

Policy and Regulatory Developments

People's Republic of China

People's Bank of China Cuts Reserve Requirement Ratio

On 24 January, the People's Bank of China (PBOC) announced a reduction in the reserve requirement ratio of financial institutions by 50 basis points, effective 5 February. The central bank estimated that the move will result in an average reserve requirement ratio of 7.0% for financial institutions. The PBOC also reduced the central bank lending rate for loans to support rural development and loans to micro and small businesses, as well as the discount rate, by 25 basis points.

Hong Kong, China

Hong Kong Monetary Authority and People's Bank of China Announce Measures to Promote Financial Cooperation

On 24 January, the Hong Kong Monetary Authority and the PBOC jointly announced six new policy measures to deepen financial cooperation between the markets of Hong Kong, China and the People's Republic of China (PRC). Three of the measures are linked to bond markets. One of the measures will allow bonds issued by the Ministry of Finance and policy banks of the PRC to be used as eligible collateral for the renminbi liquidity arrangement of the Hong Kong Monetary Authority. Another measure will open the domestic repurchase agreement market to foreign institutional investors who already have access to the China Interbank Bond Market. Also included is a measure that will promote cross-boundary credit referencing to facilitate corporates' cross-boundary financing activities. Collectively, these measures will enhance connectivity and expand foreign investors' access to the bond markets of Hong Kong, China and the PRC.

Indonesia

Financial Services Authority Issues Regulation on the Issuance of Sustainable Debt Securities

In October, the Financial Services Authority (Otoritas Jasa Keuangan) issued Regulation 18/2023 governing the issuance process and requirements for sustainable debt securities. With the new regulation, the range of sustainable debt securities was expanded to include all types of sustainable securities (green, social, sustainability, and sustainability-linked), applying to both conventional and *sukuk* (Islamic bond) issues. It also covers both publicly issued debt securities and private placements. Regulation 18/2023 details issuance requirements for sustainable debt securities that are based on international standards and best practices established by institutions such as the International Capital Markets Association, Association of Southeast Asian Nations Capital Markets Forum, and Securities Commission Malaysia.

Republic of Korea

Ministry of Economy and Finance Introduces 30-Year Government Bond Futures

On 19 February, the Ministry of Economy and Finance announced the introduction of the 30-year government bond futures to help investors manage interest rate risk and to further deepen long-term government bond trading and issuance. The ministry also announced support from the Korea Exchange in terms of futures settlement, including temporary exemption from transaction fees and the inclusion of futures in the market-maker system. Moreover, the maximum volume for the absorption of off-the-run Treasuries and the supply of new on-the-run 30-year Treasuries in the exchange will be increased to KRW500 billion per month to support the liquidity of 30-year Treasury bonds.

Malaysia

Bank Negara Malaysia Defends Depreciation of the Ringgit

On 20 February, the Bank Negara Malaysia addressed investor concerns over the Malaysian ringgit's value after it fell to its lowest level against the United States dollar since the 1997/98 Asian financial crisis. The central bank assured financial market participants that Malaysia's economy continued to enjoy strong fundamentals and a positive outlook despite the depreciation of the currency. The falling ringgit is mainly being affected by external factors such as reduced exports due to the PRC's sluggish economic growth and shifting expectations of the pace of monetary tightening by the United States Federal Reserve. According to the central bank, analysts expect the Malaysian ringgit to rebound in 2024.

Philippines

The Philippines Launches Its Maiden Tokenized Bonds

On 22 November, the Bureau of the Treasury (BTr) raised PHP15.0 billion from the sale of its first Tokenized Treasury Bonds (TTBs) with a coupon rate of 6.5% and a tenor of 1 year. The TTBs were offered to qualified institutional investors in minimum denominations of PHP10 million and increments of PHP1 million thereafter. For this program, the BTr implemented a dual registry structure, where TTBs were issued in scripless form through the National Registry of Scripless Securities, which serves as the primary registry, and in tokenized format through the Distributed Ledger Technology Registry. The BTr's issuance of TTBs aim to promote greater financial inclusion and modernization of financial platforms through digital technology. The Government of the Philippines is planning to expand this project to retail investors in the future.

The Philippines Issues its First Dollar Islamic Bonds

The Government of the Philippines tapped the global Islamic financial market for the first time through its maiden issuance of 5.5-year USD-denominated *sukuk* with a profit rate of 5.045%. The government successfully raised USD1.0 billion from its offering in late November and settled the transaction on 6 December. The maiden issuance of *sukuk* aims to further develop Islamic banking and finance in the Philippines in order to diversify the government's global investor base across the Middle East. In addition, this issuance seeks to establish an active and liquid reference curve for the *sukuk* market for future issuers. The net proceeds of the bond completed the government's external commercial funding requirements for 2023 and will be used for general purposes, including but not limited to the government's budgetary support.

Singapore

Monetary Authority of Singapore Launches the Singapore Sustainable Finance Association

On 24 January, the Monetary Authority of Singapore launched the Singapore Sustainable Finance Association to ensure that Singapore remained the leading center for Asia's sustainable finance. The association is responsible for setting standards that can be a model for best industry practices. It also has the capability to bring together financial institutions and industry experts to identify challenges faced by groups needing financing for their sustainability projects. Lastly, the Singapore Sustainable Finance Association will lead capacity building in the sustainable finance market through educational courses.

Thailand

The Government of Thailand Approves Additional Borrowing for Fiscal Year 2024

On 13 February, the Government of Thailand approved an additional THB560 billion in new borrowing for fiscal year (FY) 2024, raising the amount allotted for new borrowing to more than THB754 billion. The public debt management plan was adjusted to THB2.0 trillion, up from THB1.62 trillion, to offset the budget deficit for FY 2024 and manage the Treasury reserve's liquidity. The adjustment brought the public debt-to-gross-domestic-product ratio to 61.3%, which is within the public debt ceiling of 70.0%. Approval and disbursement of the FY 2024 budget, which was supposed to start on 1 October 2023, has faced delays due to the transition to the new government.

Viet Nam

Viet Nam to Borrow VND676.1 Trillion in 2024

The Government of Viet Nam plans to borrow VND676.1 trillion in 2024 to cover the budget deficit, service existing debts, and provide additional loans. The planned borrowing is VND55.0 trillion higher than the amount that was previously approved by the National Assembly and VND71.7 trillion higher than total borrowing in 2023. The proposed borrowing comprises bond sales, official development assistance, and foreign preferential loans. Under this borrowing plan, Viet Nam's public debt is projected to be around 40% of gross domestic product at the end of 2024, while government and foreign debt will be around 38% and 39%, respectively. All of these percentages are below the debt ceiling rate of 60% that was set out by the National Assembly.