Database

Capital Flow Management and Macroprudential Policy Measures in the ASEAN+3: A Database

March 2023

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Capital Flow Management and Macroprudential Policy Measures in the ASEAN+3: A Database

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Abstract

The database consists of summaries of capital flow management and macroprudential policy measures that have been implemented by individual ASEAN+3 economies. It covers the period going back as far as the 1980s, up to the latest. The database is intended to be a "live" document and will be updated as relevant.

[1] Member economies to which AMRO staff have contributed are in parenthesis. AMRO staff would like to thank member authorities for their review of and comments on this compilation.

Contents

Brunei Darussalam

Brunei Darussalam: Capital Flow Management and Macroprudential Policy Measures

Measures	Background/ Rationale	Regulation	Impact of Measure
Credit Limit			

• 2010: Credit Limit For Personal Loan	• Aims to address high levels of household debt	• Personal loans should not exceed 30 percent of a bank's total loan portfolio.
		• Credit limits for individual borrower at 12 times their gross monthly salary.
		• Repayment period capped at 6 years
		  ○ Minimum age of credit card user: 21 years old.
		  ○ For gross monthly salary from BND500 up to BND999, the credit card limit is one month's salary, and for salary above BND10,000, the limit is subject to banks' discretion.
		  ○ The minimum balance is raised from 5 percent to 8 percent.
			• The portion of household loans to total loans tended to fall from above 60 percent in early 2011 to below 50 percent in Q3 2015.

• October 2015: Amendment on Unsecured Personal Credit Facility	• Aims to address high levels of household debt	• Bank's limit on personal credit portfolio: capped at 40 percent of total credit facilities
		• Criteria for granting unsecured personal credit facility:
		  ○ Banks may grant Unsecured Personal Credit Facility to a customer with a maximum credit entitlement capped at 18 times of their net monthly income in either one of the following facilities:
		    (1) Fixed term facility: repayment period capped at 6 years
		    (2) Revolving facility: (a) minimum monthly repayment shall be at least 2 percent of outstanding balance; (b) banks shall establish internal policies, including annual review on customer, and expiry of the facility.
		  ○ Banks shall conform to the latest version of the Notice on Total Debt Service Ratio (TDSR).
		  ○ Banks may allow an application from customers to top up or restructure their Unsecured Personal Credit Facility only after 50 percent of the original credit facility's tenor has lapsed, subject to a maximum of 2 top-ups or restructuring during the tenor of the credit facility.
		• Insurance/Takaful coverage: Banks shall require customers to purchase an appropriate insurance policy/Takaful certificate for every new and restructured (top-up) Unsecured Personal Credit Facility.
			• Household loans increased from 50.6 percent in Q4 2015 to 57.6 percent in Q3 2017.

<table>
<tr><th>Measures</th><th>Background/ Rationale</th><th>Regulation</th><th>Impact of Measure</th></tr>
<tr>
<td>September 2017: Credit Cards</td>
<td>Aims to address high levels of household debt</td>
<td>Eligibility requirement:
a minimum age of 21 years for principal cardholder;
a minimum age of 18 years for supplementary cardholders;
minimum gross monthly income for an individual cardholder at least BND500.
Credit card limit:
<table>
<tr><th>Minimum Gross Monthly Income (X)</th><th>Credit Limit</th></tr>
<tr><td>BND500 ≤ X< BND1,000</td><td>1 month Gross Monthly Income</td></tr>
<tr><td>BND1,000 ≤ X< BND10,000</td><td>2 months Gross Monthly Income</td></tr>
<tr><td>X ≥ BND10,000</td><td>Based on the bank's recommendation</td></tr>
</table>
Minimum monthly payment:
at least 8 percent of the outstanding balance on the monthly statement;
credit card holders are not permitted to use their credit cards to pay their monthly loan obligations to the credit card issuing bank or of any of its subsidiaries.
Interest rate on credit cards: 1.5 percent per month on the total outstanding amount.</td>
<td>The share of credit card loans decreased from 3.8 percent of household loans in Q3 2017 to 3.6 percent in Q3 2022.</td>
</tr>
<tr>
<td>November 2017: Amendment on Unsecured Personal Credit Facility</td>
<td>Aims to address high levels of household debt</td>
<td>Bank's limit on personal credit portfolio: capped at 60 percent of total credit facilities
Criteria for granting unsecured personal credit facility: same as the amendment in October 2015
Insurance/Takaful coverage: same as the amendment in October 2015</td>
<td>Household loans had been on a decreasing trend from 57.9 percent in Q4 2017 to 43.3 percent in Q3 2022, reflecting the expansion in credit to non-household sectors, especially manufacturing and services sectors.</td>
</tr>
</table>

<table>
<tr><th>Measures</th><th>Background/ Rationale</th><th>Regulation</th><th>Impact of Measure</th></tr>
<tr><td colspan="4">Total Debt Service Ratio (TDSR)</td></tr>
<tr>
<td>• June 2015: Introduction of TDSR</td>
<td>• Aims to curb excessive borrowing by limiting an individual’s total monthly debt obligations</td>
<td>• Requirement to receive credit/financing facility
<table>
<tr><th>Customer’s Net Monthly Income (Y)</th><th>TDSR</th></tr>
<tr><td>Y ≥ BND1,750</td><td>Not exceeding 60-percent TDSR</td></tr>
</table>
</td>
<td>• Since the implementation of TDSR up to May 2016, approximately 3,000 customers had TDSR exceeding 80 percent, suggesting high levels of household debt. (BruDirect)</td>
</tr>
<tr>
<td>• October 2015: Amendment on TDSR</td>
<td></td>
<td>• Requirement in order to receive new or renew credit/financing facility:
<table>
<tr><th>Customer’s Net Monthly Income (Y)</th><th>TDSR</th></tr>
<tr><td>Y < BND1,750</td><td>Subject to existing license internal credit/financing policy</td></tr>
<tr><td>Y ≥ BND1,750</td><td>Not exceeding 60-percent TDSR</td></tr>
</table>
</td>
<td>• Household credit contracted by 1.3 and 2.8 percent in 2016 and 2017, respectively, from +3.4 percent in 2015.</td>
</tr>
<tr>
<td>• November 2017: Amendment on TDSR</td>
<td>• Aims to curb excessive borrowing by limiting an individual’s total monthly debt obligations</td>
<td>• Requirement in order to receive new or renew credit/financing facility:
<table>
<tr><th>Customer’s Net Monthly Income (Y)</th><th>TDSR</th></tr>
<tr><td>Y < BND1,750</td><td>Subject to bank’s internal credit policy</td></tr>
<tr><td>BND1,750 ≤ Y < BND10,000</td><td>Not exceeding 60-percent TDSR</td></tr>
<tr><td>Y ≥ BND10,000</td><td>Subject to bank’s internal credit policy</td></tr>
</table>
• TDSR flexibilities:
o Banks may, in respect of a customer with net monthly income of between BDN1,750 and BND9,999.99, increase the TDSR limit to a maximum of 70 percent for credit facilities to finance the purchase or construction of immovable properties, not for any other purpose.
o For Mortgage Equity Credit Facility: Banks may exceed the TDSR limit, subject to their internal credit policy on TDSR and on conditions, such as:
(1) immovable property not solely owned by the customer;
(2) customer not residing in the immovable property;
</td>
<td>• Household credit contracted by 2.0 percent in 2018.</td>
</tr>
</table>

Measures	Background/ Rationale	Regulation	Impact of Measure
		(3) immovable property generating income which credited into the customer's account; (4) customer able to cover total debt obligations; (5) assessing repayment capacity of the customer without heavily relying on the immovable property; and (6) maximum repayment tenor capped at 20 years ○ For Fully-Secured Credit Facility: Banks may exceed the TDSR limit, subject to their internal credit policy on TDSR, with the following collaterals and maximum entitlement:	

Collateral	Maximum Entitlement for Credit Facility
Cash/fixed deposit under lien - Denominated in BND/SGD - Denominated in foreign currency	 - 100 percent of collateral value - Subject to bank's assessment
Principal protected investment product under lien (denominated in BND/SGD issued by lending bank)	90 percent of collateral value

TDSR Formula

$$\text{TDSR} = \frac{\text{Monthly Total Debt Obligations}}{\text{Net Monthly Income}} \text{ x 100 percent}$$

Monthly total debt obligations = All existing secured and unsecured loans, such as home mortgage loans, personal loans, credit cards, car loans, overdrafts, education loans, home improvement loans, and the proposed/new loan applications.

Net monthly income = The actual income (including rental income) received after all mandatory deductions, such as Tabung Amanah Pekerja (TAP), Supplementary Contributory Pensions (SCP); and any other obligation, such as government loan, government housing repayment scheme, company loan, and memberships.

Measures	Background/ Rationale	Regulation	Impact of Measure

Monthly Debt Obligations

Monthly total debt obligations shall be the aggregate of the customer's credit facilities (existing and new/proposed) based on the customer's information.

Type of Credit Facilities	Monthly Debt Obligations
Fixed term credit facility	Monthly repayment installment
Revolving credit facility	2 percent of credit facility limit
Unsecured credit cards	8 percent of the total limits of the cards or 8 percent of the total outstanding amount of the cards, whichever is higher
Credit cards secured with fixed deposit	0 percent

Gross Monthly Income

To determine gross monthly income, the following may be aggregated:

- fixed basic monthly income;
- fixed monthly allowance;
- monthly pension received by a pensioner, and credited to the customer's account;
- 50 percent of the average monthly variable income (such as commission, bonus or allowance from the customer's employer) credited to the customer's account earned in the preceding 12 months;
- 70 percent of the average monthly rental income from properties credited to the customer's account in the preceding 12 months and supported by a valid tenancy agreement; and
- 70 percent of the average monthly income (for sole proprietors) credited to the customer's account in the preceding 12 months.

Net Monthly Income

Net monthly income is computed as gross monthly income less the following:

- the customer's contribution to any employee provident/pension fund, such as TAP and SCP;
- government loan;
- government housing repayment scheme;
- company loan; and
- memberships.

Cambodia

Cambodia: Capital Flow Management and Macroprudential Policy Measures

Measures	Background/Rationale	Regulation	Impact of Measure
Capital buffer	• After experiencing a strong economic growth and deeper financial market for over the last two decades, the buffer shall be built during this good time to lean against the wind during bad period. • In February 2018, the NBC determined the capital buffer, which includes the capital conversation buffer and the countercyclical capital buffer, in order to increase the resilience of banks and microfinance deposit-taking institutions.	• The capital conversation buffer must be equal to 2.5 percent of the risk-weighted assets (RWA); and the sum of the Tier 1 capital ratio (7.5 percent) plus the capital conservation buffer (2.5 percent) must not be less than 10 percent of RWA. • Banks and MDIs should implement at least 50 percent of the conservation buffer by January 1, 2019 and be fully compliant by January 1, 2020. However, full implementation was delayed to provide more liquidity for banks during the COVID-19 pandemic, particularly through drawdowns to help support provisioning for restructured loans. With the recovery on track, the NBC has announced that at least 50 percent of the conservation buffer requirement must be fulfilled by June 30, 2023 and the full 2.5 percent by December 31, 2023. • The NBC may set the countercyclical capital buffer in the range of 0 to 2.5 percent of total risk-weighted assets. Currently, CCyB is kept at zero percent.	• The capital base has been improved and risks arisen from pro-cyclicality have been reduced.
Reserve requirement • 1997: RR rates for both local currency and foreign currency	• Reserve requirement rates are differentiated between local currency and foreign currency to	• Commercial banks shall maintain with the NBC reserve requirements (RR) against	• Credit growth decelerated after recording high before the AFC

Measures	Background/Rationale	Regulation	Impact of Measure
were raised to 8 percent (from 5 percent). • 2008: The rate for foreign currency was raised to 16 percent. • 2009: The rate for foreign currency was cut to 12 percent. • 2012: The rate for foreign currency was raised to 12.5 percent. • 2020: The rates for riel and foreign currencies were cut to 7 percent. • 2023: The rate for foreign currency has been raised to 9 percent. • 2024: The rate for foreign currency will be raised to 12.5 percent.	effectively support safe and sound operational liquidity management. • It was used as a monetary policy tool during the Asian Financial Crisis and Global Financial Crisis in the extent of highly-dollarized economy.	deposits and borrowings at a daily average balance equal to 8 percent in riel and 12.5 percent in foreign currencies. In the past, the difference of 4.5 percent bears an interest rate. However, from August 29, 2018, it is no longer bear any interest. Due to the COVID-19 pandemic, the reserve requirement was cut to 7 percent for both riel and foreign currencies to help boost liquidity in the banking system. • The RR for MFIs and MDIs are 5 percent and 8 percent, respectively. • With the economic recovery on track, the NBC on January 1, 2023 raised the RRR for foreign currencies to 9 percent. The RRR for foreign currencies will be raised further to 12.5 percent on January 1, 2024. Meanwhile, the RRR for local currency is kept unchanged at 7 percent.	and GFC and inflation rate was also subdued. • The reduction of the reserve requirement during the pandemic has provided about USD 1.8 billion of additional liquidity for the banking system.
Liquidity coverage ratio (LCR)	• Credit growth rates were high over the 2011–15 period. • Owing to high credit growth from 2011–15, higher minimum liquidity ratio was imposed on all deposit-taking banks and financial institutions from 50 to 100 percent, aimed at promoting resilience of each institution's liquidity risk profile as well as slowing down credit growth.	• The minimum liquidity coverage ratio (LCR) of 100 percent is set to be fulfilled and maintained within institutions from January 1, 2020.	• Credit growth decelerated.

