 0.0%. Considering the elevated level of uncertainty in the global environment, the HKMA decided to hold the CCyB at 1.0%. The CCyB is an integral part of the Basel III regulatory capital framework intended to improve the resilience of the banking sector.

Indonesia

Ministry of Finance to Lower Debt Issuance Plan

In May, the Ministry of Finance disclosed plans to reduce bond issuance for the remainder of the year as the Government of Indonesia posted a budget surplus amid increased revenue collection. The government also plans to use excess cash generated in 2022 to help reduce bond offerings. In July, the government subsequently announced that net bond issuance is estimated to be cut to IDR362.9 trillion from the original target of IDR712.9 trillion. The reduced bond offerings were based on new assumptions presented at a parliamentary hearing that included a reduced budget deficit in 2023 equivalent to a gross domestic product share of 2.28%, down from 2.84% as initially estimated.

Republic of Korea

The Republic of Korea Announces Economic Policy Directions for the Second Half of 2023

On 4 July, the Government of the Republic of Korea announced its economic policy directions for the second half of 2023. Economic growth is projected to be 1.4%, which is less than the initial forecast, but it is expected to improve in the second half of the year due to the recovery in the information technology industry. The government will focus on (i) enhancing economic vitality, which includes providing financial support to facilitate a rebound in exports, among other measures; (ii) providing price stability to support the reduction of living expenses, particularly utility costs, agricultural products, and housing costs; (iii) improving fundamental economic structures, which includes funding science and technology and high-tech industries, and structural reforms in labor, education, and national pensions; and (iv) addressing future challenges such as low birth rates, an aging population, and the climate and energy crises.

Malaysia

Bank Negara Malaysia Intervenes in the Foreign Exchange Market

On 27 June, Bank Negara Malaysia's Financial Markets Committee announced that the central bank would intervene in the foreign exchange market to ensure that the value of the Malaysian ringgit properly reflects the fundamentals of the Malaysian economy. The committee clarified that the recent depreciation of the ringgit against the United States dollar was driven by investor expectations of higher interest rates in major economies, while the ringgit's depreciation against the Chinese yuan could be attributed to the People's Republic of China being one of the biggest trading partners of Malaysia. The Financial Markets Committee assessed that in 2023 Malaysia is expected to continue its strong growth momentum from the previous year. Further, the committee noted that the volatility of the ringgit's exchange rate is low compared to other regional currencies and foreign holdings of Malaysian government securities remain close to the long-term average. Although the ringgit's exchange rate is driven by external factors, the central bank is confident that expected economic growth and fiscal policies of Malaysia will continue to support the currency.

Philippines

Bangko Sentral ng Pilipinas Starts 56-Day Bill Offering

Effective 30 June, the Bangko Sentral ng Pilipinas (BSP) began selling 56-day BSP bills as an additional tenor under the BSP Securities Facility alongside the 28-day BSP bill. The newly launched central bank bill improves the BSP's adaptability to shifting liquidity conditions and provides additional guidance to short-term market interest rates. The introduction of the new central bank bill supports the government's initiatives in promoting more flexible and market-based liquidity management in the financial system.

Bangko Sentral ng Pilipinas Lowers Reserve Requirement Ratio

On 8 June, the BSP reduced the reserve requirement ratio by 250 basis points (bps) for banks and non-bank financial institutions to 9.5%, effective 30 June. The cut aims to ensure stability in domestic liquidity and credit conditions, and address any rate tightening effects on banks' liquidity positions once the pandemic-related measures expire. Reserve requirement ratios for digital banks and rural and cooperative banks were also lowered by 200 bps and 100 bps, respectively.

Singapore

Central Banks of Singapore and Cambodia to Expand Support for Small and Medium-Sized Enterprises

On 11 July, the Monetary Authority of Singapore and the National Bank of Cambodia agreed to develop a Financial Transparency Corridor (FTC). The scheme aspires to create digital infrastructure that allows intra-regional transactions between small and medium-sized enterprises (SMEs) in Singapore and Cambodia. Financial institutions from the two economies will be able to obtain trusted information conveniently from Singaporean and Cambodian SMEs through the FTC for the purpose of providing financial services to a buyer transacting with a seller from the other economy. Aside from supporting SMEs, the FTC can also help develop better products and services between Singapore and Cambodia.

Thailand

Bank of Thailand Plans Further Easing of Foreign Exchange Regulations

On 27 June, the Bank of Thailand (BOT) announced plans to further ease foreign exchange rules to help individuals and companies manage exchange rate risks. The BOT foresees that the Thai baht will remain volatile in the short run due to external factors. The central bank will double the threshold for direct overseas investment in equities for individuals to USD10 million annually. The BOT will also raise the amount allowed for cross-border money transfers from USD50,000 to USD200,000. Furthermore, the central bank will relax the rules for Thai units of foreign companies to send money to parent companies, a process known as "notional pooling." The measures are scheduled to be implemented starting in the third quarter of 2023.

Viet Nam

Corporate Bond Trading System Goes Live

On 19 July, Hanoi Stock Exchange launched the new trading platform for privately issued corporate bonds. The system enables investors to trade bonds on the stock exchange almost like normal stocks, but in a T+0 payment mechanism where money and bonds will be immediately credited to investors' accounts. In addition, trading sessions of corporate bonds are scheduled separately on the stock exchange, from Monday to Friday each week lasting from 9 am to 11:30 am and from 1 pm to 2:45 pm, excluding public holidays. The launch of the trading platform will give new impetus to the corporate bond market by improving its liquidity, transparency, and better access to capital.

Central Bank Issues New Circulars on Debt Payment Rescheduling and Bond Repurchases by Banks

On 23 April, the State Bank of Vietnam issued Circular Nos. 2 and 3 to support businesses, particularly the real estate market, and broaden the economy's credit operations. Circular No. 2 provides guidelines for banks on debt rescheduling and the retention of debt categories for loans and leased finance. Effective 24 April until 30 June 2024, banks can restructure repayment terms for distressed customers by not classifying them as nonperforming loans but instead requiring at least 50% additional loan loss provision until the end of this year and 100% until the end of 2024. Circular No. 2 aims to ease the pressure of debt repayments for borrowers by allowing new credits or refinancing for qualified customers. Meanwhile, Circular No. 3 suspended the validity of Clause 11 Article 4 of Circular No. 16 (dated 10 November 2021) from 24 April 2023 to 31 December 2023. The new circular allows credit institutions and foreign bank branches to immediately repurchase unlisted corporate bonds with the highest internal credit ratings without waiting 12 months after selling. Circular No. 3 aims to stabilize market sentiments among issuers and investors, increase liquidity, and strengthen the recovery of the corporate bond market.