Measures	Background/Rationale	Regulation	Impact of Measure
Requirement on local currency lending	• The level of dollarization is very high in Cambodia. In an effort to gradually de-dollarize the economy, a minimum requirement was imposed on local currency lending to promote the use of Khmer riel in the banking system and the economy, and to provide a mechanism for the implementation of the National Bank of Cambodia's monetary policy.	• Banks and financial institutions shall have their loans in the local currency (Khmer riel) at least 10 percent of their total loan portfolio, which shall take effect from the issue of Prakas on December 1, 2016 and shall be fully implemented by December 31, 2019.	• Local currency lending has been increasing.
Limits on net foreign exchange positions	• To help mitigate the foreign exchange rate risks of banks and financial institutions.	• Banks and financial institutions shall maintain an effective system of internal control to identify, measure, monitor and control the extent and source of their foreign exchange (FX) risk and FX settlement risk during the trading day or at the close of business. The nature and size of the internal control system shall be adapted to the size of the FX transactions and positions of banks and financial institutions. • Banks and financial institutions shall at all times maintain their net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, and whether long or short, shall not exceed 20 percent of their net worth.	• Banks and financial institutions have become more resilient to FX risks.

China

China: Capital Flow Management and Macroprudential Policy Measures

Measures	Background/Rationale	Regulation	Impact of Measure
Capital Flow Management. Stage 1, before 2015			
• Before 2015: Prevent illicit foreign capital moving into China to bet on RMB appreciation. Typically, the illicit capital is disguised as "trade."	• China joined WTO in 2001 and export in goods boomed. Current account surplus swelled. • Sound economic fundamentals, and perhaps undervalued currency. • RMB moves mostly in tandem with the USD. It had appreciated against the USD gradually and predictably. • RMB is fully convertible under the current account only.	• From 2011 to 2014, the State Administration of Foreign Exchange (SAFE) strengthened the management of bank settlement and sales of FX. Banks need to clearly classify foreign exchange receipts and payments of goods trade of import and export enterprises, and inspect the "trueness" of the transaction. Banks need to pay great attention to the risk of abnormal capital inflows.	• Some effect, but hot money continues to enter China. The total amount could be below USD 1 trillion.
Capital Flow Management. Stage 2, 2015-now, prevent capital flight			
• September 2015: Strengthen the management of the "ant moving house" type of purchase of foreign exchange, requiring more vigilance against individual purchase and remittance. • Oct 2015. Limit the usage of onshore credit card usage overseas, in terms of cash withdrawn. • Oct 2015. SAFE officially launch the personal foreign exchange business monitoring system, to better monitor individuals' FX transactions.	• After years of appreciation against the USD and as the USD strengthened significantly against other major currency in 2014 and 2015, the RMB become somewhat overvalued. • China's current account surplus has been greatly reduced, with narrowing goods trade surplus and widening services trade surplus. • With the weakening RMB, overseas depositors withdraw their RMB deposit placed in Chinese banks, leading to a large deficit of "other investment account" • Chinese corporates are paying back their USD borrowings	**Individuals** • For individuals, SAFE issued a number of documents, from 2015 to 2017, to strengthen the management of the "ant moving house" type of purchase of foreign exchange, requiring more vigilance against individual purchase and remittance transactions, and refusing to purchase foreign exchange applications if necessary. • It defines the "ant moving house" was defined as: o The first is that more than 5 different individuals remit foreign exchange to the same person or institution abroad after purchasing the foreign exchange	• It is very effective. A large share of Chinese individual or corporates would want to transfer money overseas but not able to do so through illicit means. • China's capital flight continues, but at a much less scale compared to H2 2015. • China's FX reserves has stabilized since H2 2016.

Measures	Background/Rationale	Regulation	Impact of Measure
	overseas, also leading to a large deficit of “other investment account” • The hot money that entered China in previous years to bet on appreciation of RMB, are also finding ways to exit China • China’s foreign reserve declined by more than USD 1 trillion from 2014 to 2016. • Some corporates are using fake trades to remit money out of China via the current account. • Some residents are moving money out of China, with the help of friends and underground moneychangers. • As a result, China needs to stop, or mitigate, the capital flight.	on the same day, every other day or consecutive days; o The second is that the individual has 5 times from the same foreign exchange savings account within 7 days. The third is that the same person transferred their deposits in the foreign exchange savings account to more than 5 immediate family members. o These three kinds of foreign exchange transactions are defined as the "ant moving". Once it was identified, individuals will be blacklisted. • Since January 1, 2016, China UnionPay RMB cards have imposed restrictions on withdrawing money overseas for cash. The daily limit was set at the equivalent of RMB 10,000 per card. Moreover, the cumulative withdrawal of each card per year shall not exceed RMB 100,000. SAFE also issued a letter saying that the introduction of the quota was to curb the large amount of cash withdrawals of some cardholders abroad and to prevent “money laundering”. • The information system on FX transaction has also been improved. • Oct 2015. SAFE officially launched the personal foreign exchange business monitoring system.	

Measures	Background/Rationale	Regulation	Impact of Measure
		Banks and individual foreign currency exchange licensors must pass the foreign exchange bureau's test and use the system before January 1, 2016. • In Dec 2016, SAFE suggested that in 2017, it would strengthen inspection of the authenticity of banks' personal FX purchase and payment transactions. It would increase the frequency of onsite checks and inspection, and improve the frequency of monitoring, analysis, screening and review of individual declared information and transaction data. • Jan 2017. SAFE imposed new regulations. Whether it is through the bank counter or through online banking, mobile banking and other electronic channels to purchase foreign exchange, the person needs to fill out the "individual purchase of foreign exchange application" form, clearly identify the purpose of purchase of foreign exchange in the system, and must fill in the "expected time to use the foreign currency". • It also clearly lists the “six taboos” of foreign exchange purchase, including investment in foreign capital markets that are not approved yet. If the purchase of foreign exchange is illegal, the relevant information will be lodged	

Measures	Background/Rationale	Regulation	Impact of Measure
		in the personal credit record according to law. • PBC on "suspicious transaction" ○ In December 2016, the PBC issued the "Measures for Large-Amount Transactions and Suspicious Transaction for Financial Institutions", which will be implemented from July 1, 2017. ○ The large-amount transaction reporting standards stipulated in the Measures are defined as: – First, large-amount cash transactions between a person and institutions, domestic and cross-border for more than 50,000 yuan, and foreign currency equivalents of more than 10,000 US dollars. – Second, the large-amount transactions of institutional bank accounts, domestic and cross-border for more than 2 million yuan, or foreign currency equivalent of more than 200,000 US dollars. – The third is the large-amount transfer of the individual person's bank account. The domestic reporting standard is more than RMB 500,000 and the foreign currency equivalent is more than USD 100,000. – The cross-border reporting standard is RMB 200,000 or	

Measures	Background/Rationale	Regulation	Impact of Measure
		more, and the foreign currency equivalent is more than USD 10,000. – All these transactions will be carefully studies and researched.	
		Corporates	
• April 2016: Tighten the rule on corporate FX and offshore transaction under current account and FDI. It clarified the requirements for the audit of the offshore trade of goods for sale. It also improved the direct investment foreign exchange profit remittance management. • May 2016. Introduce a rule on foreign exchange management concerning the investment of inter-bank bond markets by overseas institutional investors. • June 2016. Tighten regulations on banks. SAFE further standardized the income and payment management of foreign exchange settlement, and clarify the bank's compliance rule. • July 2016. Strengthen overseas financial institutions to enter the inter-bank foreign exchange market to carry out RMB FX transaction business, particularly in the derivatives market. Since August 15, 2016, the overseas financial institutions in the inter-bank foreign exchange market will need to deposit 20 percent of their		• April 2016. SAFE issued a notice on facilitating trade and investment, but checking on the authenticity of the trade and investment. It proposed to strengthen document review and a standardized management process. • The first is to clarify the requirements for the audit of the offshore trade of goods for sale. The same offshore reseller business should use the same currency (foreign currency or RMB) for settlement and settlement at the same bank; • “Class B” enterprises are suspended for offshore transfer in using the foreign exchange receipts and payments services provided by the banks. • The second is to improve the direct investment foreign exchange profit remittance management. It made clear that the bank shall handle the document review for domestic institutions with an equivalent value of more than USD50,000 (excluding) of the profit remittance.	• The measure aimed at elevating flexibility in banking liquidity management, enhance banking intermediation, and support financial deepening.

Measures	Background/Rationale	Regulation	Impact of Measure
positions (notional of the derivative contract) in the previous month. • Dec 2016. Further tighten the rule of individual in the FX market. Increase the scrutiny of checks and inspections on individual purchase and payment of foreign exchange declarations, and increase the frequency of monitoring, analysis, screening and review of individual declaration information and transaction data. • Jan 2017. Further tighten the rule of individual in the FX market. Strictly forbidden sending money overseas for investment that are not allowed under the law. If the purchase of foreign exchange is illegal, the relevant information will be included in the personal credit record according to law.		• The third is to standardize the trading system for goods trade system. Enterprises with abnormal foreign exchange receipts and payments in goods trade shall be identified by the system. **Banks and Overseas investors** • May, 2016 ○ SAFE issued a notice on foreign exchange management concerning the investment of inter-bank bond markets by overseas institutional investors. The contents are as follows: – Foreign institutional investors should handle foreign exchange registration through Chinese settlement agents. – There is no single institution quota or total limit. Foreign institutional investors may go directly to the bank to handle the procedures of remittance, remittance or purchase of foreign exchange by submitting the relevant registration information, and do not need to go to the SAFE for approval or approval. – The funds required to be remitted back to overseas should be in the same currency as the money that is remitted in for the investment. In case there is	

Measures	Background/Rationale	Regulation	Impact of Measure
		a mixture of currencies used for investment in China, then the proportion of local and foreign currency in the remittance (out) should be kept consistent with the ratio of local and foreign currency at the time of remittance (in), and the difference should not exceed 10 percent. • June 15, 2016 o SAFE issued a notice on regulating the management for the settlement of portfolio investment. o It further standardized the transaction management of foreign exchange funds, and clarified the bank's compliance requirement. SAFE also further strengthens the ex post supervision and investigation. • July, 2016 o The China Foreign Exchange Trading Center (CFETS) said that it would strengthen regulations on overseas financial institutions that transact in the China inter-bank market. o For FX derivatives transactions, such as forwards or NDF, from August 15 onwards, the overseas financial institutions in the inter-bank market will need to pay 20 percent of their notional positions in the previous month.	

Measures	Background/Rationale	Regulation	Impact of Measure
		• November, 2016, ○ In November 2016, SAFE required the remittance of funds of USD5 million or more under capital account to be approved by the SAFE, ○ SAFE also increased foreign exchange review of large overseas M&A transactions, including using foreign exchange that previously obtained. ○ The regulatory authorities will implement standardized supervision of six types of special-purpose foreign investment business, such as properties, arts, or sports clubs. ○ Unless there is approval from relevant departments, it will not be banned or approved in principle. ○ Restricted businesses include: SOE purchasing or developing large-scale real estate with Chinese investment of USD1 billion or more; large-scale mergers and acquisitions with Chinese investment of USD1 billion and above; a large M&A investment project with a non-core business investment of more than USD1 billion (inclusive). • January, 2017 ○ SAFE issued the "Notice on Further Promoting Foreign Exchange Management and Compliance Audit" (referred to	

Measures	Background/Rationale	Regulation	Impact of Measure
		as "No. 3 Document"). The No. 3 document emphasized the need to strengthen the authenticity and compliance audit of overseas direct investment. – It includes procedures for domestic institutions to handle overseas direct investment. In addition to submitting relevant audit materials, they shall also explain to the bank the source of investment funds and the use of funds, and provide contract or other authenticity proof materials. – It further standardized the foreign exchange management of goods trade, clarifying the documents and endorsement requirements for the foreign exchange profit remittance with an equivalent value of 50,000 US dollars. – It also clarified that domestic institutions should go to the bank when handling overseas direct investment registration and fund remittance procedures. They should explain the source of investment funds and the use of funds. – To this end, the "Notice" re-emphasizes that enterprises should handle trade foreign	

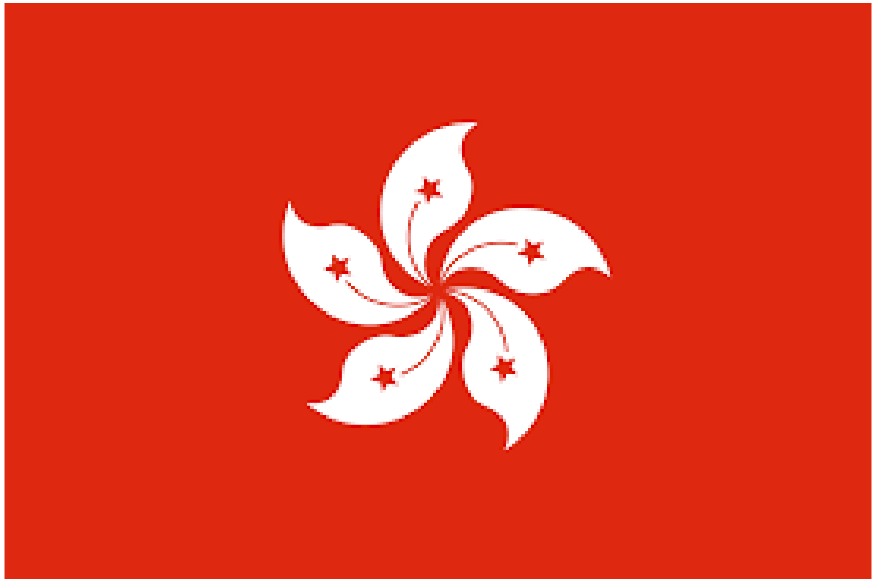
Measures	Background/Rationale	Regulation	Impact of Measure
		exchange receipts and payments in accordance with the principle of "Exporters shall collect foreign exchange; who pays shall be the importers", and they shall handle the foreign exchange collection business in a timely manner, with no delay.	
• Sep 2022: Cut banks' FX reserve ratio and tightened controls on banks' FX forward sales; provided guidance for banks to include a counter-cyclical factor in their daily fixings for the RMB exchange rate.	• Improve financial institutions' ability to use foreign exchange capital; stabilize foreign exchange market expectations and strengthen macro-prudential management	• Cut the FX RRR from 8 percent to 6 percent; raised the risk reserve ratio for FX forward sales to 20 percent	• Contributed significantly to the stabilization and then appreciation of the RMB in the last quarter of 2022 and into the early part of Q1 2023
Curb speculation and investment demand, provide sufficient supply and ensure housing market stability.			
• 2010-2014 **Tightening** ○ 2010: Discourage purchasing of second house by imposing higher down payment ratio. ○ 2010: Suppress demand for purchasing large flats. ○ 2011: Impose tax penalty on house "flipping" ○ 2011: Impose a higher mortgage rate for second house ○ 2011: Further increase down payment ○ 2013: Outright ban of home purchase of "non-local" with certain conditions, in top-tier cities. ○ 2013: Outright ban of second home purchase for all in some cities.	• **Strong demand in top-tier cities** ○ Rapid urbanization. ○ Migration to top-tier cities. ○ Rapid economic growth. ○ Chinese idea of owning a property. ○ Rapid price appreciation induce high expectation ○ Lack of other good investment. ○ Some individual local government also like to see land price appreciation. ○ Chinese will explore all possible loophole to purchase property. • **Insufficient supply in top-tier cities** ○ Backward city planning, including strict regulation on the size of land that can be used to build.	• **Increase supply** • Increase the supply of affordable housing, with smaller sizes. Increase supply for families with all conditions, including supplying rental units. More needs to be done in the coming years. • **Dampen demand** • In 2010, the government started to discourage purchases of second homes by imposing a higher down payment ratio. For households that have used their loans to purchase housing and apply for the purchase of a second or more housing (including for spouses and children), the loan down	• The increase of supply has some effect, but it is limited by the backward land planning and city planning in some cities. • The measure to dampen demand has been quite effective. The measures become more and more comprehensive and complicated, to prevent people to explore the loopholes, such as getting divorce such that the person will be eligible to buy more properties. • The outright ceiling of housing price seems effective based on the number. However, the developers

Measures	Background/Rationale	Regulation	Impact of Measure
• 2015-H1 2016 **Loosening** ○ 2015-16: Rolled back some macroprudential policy measures to encourage home purchasing, and shore up the economy. • H2 2016-now **Tightening** ○ 2016: Stick to the principal that “house is used for living, not for speculation” ○ 2017: Establish a basic system and a long-term mechanism that are in line with national conditions ○ 2017: Accelerate the establishment of a multi-layer supply, rent-and-purchase housing system ○ 2018: Outright price ceiling for some cities ○ 2019: Curb financing to the property developers using administrative “window guidance.”	○ There are only a handful of “good” cities. ○ Insufficient rental market, as investors found the return too low. ○ The REITS (Real estate investment trust) market does not exist, which discourage the rental housing development. • **Outright price control** • It is back to the planned economy. It is controversial but sometimes there is limited alternatives. • Targeting financing of some developers ○ Policy makers are of the view that the developers had been aggressive in bidding for land plots in some cities. By targeting developers' financing plans, authorities can signal to the market that they are willing to use a wide range of levers for keeping the housing market in check, in addition to more blunt tools such as outright price curbs.	payment ratio shall not be less than 40 percent. • Further, in 2010, for families who purchase the first housing and have a built-up area of 90 square meters or more (including spouses and children), the down payment ratio shall not be less than 30 percent; the second housing unit, the down payment ratio shall not be less than 50 percent, and the loan interest rate shall not be less than 1.1 times of the benchmark interest rate; for the purchase of the third or more housing loans, the down payment ratio and the loan interest rate shall be substantially increased. • In 2011, it tightened more. For families who purchase a second home, the down payment ratio is not less than 60 percent • In 2011, impose tax penalty on house “flipping”. For an individual who purchases a house for less than 5 years, the transaction will be fully taxed according to its sales income. • In 2013, China introduces outright ban in house purchase in some situations. For non-local residents with one or more houses, or non-local households who are unable to provide a local tax payment certificate or social insurance payment	are discouraged and China’s new property rolled out in 2017-2019 are of inferior quality. • The policy to tighten financing of the property developers has resulted in bankruptcy of some reckless small developers, and their projects have been mostly taken over by larger developers. • The policy to develop long-term housing scheme, including rental housing has made progress, but may be too slow.

Measures	Background/Rationale	Regulation	Impact of Measure
		certificate for a certain period of time, they shall be suspended of purchasing of properties in the administrative areas. • **Long-term mechanism (2017 onwards)** ○ Promote the stable and healthy development of the real estate market. Adhere to the positioning of "the house is used for living, not for speculation". Deploy comprehensively measures, including financial, land, fiscal, tax, and legislation to establish a basic system and a long-term mechanism that are in line with national conditions. Develop the leasing market, especially long-term leasing, protect the legitimate rights and interests of lessees, and support the development of specialized housing leasing enterprises. • **Curb financing to the real estate companies** ○ In 2019, China introduces a string of measures, to curb developers' borrowing form offshore USD market, from shadow banking, from bank loan. There are also "window guidance".	• The measures resulted in slowing housing sales and added further financial pressure on developers whose reliance on presales as a source of financing had been significant and increasing.
• **"Three red lines" policy** ○ The Chinese authorities rolled out the "three red lines" policy in August 2020 to cap the leverage ratio of developers and	• The rationale was to improve the financial health of property developers and strengthen foundations for the healthy and sustainable development of the	• This policy targeted selected developers, wherein their financial positions are assessed against three criteria: (1) liability-to-asset ratio (excluding advance receipts)	• The policy measures including the "three red lines" policy have started to bring about significant deleveraging effects. These policies will help to strengthen the

Measures	Background/Rationale	Regulation	Impact of Measure
improve their debt repayment capacity. ○ Regulations on developer financing were further tightened in the second half of 2020. ○ The government also tightened regulations related to housing transactions to temper rising house prices.	real estate sector for the long term. • Another important goal was to keep property prices increases in check.	of less than 70 percent; (2) net gearing ratio of less than 100 percent; (3) cash-to-short-term debt ratio of more than one. • Investment in real estate development through trust products was banned and concentration ratios for bank loans to the real estate sector were introduced. These policies significantly narrowed financing channels, particularly for highly-leveraged developers.	sector through further improvements in developers' balance sheets and promote its healthy development over the medium term. Refraining from stepping in to bail out large troubled property developers at the first sight of financial strains would help to reduce moral hazard in the longer term. Yet, taking timely measures to effect orderly resolution would be necessary for containing adverse spillover- and knock-on effects. At this juncture, given the headwinds facing China's economy, the authorities should implement macroprudential policy measures for the property sector more flexibly, to avoid unintended adverse repercussions.
• Policies supporting the real estate sector, comprising monetary, credit, and macroprudential measures, were announced between September 2022 to early-January 2023. The most comprehensive sets of measures were announced between late September and mid-November 2022, covering important areas such as mortgages, bank and bond market financing for property developers, and completion of stalled housing projects.	• The real estate sector had been in a downturn for well over a year by Q4 2022, with several property developers facing persistent financing strains and some facing heightened default risks; and adverse knock-on effects for firms that worked with property developers; and weakened confidence among homebuyers. • The policy package sought to further authorities' efforts to make housing more affordable across China; improve cash flow for	• In mid-January 2023, the authorities announced an easing in the macroprudential policy measures capping the leverage ratios of property developers and improving their debt repayment capacity. The changes applied to 30 well-performing developers with a certain "systemic importance" in terms of scale, area of operations, and other factors.	• There were some signs that sentiment among investors, homebuyers, and property developers themselves was starting to improve slowly – with expectations that the real estate sector's recovery would be gradual rather than sharp.

Measures	Background/Rationale	Regulation	Impact of Measure
	property developers and the upstream / downstream firms that they worked with; stabilize and lift the real estate market; and restore confidence.		



Hong Kong, China

Hong Kong: Capital Flow Management and Macroprudential Policy Measures

Measures	Background/Rationale	Regulation	Impact of Measure
Macroprudential policy measures for the Banking Sector			
• Countercyclical Capital Buffer (CCyB)	• The CCyB is a part of the Basel III regulatory capital framework. In essence, it is a mechanism to build up additional capital during periods of excessive credit growth when risks of system-wide stress are observed to be growing markedly. This capital can then be "released" when the credit cycle turns to absorb losses and enable the banking system to continue lending in the subsequent downturn.	• To implement the CCyB locally, HKMA amended the Banking (Capital) Rules in 2014 to incorporate provisions for the imposition of capital requirements arising from the operation of the CCyB, which went into effect on 1 January 2016.	• The jurisdictional CCyB for Hong Kong was raised to 2.5 percent by January 2019 according to the Basel III phase-in schedule. • The CCyB was reduced to 2.0 percent in October 2019 when the economy entered recession. • The CCyB was further reduced to 1.0 percent in March 2020 when pandemic hit, and has remained unchanged since then.
• Liquidity Coverage Ratio (LCR)	• The LCR is a part of the Basel III liquidity standards. It seeks to promote short-term resilience in the liquidity risk profile of banks by requiring banks to maintain sufficient high quality liquid assets (HQLA) to meet their liquidity needs in a 30-day stress scenario.	• The LCR is a ratio, expressed as a percentage, of the amount of an institution's HQLA to the amount of the institution's "total net cash outflows" over 30 calendar days. • The LCR requirement is applied to "category 1 institutions", which are designated by the HKMA if an institution (1) is internationally active, (2) is significant to the stability and effective working of the banking system, (3) bears material liquidity risks in light of business nature and complexity, or (4) is so connected to another category 1 institution and there is high risk of regulatory arbitrage if it is not designated as a category 1 institution as well. • In line with the Basel timetable, the LCR has been implemented in	• NA

Measures	Background/Rationale	Regulation	Impact of Measure
		phases since 1 January 2015. A category 1 institution must— ○ during the year of 2015, at all times maintain an LCR of not less than 60 percent; ○ during the year of 2016, at all times maintain an LCR of not less than 70 percent; ○ during the year of 2017, at all times maintain an LCR of not less than 80 percent; ○ during the year of 2018, at all times maintain an LCR of not less than 90 percent; and ○ on and after 1 January 2019, at all times maintain an LCR of not less than 100 percent. • If a category 1 institution is undergoing significant financial stress and its financial circumstances are such that, in order to meet its financial obligations as they fall due, it has no reasonable alternative other than to monetize its HQLA to the extent necessary to meet those obligations despite the fact that this might cause it to maintain an LCR less than the minimum requirement level, it may monetize its HQLA to that extent in order to meet those obligations. • All other authorized institutions not designated by the HKMA as category 1 institutions (i.e., category 2 institutions) are subject to a local liquidity standard –	

Measures	Background/Rationale	Regulation	Impact of Measure

		Liquidity Maintenance Ratio (LMR).
		• The LMR is a ratio, expressed as a percentage, of the amount of an institution's liquefiable assets to the amount of the institution's one-month qualifying liabilities (after deducting certain cash inflow receivables in one month).
		• A category 2 institution must maintain an LMR of not less than 25 percent on average in each calendar month. The LMR took effect on 1 January 2015.
		• Application:
		  o Hong Kong office basis – every category 1 institution/category 2 institution, irrespective of its place of incorporation, must comply with the LCR/LMR requirements on a basis covering all of its business in Hong Kong;
		  o unconsolidated basis – a locally incorporated category 1 institution/ category 2 institution having one or more overseas branches must comply with the LCR/LMR requirements on this basis additionally, covering all of its business in Hong Kong and the overseas branch(es); and
		  o consolidated basis – a locally incorporated category 1 institution/ category 2 institution having one or more associated entities may be required by the	

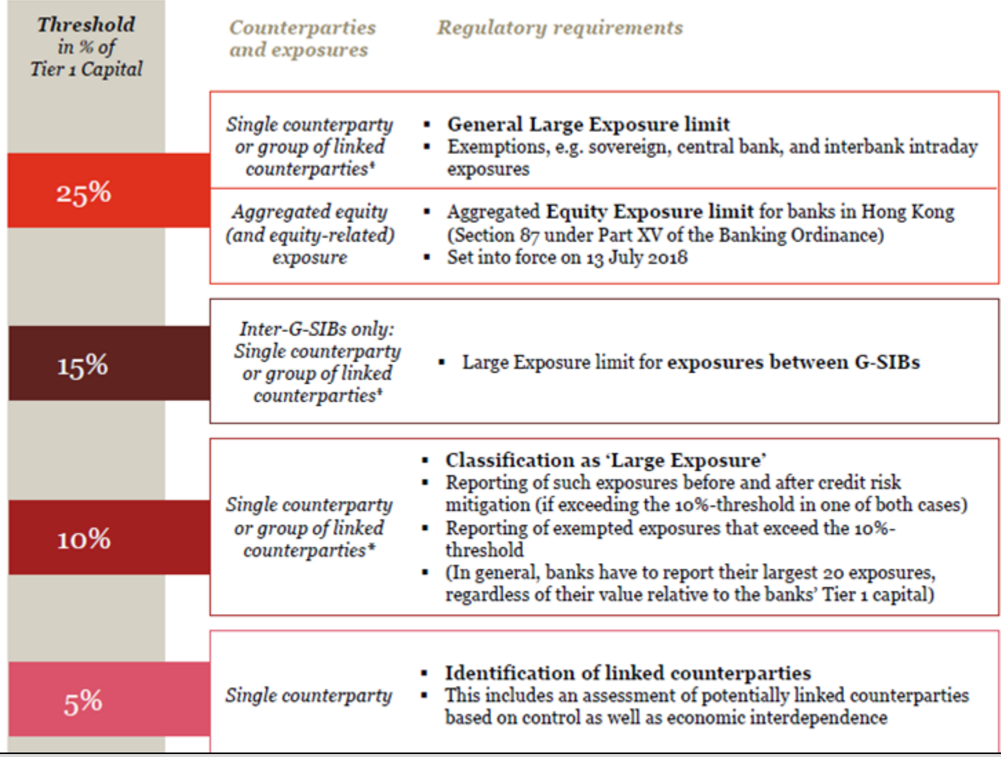
Measures	Background/Rationale	Regulation	Impact of Measure
		HKMA to comply with the LCR/LMR requirements on a consolidated basis (being the institution's Hong Kong office basis or the unconsolidated basis, where applicable, plus any of its associated entities specified by the HKMA).	
• Net Stable Funding Ratio (NSFR)	• The NSFR is a part of the Basel III liquidity standards. It seeks to reduce banks' funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding.	• The NSFR is a ratio, expressed as a percentage, of the amount of an institution's "available stable funding" to the amount of the institution's "required stable funding". • The NSFR requirement (alongside with the LCR requirement) is applied to category 1 institutions. • The HKMA followed the Basel timetable to implement the NSFR. Effective from 1 January 2018, a category 1 institution must maintain an NSFR of not less than 100 percent at all times in accordance with the Basel requirement. • Certain category 2 institutions having considerable business size or liquidity risk exposures are designated by the HKMA as "category 2A institutions" and required to observe the local Core Funding Ratio (CFR) requirements. • The CFR is a modified version of the NSFR. It is expressed as a percentage of the amount of an institution's "available core	• NA

Measures	Background/Rationale	Regulation	Impact of Measure

		funding" to the amount of the institution's "required core funding".
		• The CFR has been implemented in phases since 1 January 2018. A category 2A institution must—
		  o for the year 2018, maintain an average CFR position no less than 50 percent during a calendar month;
		  o from 1 January 2019, maintain an average CFR position no less than 75 percent during a calendar month.
		• Application:
		  o Hong Kong office basis – every category 1 institution/category 2A institution, irrespective of its place of incorporation, must comply with the NSFR/CFR requirements on a basis covering all of its business in Hong Kong;
		  o unconsolidated basis – a locally incorporated category 1 institution/category 2A institution having one or more overseas branches must comply with the NSFR/CFR requirements on this basis additionally, covering all of its business in Hong Kong and the overseas branch(es); and
		  o consolidated basis – a locally incorporated category 1 institution/ category 2A institution having one or more	

Measures	Background/Rationale	Regulation	Impact of Measure
		associated entities may be required by the HKMA to comply with the NSFR/CFR requirements on a consolidated basis (being the institution's Hong Kong office basis or the unconsolidated basis, where applicable, plus any of its associated entities specified by the HKMA).	
• D-SIB Framework	• The D-SIB framework in Hong Kong is based on the four assessment criteria drawn from the Basel Committee's D-SIB framework, namely size, interconnectedness, substitutability and complexity. The identification of D-SIBs locally consists of a two-step process. The first step is to draw up a preliminary indicative list of D-SIBs based on the quantitative scores calculated using the factors and a set of indicators. The second step involves the exercise of supervisory judgement to serve as a complement to the quantitative assessment process. • HLA requirements ranging from 1 percent to 3.5 percent of total risk-weighted assets must be met with Common Equity Tier 1 capital depending on the systemic importance of the Authorized Institution (AI) designated as a D-SIB. The rationale for imposing	• The Monetary Authority is empowered under sections 3U and 3V of the Banking (Capital) Rules, which came into effect on 1 January 2015, to designate D-SIBs and to determine an HLA requirement for such D-SIBs by reference to the degree of domestic systemic importance, which the Monetary Authority assesses them to bear. To achieve this aim, the HKMA's regulatory framework for D-SIBs provides for AIs designated as D-SIBs to be allocated to different HLA "buckets". This differentiated approach reflects the diversified nature and varying degrees of systemic importance of AIs in Hong Kong. • The designated D-SIBs must apply the HLA in the calculation of their regulatory capital buffers within 12 months of the notification of their designation.	• Higher mandatory capital buffer (1- 2.5 percent of Common Equity Tier 1 capital) for five identified D-SIBs.

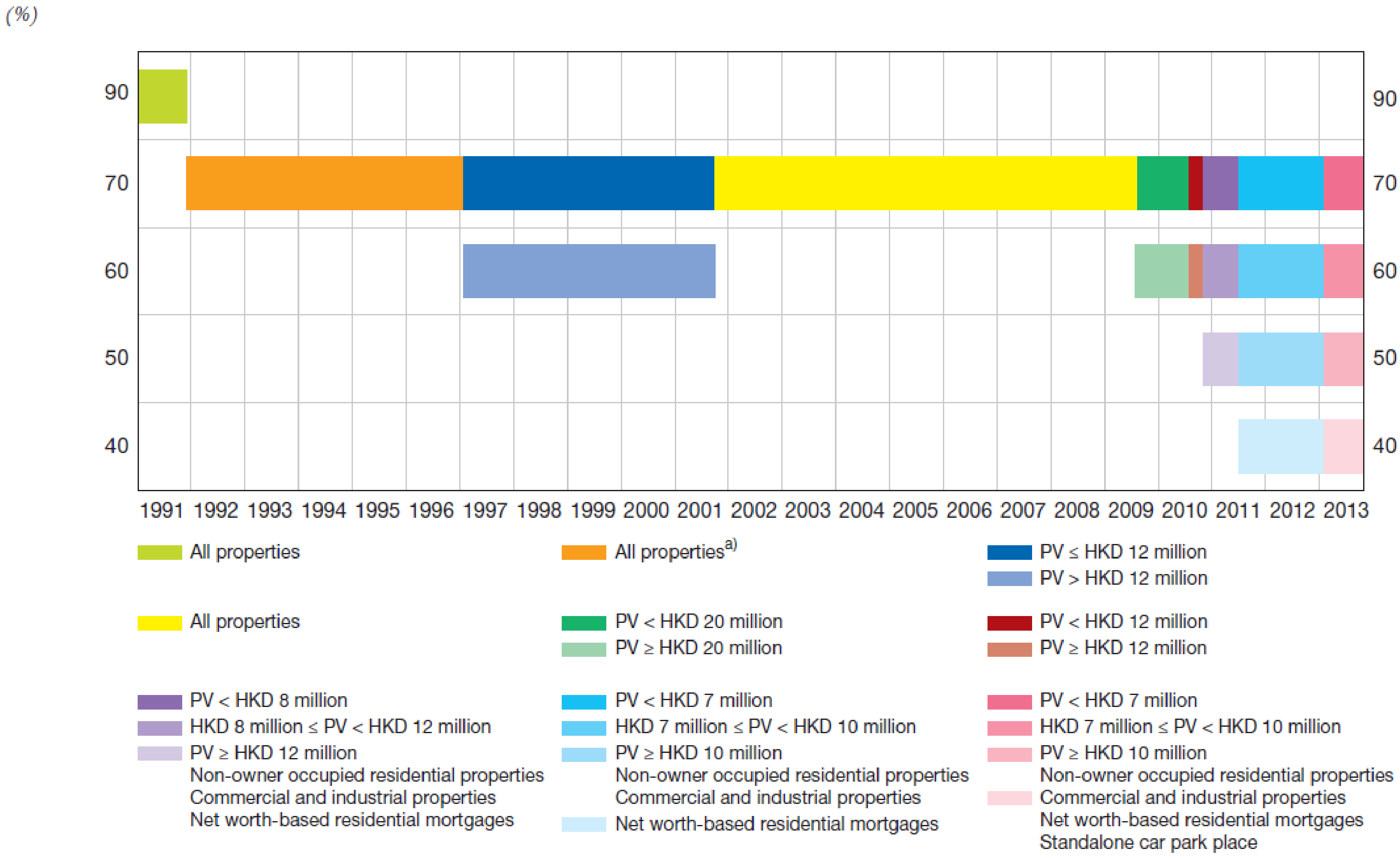
Measures	Background/Rationale	Regulation	Impact of Measure
	an HLA requirement on D-SIBs is to reduce any probability of them becoming non-viable. This is considered both prudent and justified in view of the greater impact that they could have, in the unlikely event of their failure, on the domestic financial system and the local economy more broadly.		
• Large Exposure Limits	• The Basel Large Exposures Framework, issued by the BCBS in April 2014, updated and clarified standards on limiting banks' large exposures as a backstop to the BCBS capital framework.	• Locally, the new BCBS large exposures framework is set out in the Banking (Exposure Limits) Rules ["BELR"], which also replace obsolete exposure limits in Part XV of the Banking Ordinance (e.g. the equity exposure limit) The BELR came into effect on 1 July 2019, with a grace period of 6 months for compliance with certain provisions. • The framework captures large exposures comprehensively and measurement of exposures adequately reflects a bank's economic loss when a counterparty defaults. Banks are also required to identify linkage between their counterparties according to prescribed criteria.	

Measures	Background/Rationale	Regulation	Impact of Measure
			
Macroprudential policy measures for the Property Market			
• LTV caps • DSR caps	• Since October 2009, the Hong Kong Monetary Authority has introduced successive rounds of macroprudential measures on property mortgage loans. The objectives of the macroprudential measures are to enhance the risk management of banks and the resilience of the Hong Kong banking sector to cope with a possible abrupt downturn in the local property market.	• HKMA's Banking Regulations and Circulars	• Enhanced banks' resilience to risks associated with the property market: (i) the average LTV of new residential mortgages fell from 64 percent in September 2009 (before the measures were first introduced) to 55 percent in November 2021, and (ii) the average DSR of new residential mortgages fell from 41 percent in August 2010 (when the tighter requirement on DSR was first

Measures	Background/Rationale	Regulation	Impact of Measure
	• See diagram and table below for details.		introduced) to 36 percent in November 2021.
• Demand-side management measures for residential properties	• Since 2010, the Government has introduced several rounds of demand-side management measures for residential properties, including Special Stamp Duty (SSD), Buyer's Stamp Duty (BSD), Doubled Ad Valorem Stamp Duty (DSD) and New Residential Stamp Duty (NRSD). In sum, SSD aims to combat short-term speculative activities; BSD aims to curb external demand; and both DSD and NRSD aim to reduce investment demand from purchasers who already owned a residential property in Hong Kong. • The policy objectives of the above demand-side management measures are to prevent further exuberance in the residential propertymarket which may pose significant risks to the macroeconomic and financial sector stability, and to ensure the healthy and stable development of the residential property market which is crucial to the sustainable development of Hong Kong as a whole. Demand-side management measures for residential properties are part and parcel of a basket of other measures (including HKMA's countercyclical macroprudential	• SSD: The Stamp Duty (Amendment) Ordinance 2011 and The Stamp Duty (Amendment) Ordinance 2014 • BSD: The Stamp Duty (Amendment) Ordinance 2014 • DSD: The Stamp Duty (Amendment) (No. 2) Ordinance 2014 • NRSD: The Stamp Duty (Amendment) Ordinance 2018 and The Stamp Duty (Amendment) (No.2) Ordinance 2018	• The demand-side management measures for residential properties have been prominently effective in combating short-term speculative activities, curbing external demand and reducing investment demand. • Short-term resale (including confirmor transactions and resale within 24 months) accounted for 0.9 percent of total transactions in the third quarter (Q3) of 2021, well below 20 percent in January to November 2010 (i.e. before the introduction of SSD). Purchases by non-local individuals and non-local companies stayed low at 0.3 percent of total residential property transactions in Q3 2021, much lower than 4.5 percent in January to October 2012 (i.e. before the introduction of BSD). Furthermore, only about 4.8 percent of transactions were subject to NRSD in Q3 2021, lower than about 26 percent of residential transactions which were subject to DSD in January to November 2016 (i.e. before the introduction of NRSD). During the same period, among residential property transactions where buyers are Hong Kong permanent residents, about 96 percent of the cases involved buyers who did

Measures	Background/Rationale	Regulation	Impact of Measure
	measures and the Government's efforts in increasing land and housing supply) to holistically address the supply-side and demand-side factors underlying the residential property market with a view to safeguarding against systemic risks and financial stability.		not own any other residential property in Hong Kong at the time of transaction, which was significantly higher than the 75 percent before the introduction of NRSD. • That notwithstanding, the housing supply is still tight at present and the overall residential property prices remain at a level beyond the affordability of the general public. It is thus necessary for the Government to maintain the various demand-side management measures for residential properties for the time being. The Government will remain vigilant and closely monitor the residential property market conditions with a view to taking timely and appropriate measures as and when necessary.
• Risk weights for property loans	• This seeks to ensure that banks maintain sufficient regulatory capital to cushion against the potential risks arising from their residential mortgage lending activities.		

Maximum LTV ratio



a) Since 1991, maximum LTV ratio of 70% evolved as an industry standard. It has been adopted as a long-term regulatory policy in 1995.
PV: Property value

Source: Banque de France.

Hong Kong: Key Macroprudential Policy Events

Date	Event
Before 1991	• "Residential mortgage" is defined in the Third Schedule of the Banking Ordinance as a mortgage where, among other things, "the principal sum does not exceed 90 percent of the purchase price or the market value of the property, whichever amount is the lower."
1991	• The banking industry adopted the maximum loan-to-value (LTV) ratio of 70 percent in November 1991 and the Commissioner of Banking fully endorsed this practice as a prudent measure for banks against over-exposure to the property market.
1994	• The HKMA introduced a 40 percent guideline for bank exposure to property lending at the beginning of 1994 when property lending was rising rapidly. It advised that authorized institutions (AIs) whose property exposure as a percentage of loans for use in Hong Kong was above the average for the industry as a whole (about 40 percent) should seek to stabilize or reduce that percentage.
1995	• The Government confirmed at a Legislative Council meeting that a maximum LTV ratio of 70 percent should be adopted as a long-term regulatory policy.
January 1997	• The HKMA recommended that a maximum LTV of 60 percent should be adopted for "luxury" property with a value of more than HKD 12 million. • All AIs are required to have a clearly defined and documented policy to assess the repayment capability of residential mortgage borrowers. This should include the use of a debt service ratio (DSR) test. The DSR is defined as the monthly repayment obligations of the borrower as a percentage of monthly income. The ratio should be no higher than 50-60 percent of income, though the upper end of this range should be confined to higher income earners.
1998	• The "40 percent guideline" on property exposure of authorized institutions has been withdrawn.
October 2001	• While the 70 percent LTV guideline remains generally appropriate as a long term prudential measure, and continues to apply to new RMLs, the HKMA does not object if AIs judge it commercially desirable to depart from the 70 percent LTV guideline in case of refinancing RMLs in negative equity. However, such loans should not exceed 100 percent of the current market value of the mortgaged property. • The 60 percent LTV guideline for the purchase of "luxury" property (with a value of more than HKD 12 million) has been withdrawn. • The maximum LTV ratio for such loans is restored to 70 percent.
October 2009	• The LTV ratio is capped at 60 percent for residential properties valued at HKD 20 million or more. • For residential properties valued below HKD 20 million, the 70 percent LTV cap continues to apply, but the maximum loan amount is capped at HKD 12 million.
August 2010	• The LTV ratio is capped at 60 percent for residential properties with a value of HKD 12 million or more, and for non-owner-occupied residential properties. • For residential properties valued below HKD 12 million, the 70 percent LTV ratio continues to apply, but the maximum loan amount is capped at HKD 7.2 million.

Date	Event
	• The limit on DSRs of mortgage applicants is standardized to 50 percent from a range of 50 to 60 percent. Banks are required to stress-test mortgage applicants' repayment ability with an increase in mortgage rates of at least two percentage points, and limit the stressed DSR to 60 percent.
November 2010	• The LTV cap is lowered: ○ to 50 percent from 60 percent for residential properties with a value of HKD 12 million or more; and ○ to 60 percent from 70 percent for residential properties with a value between HKD 8 and 12 million, and the maximum loan amount is capped at HKD 6 million. • The LTV cap of 70 percent continues to apply to residential properties with a value below HKD 8 million, but the maximum loan amount is capped at HKD 4.8 million. • The LTV cap is lowered to 50 percent for all non-owner-occupied residential properties, properties held by a company and industrial and commercial properties regardless of property values. • Special Stamp Duty (SSD) of 15 percent is imposed on residential properties resold within 6 months of purchase, 10 percent on residential properties resold between 6 months and 12 months, and 5 percent on residential properties resold between 12 months and 24 months.
June 2011	• The LTV cap of 50 percent is applied to all residential properties with a value of HKD 10 million or more. • The LTV cap is lowered: ○ to 60 percent for residential properties with a value between HKD 7 and 10 million, with the maximum loan amount capped at HKD 5 million; and ○ to 40 percent from 50 percent for properties under the net worth-based mortgage. • The LTV cap of 70 percent continues to apply to residential properties with a value below HKD 7 million, but the maximum loan amount is capped at HKD 4.2 million. • The applicable LTV cap is lowered by at least 10 percentage points regardless of property types or values if the principal income of the mortgage loan applicant is not derived from Hong Kong.
September 2012	• For those mortgage applicants who have already borrowed or guaranteed outstanding property mortgage loans for one or more properties at the time of loan application, ○ the maximum LTV ratio is lowered to 30 percent from 40 percent for mortgage loans assessed based on the net worth of a mortgage applicant; ○ the applicable cap on the LTV ratio is lowered by 20 percentage points regardless of property types or values for mortgage applicants whose principal income is from outside Hong Kong; ○ the DSR cap is lowered to 40 percent from 50 percent for applicants who already have an outstanding mortgage on residential, industrial or commercial properties; and ○ accordingly, the maximum stressed DSR is lowered to 50 percent from 60 percent. • The maximum loan tenor of all new property mortgage loans is limited to 30 years.
October 2012	• SSD is raised to 20 percent for residential properties resold within 6 months of purchase, 15 percent for residential properties resold between 6 months and 12 months and 10 percent for residential properties resold between 12 months and 36 months.

Date	Event
	• Buyer's Stamp Duty of 15 percent is introduced for buyers of residential properties (except for Hong Kong permanent residents who act on their own behalf).
February 2013	• The LTV ratio is lowered by 10 percentage points for all commercial and industrial properties from the existing applicable levels. • The LTV ratio of mortgage loans for standalone car park spaces is set at 40 percent and the maximum loan tenor at 15 years. • The LTV applicable to commercial and industrial property mortgage loans is also applied to standalone car park space mortgage loans. • In calculating the stressed DSR, banks are required to assume a mortgage rate increase of 300 basis points for all types of properties, including residential, commercial and industrial properties. • The DSR and stressed DSR applicable to commercial and industrial property mortgage loans is also applied to standalone car park space mortgage loans. • A risk weight floor of 15 percent is introduced on all new residential mortgages secured on Hong Kong properties, granted by banks using the internal ratings-based approach. • The existing ad valorem stamp duty rates on both residential and non-residential properties are doubled across the board (known as Doubled Ad Valorem Stamp Duty (DSD)) to a maximum of 8.5 percent, except for residential properties acquired by Hong Kong permanent residents who act on their own behalf and do not own any other residential property in Hong Kong at the time of acquisition).
November 2016	• Ad valorem stamp duty on residential properties raised to a flat rate of 15 percent in lieu of the DSD (known as New Residential Stamp Duty (NRSD)), except for Hong Kong permanent residents who act on their own behalf and do not own any other residential property in Hong Kong at the time of acquisition.
April 2017	• Exemption under the NRSD regime was tightened such that purchases of more than one residential property under a single instrument are no longer exempted and are subject to the NRSD rate of 15 percent.
August 2020	• LTV cap for non-residential properties was adjusted upward by 10 percentage points to 50 percent in general cases.
November 2020	• Abolished the DSD for non-residential property transactions in November 2020, in the light of development in the non-residential property market and with a view to facilitating the selling of non-residential properties by businesses that are encountering financial predicament or liquidity needs because of economic downturn.
September 2022	• Lowered the interest rate stress testing requirement for property mortgage lending from 300 to 200 basis points. The adjustment applied to mortgage loans for all types of properties. Under the new requirement, the stress test aims to ensure borrowers have sufficient repayment capability if interest rates rise by 200 basis points

Hong Kong: Loan-to-Value Requirements

Date	Price Range	LTV Cap	Max Loan Amount	Other
October 2009	• Greater than or equal to HKD20 million	• 60 percent (previously 70 percent)		
	• Less than HKD20 million	• Remains at 70 percent	• HKD12 million	
August 2010	• Greater than or equal to HKD12 million	• 60 percent (previously 70 percent for properties valued between HKD12 million and HKD20 million)		• Debt service-to-income ratio (DSR) capped at 50 percent for all income groups; previously was 60 percent for high-income groups; also must be set such that were mortgage rates to go up by 2 percentage points, the stressed DSR would not exceed 60 percent.
	• Less than HKD12 million	• Remains at 70 percent	• HKD7.2 million	
	• Not owner-occupied	• 60 percent (previously 70 percent)		
November 2010	• Greater than or equal to HKD12 million	• 50 percent (previously 60 percent)		• Special Stamp Duty set at 15 percent for residential properties resold within first 6 months of purchase, 10 percent if resold between 6 and 12 months, 5 percent if resold between 12 and 24 months; LTV cap for industrial and commercial properties mortgage loans and net worth-based lending at 50 percent.
	• Greater than or equal to HKD8 million and less than HKD12 million	• 60 percent (previously 70 percent)	• HKD6 million	
	• Less than HKD8 million	• Remains at 70 percent	• HKD4.8 million	•
	• Not owner-occupied, any price range	• 50 percent (previously 60 percent)		• LTV cap lowered by further 10 percentage points for borrowers with main income from outside Hong Kong SAR; LTV cap for net-worth based mortgage loans lowered from 50 percent to 40 percent, irrespective of property value.
June 2011	• Greater than or equal to HKD10 million	• 50 percent		
	• Greater than or equal to HKD7 million and less than HKD10 million	• 60 percent (previously 70 percent for properties valued between HKD7 million and HKD8 million)	• HKD5 million	
	• Less than HKD7 million	• Remains at 70 percent	• HKD4.2 million	
September 2012	• Greater than or equal to HKD10 million	• Remains at 50 percent		• For borrowers with multiple properties under mortgages,

Date	Price Range	LTV Cap	Max Loan Amount	Other
	• Greater than or • equal to HKD7million • and less than • HKD10 million	• Remains at 60 percent	• HKD5 million	○ LTV cap lowered by further 10 percentage points for borrowers with main income from outside Hong Kong SAR; ○ LTV cap for net-worth based mortgage loans lowered from 40 percent to 30 percent, irrespective of property value.
	• Less than • HKD7 million	• Remains at 70 percent	• HKD4.2 million	• DSR ratio capped at 40 percent for all income groups; previously was 50 percent; also must be set such that were mortgage rates to go up by 2 percentage points, the DSR would not exceed 50 percent; previously was 60 percent; mortgage applicants without outstanding mortgages were not subject to the DSR limits reduction.
	• Not owner-occupied	• Remains at 50 percent		
October 2012				• Maximum tenor for all new property mortgage loans capped at 30 years; Buyer's Stamp Duty set at 15 percent for all residential property transactions except for purchases by Hong Kong permanent residents who act on their own behalf; Special Stamp Duty raised to 20 percent for residential properties resold within first six months of purchase, 15 percent if resold between 6 and 12 months, 10 percent if resold between 12 and 36 months.
February 2013	• Greater than or equal to HKD10 million	• Remains at 50 percent		• LTV cap for standalone car park spaces set at 40 percent with maximum tenor at 15 years; LTV cap for industrial and commercial properties mortgage loans at 40 percent; previous was 50 percent.
	• Greater than or equal to HKD7 million and less than HKD10 million	• Remains at 60 percent	• HKD5 million	
	• Less than HKD7 million	• Remains at 70 percent	• HKD4.2 million	

Date	Price Range	LTV Cap	Max Loan Amount	Other
	• Not owner-occupied; any price range	• Remains at 50 percent		• DSR ratio capped at 40 percent for all income groups; the stressed DSR would not exceed 50 percent were mortgage rates to go up by 3 percentage points; previously was by 2 percentage points; mortgage applicants without outstanding mortgage were not subject to the DSR limits reduction. • Risk weight floor of 15 percent introduced on new residential mortgages for banks using IRB approach. • Doubled the ad valorem stamp duty on transactions for residential and non-residential properties to the scale of 1.5 percent to 8.5 percent (known as Doubled Ad Valorem Stamp Duty (DSD)) except for residential properties acquired by Hong Kong permanent residents who act on their own behalf and do not own any other residential property in Hong Kong SAR at the time of purchase or whose purchase is to replace their only residential property in Hong Kong SAR.
February 2015	• Greater than or equal to HKD10 million	• Remains at 50 percent		• DSR ratio capped at 40 percent for all income groups, irrespective of loan purpose; the stressed DSR would not exceed 50 percent were mortgage rates to go up; self-occupied or replacement and without outstanding mortgage were exempted.
	• Greater than or equal to HKD7 million and less than HKD10 million	• Remains at 60 percent	• HKD5 million	
	• Less than HKD7 million	• 60 percent (previously 70 percent)		• Risk weight floor of 15 percent introduced on all new and existing residential mortgages for banks using IRB approach by Jun 2016; 10 percent for existing mortgage by Jun 2015; previously risk weight only introduced on new mortgages.
	• Not owner-occupied, any price range	• Remains at 50 percent		
November 2016				• Ad valorem stamp duty on residential properties raised to a flat rate of 15 percent in lieu of the DSD rates known as New Residential Stamp Duty (NRSD), except for

Date	Price Range	LTV Cap	Max Loan Amount	Other
				purchases by Hong Kong permanent residents who act on their own behalf and do not own any other residential property in Hong Kong at the time of purchase.
April 2017				• Exemption under the NRSD regime was tightened such that purchases of more than one residential property under a single instrument are no longer exempted and are subject to the NRSD rate of 15 percent.
May 2017	• Greater than or equal to HKD10 million	• Remains at 50 percent		• LTV cap lowered by 10 percentage points for borrowers with one or more pre-existing mortgages.
	• Less than HKD10 million	• Remains at 60 percent	• HKD5 million	• For self-occupied and without outstanding mortgage, DSR ratio capped at 50 percent for borrowers whose income is mainly derived in Hong Kong SAR, irrespective of loan purpose; the stressed DSR would not exceed 60 percent were mortgage rates to go up by 3 percentage points; DSR ratio caps lowered by 10 percentage points for pre-existing mortgages or non-self-occupied. • DSR ratio caps lowered by 10 percentage points for borrowers whose income is mainly derived from outside Hong Kong SAR. • Risk weight floor of 25 percent (previously 15 percent) for all new residential mortgages and 15 percent for all existing residential mortgages for banks using IRB approach.
	• Not owner-occupied, any • price range	• Remains at 50 percent		
June 2018				• Proposed to introduce Special Rates on vacant first-hand private residential units at-200 percent of the ratable value of the units concerned (roughly 5 percent of the property value. • Amended the Consent Scheme by requiring developers to offer no less than 20 percent of the toal number of residential units subject to

Date	Price Range	LTV Cap	Max Loan Amount	Other
				the relevant pre-sale consent at each round of sale.
October 2019				• Introduced the bill to implement Special Rates into the Legislative Council for scrutiny.
August 2020	• Greater than or equal to HKD10 million	• Remains at 50 percent		• LTV cap for non-residential properties was adjusted upward by 10 percentage points to 50 percent in general cases.
	• Less than HKD10 million	• Remains at 60 percent	• HKD5 million	
	• Not owner-occupied, any price range	• Remains at 50 percent		
November 2020				• Withdrew the bill to implement Special Rates taking into account the divergent views and the then prevailing economic situation. • Abolished the DSD for non-residential transactions in November 2020, in light of development in the non-residential property market and with a view to facilitate the selling of non-residential properties by businesses that are encountering financial predicament or liquidity needs because of economic downturn.

Indonesia

Indonesia: Capital Flow Management and Macroprudential Policy Measures

Measure	Background/Rationale	Regulation	Impact of Measure
Capital Flow Management Measures			
• Bank Indonesia Certificate (SBI) Minimum Holding Period	• This policy is intended to minimize disruptions to monetary policy stemming from short term capital inflows invested in monetary policy instrument, especially after GFC in 2008 when capital flows surged to Indonesia – dominated by short-term portfolio investments (PI) – and invested in Bank Indonesia certificate (SBI), among other papers, giving rise to volatility in SBI market, as well as in FX market.	• Either residents or non-residents who buy SBI is not allowed to sell it back in the secondary market during a regulated time period since the date of purchase of the SBI. ○ July 2010: One month holding period ○ May 2011: Six month holding period ○ September 2013: One month holding period ○ September 2015: One week holding period	• Reportedly effective in reducing volatility in the SBI and FX markets in the early 2010s. Latest adjustment from one-month to one-week holding period, meanwhile, has been made under the consideration that capital flows to SBI did not increase volatility more recently.
• Imposition of (Higher) Withholding Tax on Payments for Non-Residents	• To regulate non-resident capital flows to reduce volatility	• A withholding tax rate of 20 percent has been imposed on payments for non-residents for dividends, interests and royalties, as well as other payments, unless a lower withholding tax rate was stipulated in Indonesia's bilateral tax treaties with other countries. (A lower withholding tax rate has been applicable to residents, such as 15 percent for dividends, interests and royalties, 2 percent for services, and 10 percent for land and building rental).	• NA
• Adjustment to Foreign Exchange Reserve Requirement	• The surging capital inflows to Indonesia had pushed up bank's foreign currency liquidity. This excess FX liquidity coupled with short-term portfolio nature of the capital inflows raised the risk of	• 2011: Foreign exchange reserves requirement was raised to 8 percent of third party fund (previously 1 percent). • 2018: adjustment of FX RR calculation, set to be effective	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
	foreign currency instability, which would threaten macroeconomic stability as a whole. The measure is aimed to elevate flexibility in banking liquidity management, enhance banking intermediation, and support financial deepening.	starting October 2018. Without changing the requirement of total 8 percent FX RR, the calculation was adjusted from all on daily basis to a combination of daily FX RR (6 percent) and average FX RR (2 percent). The averaging part is functioned as interest rate buffer to absorb interest rate volatility in the financial market. The averaging of FX RR also gives room for banks to increase the efficiency of its liquidity management.	
• Regulation on Bank's Net Open Position (NOP)	• The policy was implemented with an aim to mitigate banks' foreign exchange (FX) risk exposure due to a range of possible changes in external conditions. Excessive net open FX position can expose banks to material losses due to the volatility of the underlying currencies. Since 2003, changes were made to the NOP policy to shift it from a micro perspective to more macro-based objectives, which includes financial deepening and financial system stability.	• NOP limit was first implemented in 1989 and has been adjusted over time taking into account the economic cycle. ○ 1989: NOP 25 percent end of day ○ 1994: Overall (on & off B/S) NOP end of day 20 percent of capital ○ 2003: Overall NOP end of day (20 percent); & overall end of day incorporating market risk (30 percent) ○ 2004: Overall NOP end of day (20 percent); and NOP of Mid & End of Day Balance Sheet (20 percent) ○ 2005: Overall NOP & end of day balance sheet (20 percent); and NOP at any time (20 percent) ○ 2010: Revocation of Balance Sheet NOP, Overall NOP end of day (20 percent); and NOP 30 Minutes (20 percent)	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
		○ 2015: Revocation of 30 Minutes NOP, Overall NOP end of day (20 percent)	
• Prudential Regulations on Banks' External Borrowings	• To contain the currency mismatch and liquidity risks related to external borrowings by the banking sector.	• 2005: BI Regulation No 7 on offshore loans in the banking sector requires banks to observe a daily limit on short-term liabilities of 30 percent of their capital. Banks that intend to incur a long-term liability must first submit a market entry plan to Bank Indonesia for approval. • 2013: The regulation that banks are obligated to limit its daily outstanding short term debt up to 30 percent of bank's capital was relaxed, whereby non-resident's checking account funded from certain types of transactions are excluded from the calculation of bank's short term debt • 2019: BI Regulation No 21 on offshore bank debt and FX-denominated other bank liabilities expands the scope and definition of external debt and FX-denominated other bank liabilities.	• Banks' external debt has been relatively modest, either against regional peers and/or EMEs, with short-term external debt rising in recent years, but was kept at 1.3 percent of GDP on average, and long-term external debt stable at below 2 percent of GDP in the past three years.

Measure	Background/Rationale	Regulation	Impact of Measure
• Prudential Regulations on the Non-Bank Corporations' External Borrowings	• To contain the currency mismatch and liquidity risks related to external borrowings by the corporate sector – which was on the rise post GFC.	• The regulation was issued in 2014 to enhance corporate risk management related to external debt, with the following requirements: ○ Hedging ratio: Corporates are required to hedge a minimum of 25 percent of their net FX liabilities with a maturity period of up to six months, effective 2017 (the ratio was 20 percent during the transitional period until 2016). Hedging transactions must be made with a local bank residing in Indonesia from 2017 onwards. ○ Liquidity ratio: Corporate are required to maintain foreign currency assets equivalent to 75 percent of foreign currency liabilities with a maturity period of 3 months, effective 2017 (the ratio was 50 percent during the transitional period). ○ Credit Rating: Non-bank corporates that wish to issue new external debt is required to have a minimum rating of BB-, effective 2016.	• In terms of compliance to the regulation, as of June 2022, about 89 percent of corporations with foreign debt has complied with a minimum of 25 percent hedging obligation up to 3 months, and 94 percent for 3-6 months; whereas around 87 percent fulfilled the minimum liquidity ratio of 70 percent.
• Regulations on Foreign Exchange Transactions	• To prevent forex speculative activities and rupiah volatility.	• Foreign exchange transactions against Rupiah performed by banks with customers above certain thresholds must have underlying transactions, with the scope of underlying transactions sufficiently wide to allow flexibility, effective from 2014.	• NA

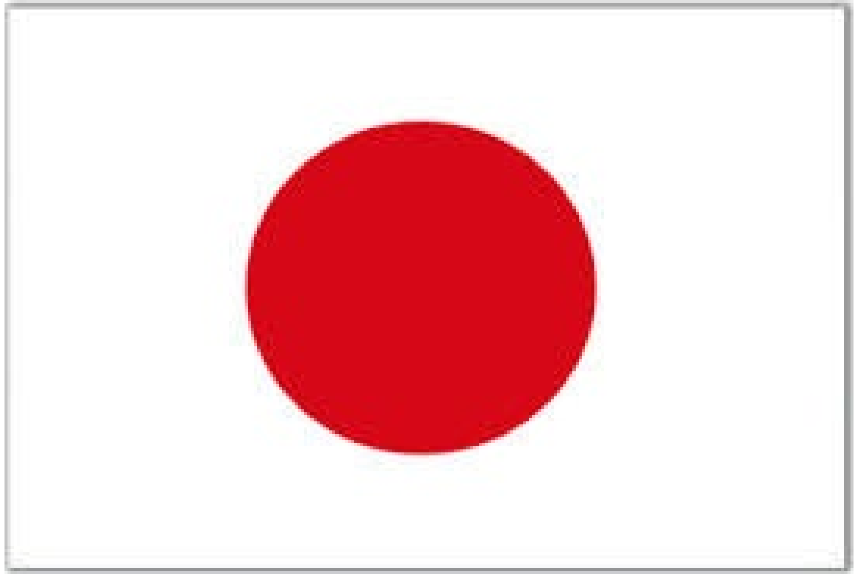
Measure	Background/Rationale	Regulation	Impact of Measure
• Domestic Non-Deliverable Forward (DNDF) Market	• **To provide alternate instruments for banks and corporations to hedge against risks related to forex volatility.**	○ November 2018: DNDF was launched, which are forward transactions with netting settlement in the domestic forex market, using Rupiah. DNDF transactions can be done by banks with customers and foreign parties to hedge foreign exchange risks, and must be supported by an underlying transaction in the form of trade in goods and services, investment, and bank loans in foreign currency. ○ 2019 to present: A number of policy measures were adopted to increase DNDF liquidity and make the instrument more investor-friendly, including the inclusion of DNDF in the calculation of banks' Net Open Position, removal of documentation evidence of underlying for DNDF selling FCY up to USD5 million, and expansion of the coverage of underlying assets/transactions to include FCY deposits. Also, early termination and rollover of DNDF contracts have been allowed since 2019. More DNDF instruments with longer maturities (than three months) and in other FCY than USD have been gradually introduced as an effort to deepen the onshore FX market.	• Increased number of market participants and transaction volume in the DNDF market, albeit from a lower base, have been observed since the DNDF launch in November 2018.

Measure	Background/Rationale	Regulation	Impact of Measure
• Mandatory Rupiah Use in Domestic Transactions	• This policy aims to reduce unnecessary forex demand in the domestic market.	• It is made obligatory for rupiah use in domestic transactions, whether conducted by residents or non-residents, in cash or non-cash, effective 2015. There are exemptions, such as transactions related to the State Budget or international trade or a strategic infrastructure projects sanctioned by the relevant ministry or agency and approved by Bank Indonesia.	• NA
• Repatriation of Export Earnings and Conversion into Rupiah	• To provide incentives for exporters of major commodities to keep their export earnings onshore, and to convert them into the rupiah, which hence helps increase FX liquidity in the domestic financial system.	• 2018: Export proceeds (DHE) scheme ○ Export earnings by major commodity exports must be deposited into a specific account in local banks with foreign exchange licenses, in either USD or IDR. ○ Various tax incentives have been offered to bank deposits, depending on their maturities/tenors and currency denomination. For example, deposits of more than 6 months, regardless of currency denomination, are exempted from the deposit interest income tax (of 20 percent). Interest income tax rates for 1-month deposits is 7.5 percent for those denominated in rupiah, and 10 percent for USD-denominated deposits.	• While the measure requires exporters to repatriate their FX earnings onshore, there has been no minimum holding requirement. Hence, exporters might choose to transfer more of their FX earnings overseas when the gap between overseas and onshore USD deposit rates widens. In December 2022, the central bank announced an initiative to launch financing instruments in the form of USD term deposits carrying attractive interest rates, to encourage exporters of natural resources to keep their foreign exchange earnings onshore, hence boosting FX liquidity in the domestic market.

Measure	Background/Rationale	Regulation	Impact of Measure
Macroprudential policy measures			
• Loan to Value (LTV) ratio	• The LTV policy aims to avoid excessive concentration of credit risk on the property sector.	• 2012: Regulation on LTV ratio was issued. • In 2013, The LTV regulation was tightened due to excessive credit growth in the property sector. • From 2015 up to present, the LTV regulation was relaxed in an effort to maintain the economic growth momentum. In particular, BI continued to relax the LTV regulation in 2018, as part of the policy mix recalibration to support the property market in light of possible adverse impacts emanating from BI policy rate hikes to stem capital flows. • 2020: The LTV regulation was relaxed for green property loans. • 2021: The LTV regulation was relaxed to maximum 100 percent first for all residential property (landed houses, apartments and shop houses/office houses).	• NA
• Countercyclical Capital Buffer (CCB)	• The CCB functions as a countercyclical tool to mitigate the build-up of systemic risk from excessive credit growth.	• The CCB is set at 0 percent and is evaluated every 6 months, effective as of January 2016	• NA
• Macroprudential Liquidity Buffer – MPLB (formerly known as Secondary Reserve Requirement)	• The MPLB is a countercyclical tool used to counter banks' liquidity pro-cyclical behavior, aiming to manage speculation or excessive risk-taking due to oversupply of liquidity (mostly when credit growth is at an expansionary path), but at the same time, it also aims to provide	• 2009: Secondary RR was first implemented, set at 2.5 percent of the third party funds in rupiah (TPF). • 2013: Secondary RR increased to 4 percent. • 2018: The secondary RR was changed into the Macroprudential Liquidity Buffer (MPLB), set	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
	better liquidity flexibility for banks in times of stress (i.e. it can be used for repo to the central bank). • The MPLB level is adjusted based on the credit cycle, complementary to the Countercyclical Capital Buffer (CCB)	unchanged at 4 percent, of which initially 2 percent, and now up to 4 percent can be used for repo to Bank Indonesia. • 2020: The MPLB was raised from previously 4 percent to 6 percent, of which the additional 2 percent was required to be in the form of government debt securities.	
• Macroprudential Intermediation Ratio-based Reserve Requirement (formerly known as Loan to Funding Ratio-based Reserve Requirement)	• To strengthen liquidity resiliency of the banking sector and optimize banks' intermediary function.	• 2005: LDR-based RR was introduced. Initially the LDR-based RR set an LDR target range of 78 percent to 100 percent, with an exception for banks that have capital above 14 percent. • In 2013, the upper band limit was lowered to 92 percent. • In 2015, the LDR-based RR was changed to LFR-based RR, and the lower band limit lowered from 100 percent to 78 percent so the target range became 78 percent to 92 percent. Banks that could not meet the LFR target range shall be subject to a requirement of additional statutory reserve requirements (RR). • 2018: The LFR-based RR was changed into the Macroprudential Intermediation Ratio (MPIR). The MPIR target range was set at 80 percent to 92 percent with the same capital adequacy minimum incentive of 14 percent to surpass the upper band limit.	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
		• 2019: the MPIR target range was adjusted from 80-92 percent to 84-94 percent. • 2020: The MPIR target range was maintained at 84-94 percent but the (reserve requirement) regulatory disincentives was temporarily suspended to support bank lending amid the COVID-19 pandemic. • 2021: The MPIR-related reserve requirements were incrementally reintroduced with MIR below 75 percent from May 1, 2021, below 80 percent from September 1, 2021 and below 84 percent from January 1, 2022. • 2022: Banks were allowed to enjoy a lower reserve requirement ratio provided they met the central bank's criteria related to loan disbursement to so-called "priority" sectors and MSMEs since September 2022, and to green financing starting from April 2023.	



Japan

Japan: Capital Flow Management and Macroprudential Policy Measures

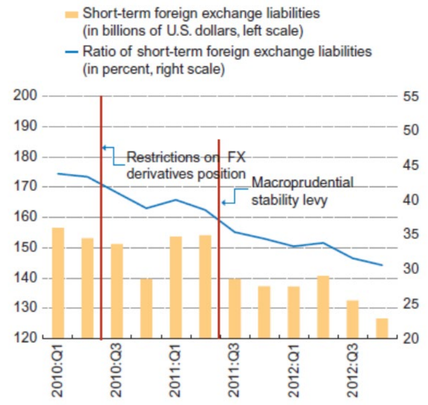
Measure	Background/Rationale	Regulation	Impact of Measure
Capital Flow Management Measures			
• Capital flow management measures	• Japan has completely liberalized the control of foreign exchange and capital flows since April 1998 when the Foreign Exchange and Foreign Trade Act was amended to eliminate the law's control implication.	• **None**	• NA
Macroprudential policy measures			
• Countercyclical capital buffer (CCyB)	• In accordance with the Basel III standard, the CCyB is aimed to ensure that banking sector capital requirements take account of the macro-financial environment where banks operate (https://www.bis.org/bcbs/ccyb/). • Announced Nov 26, 2015, effective since Mar 31, 2016.	• The JFSA decides the necessity for and the level of the countercyclical capital buffer, consulting with the BOJ. • The buffer level is maintained at zero percent since the introduction. • Applied to internationally active banks.	• NA
• Capital conservation buffer	• In accordance with the Base III standard, banks are required to hold the capital conservation buffer to enable its use in absorbing losses in future stress periods, on top of the minimum required levels for the common equity capital ratio. • Announced Nov 26, 2015, effective since Mar 31, 2016	• The JFSA sets the buffer level that has been raised up to 2.5 percent in phase: 0.625 percent (Mar 31, 2016) → 1.25 percent (Mar 31, 2017) → 1.875 percent (Mar 31, 2018) → 2.5 percent (Mar 31, 2019). • Applied to internationally active banks, including domestic systemically important banks (D-SIBs) • Amid the COVID-19 pandemic, the JFSA has reassured banks that they can assign zero risk weights to loans guaranteed under public guarantee schemes, and draw down their regulatory capital and systemically important bank buffers to support credit supply.	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
• Household sector capital requirements	• In accordance with the Base III standard. • Announced Mar 31, 2005, effective Mar 31, 2007.	• The JFSA sets the minimum probability of default (PD) of 0.03 percent for retail exposures and the minimum loss given default (LGD) of 10 percent for retail exposures secured by residential properties, based on the calculation method stipulated in the JFSA's Capital Adequacy Notice.	• NA
• Corporate sector capital requirements	• In accordance with the Base III standard. • Announced Mar 31, 2005, effective Mar 31, 2007.	• The JFSA sets the minimum PD of 0.03 percent for corporate sector exposures, based on the calculation method stipulated in the JFSA's Capital Adequacy Notice.	• NA
• Household loan restrictions on borrower eligibility criteria (e.g. loan-to-value ratio, or debt-to-income ratio)	• Loan-to-value and debt-to-income limits are currently not available and changes in legislation would be needed to be able to introduce them in Japan. The JFSA reports that it does not see the need for additional tools at this point. (Financial Stability Board, "Peer Review of Japan", 21 Dec 2016)	• **None** • Amid the COVID-19 pandemic, the JFSA has asked banks to defer principal payments on mortgage loans as needed, and refrain from charging fees for modifying mortgage loan conditions.	• NA
• Liquidity coverage ratio	• In accordance with the Base III standard. • Announced Oct 31, 2014, effective Mar 31, 2015 for the LCR Pillar 1; announced Feb 27, 2015, effective Jun 30, 2015 for the LCR Pillar 3	• The JFSA sets the minimum requirement for LCR that has been raised up to 100 percent in phase: 60 percent (Mar 31, 2015) → 70 percent (Jan 1, 2016) → 80 percent (Jan 1, 2017) → 90 percent (Jan 1, 2018) → 100 percent (Jan 1, 2019). • Applied to all internationally active banks • Amid the COVID-19 pandemic, the JFSA has reassured banks that they can draw down their stock of high-quality liquid assets below the	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
		minimum liquidity coverage ratio requirement.	
• Capital surcharges for systemically important institutions	• In accordance with the Base III standard. • Announced Dec 4, 2015, effective Mar 31, 2016	• The JFSA sets the capital surcharges, which vary depending on the degree of the financial institution's systemic importance, i.e. 1 percent or 1.5 percent for G-SIBs, 0.5-1.5 percent for D-SIBs.	• NA
• Limits on the size of exposures between financial institutions	• In accordance with the Base III standard. • Announced Jun 12, 2013, effective Dec 1, 2014	• Total exposure to a single counterparty (a group exposure) or a counterparty related to such a group is limited to 25 percent of the bank group capital.	• NA

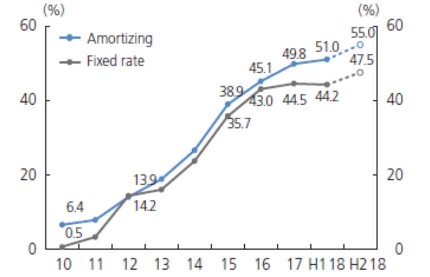
Korea

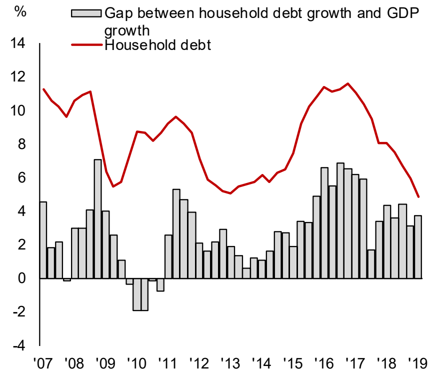
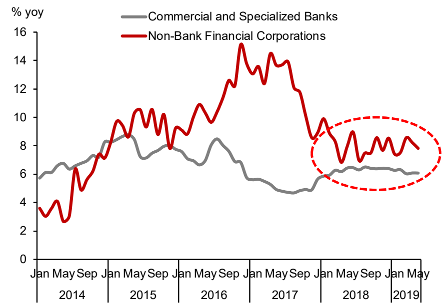
Korea: Capital Flow Management and Macroprudential Policy Measures

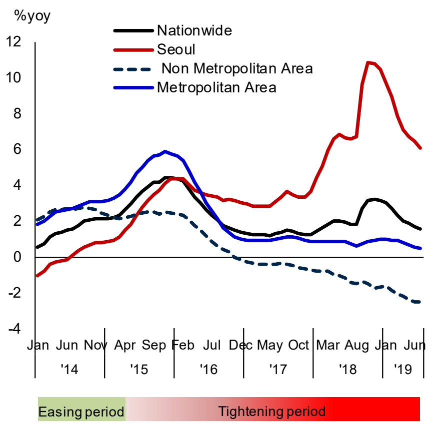
Measure	Background/Rationale	Regulation	Impact of Measure
Capital Flow Management Measures			
• Cap on banks' foreign exchange derivative positions	• Korea was highly vulnerable to capital flow reversals mainly due to short-term borrowing in the banking sector, which created maturity mismatches and foreign exchange liquidity problems. During the GFC, the aggregate short-term external debt of Korean banks reached USD160 billion in Q3 2008, rising sharply from USD60 billion in Q1 2006. In the four months following the Lehman Brothers bankruptcy, nearly USD 70 billion of debt was returned to overseas lenders. • To mitigate vulnerabilities from short-term foreign borrowing, Korea firstly adopted capital flow management measures since June 2010. The measures include ceilings on banks' foreign exchange derivatives position and levy on noncore foreign exchange liabilities. The former measure intends to reduce maturity and currency mismatches. The ceiling is designed to be adjusted depending on the credit cycle. The levy is a tax on noncore foreign currency liabilities, which is also adjustable and can be used as a countercyclical tool when capital flow surges seriously threaten financial stability, with the	• **October 2010** ○ Set at 50 percent of capital for domestic banks and 250 percent for local foreign bank branches. • **July 2011** ○ The cap on domestic banks was lowered to 40 percent. ○ The cap on local foreign bank branches was lowered to 200 percent. • **January 2013** ○ The cap on domestic banks was lowered to 30 percent. ○ The cap on local foreign bank branches was lowered to 150 percent. • **July 2016** ○ The cap on domestic banks was raised to 40 percent. ○ The cap on local foreign bank branches was raised to 200 percent. • **March 2020** ○ The cap on domestic banks was raised to 50 percent. ○ The cap on local foreign bank branches was raised to 250 percent.	• According to the literature, preliminary evidence suggests that these tools have been effective in limiting overexposure to funding shocks and putting a brake on procyclical lending. Banks' short-term net external debt, including that of foreign banks' branches, declined steadily and the short-term external debt ratio fell continuously, reaching 30.6 percent by the end of 2012, after peaking at 51.9 percent in Q3 2008. Figure 4.2.1 Korea: Impact of Macroprudential Policy on Bank Foreign Exchange Liabilities  Sources: Bank of Korea; and IMF staff calculations.
• Macroeconomic levy on non-deposit foreign currency liabilities		• **August 2011** ○ Set at 2-20 basis points on non-deposit FX liabilities with up to five-year maturity (with a higher rate on shorter maturities). • **July 2015**	

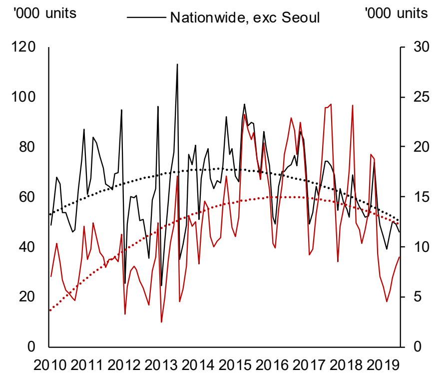
Measure	Background/Rationale	Regulation	Impact of Measure
	maximum rate of 50 basis points. Other important measures include limits on foreign currency bank loans and prudential regulations to improve the foreign exchange risk management of financial institutions.	○ The levy became a single rate of 10 basis points on non-deposit FX liabilities with remaining maturity of less than one year.	• The sensitivity of capital inflows to global conditions fell after the imposition of the levy, relative to a comparison group of countries (Bruno and Shin, 2013). • Rollover risks for domestic banks also diminished, since their external debt maturities lengthened. The sensitivity of exchange rate volatility to changes in the VIX declined, too, reflecting lower foreign exchange liquidity mismatches (Ree, Yoon, and Park, 2012).
• Maximum loan-to-deposit ratio on won-denominated loans and deposits		• **June 2012** ○ Set maximum LTD ratio on the won-dominated loans and deposits • **December 2014** ○ Policy loans were excluded from total loans and covered bonds with a five-year maturity or longer included in the total amount of deposits. • **October 2022** ○ Amid the credit market stress triggered by the default of the Legoland developer, the government temporary eased the loan-to-deposit ratio regulation (from 100 to 105 percent for commercial banks; from 100 to 110 percent for specialized banks) by six months, due to larger corporate loan demand amid unfavorable trends in the corporate bond market for issuers.	
• Liquidity coverage ratio (LCR) in total		• **January 2015** ○ The minimum ratio of high quality liquid assets (HQLA) to net cash outflows for a 30-day stress period was set at 80 percent. The ratio will be raised by 5 percentage points per year until reaching 100 percent in 2019.	

Measure	Background/Rationale	Regulation	Impact of Measure
		• **March 2020** ○ To cope with the liquidity shortage caused by COVID-19, the minimum ratio was temporarily lowered to 70 percent. • **October 2022** ○ Amid the credit market stress triggered by the default of the Legoland developer, the government delayed the normalization of Liquidity Coverage Ratios by 6 months (the 92.5 percent threshold requirement from December 2022 to June 2023).	
• LCR in foreign currency		• **January 2017** ○ The minimum ratio was set at 60 percent and will be raised by 10 percentage points per year to reach 80 percent in 2019. • **March 2022** ○ Temporary lowering of foreign currency LCR from 80 to 70 percent: Scheduled to expire at the end of March 2022 → 3-month grace period and expiration after the end of June 2022.	
Macroprudential policy measures			
• Increase the share of fixed-interest rate and amortized mortgage loans in February 2014	• Household debt rose significantly. Although investment banks and IFIs assessed that the level of household debt in Korea was manageable, there were pockets of vulnerability in some parts. The share of floating interest rate	• Set the annual targets for the proportion of fixed-interest-rate mortgages and amortizing mortgages of banks to increase gradually to 20 percent by end of 2014, 25 percent by end of 2015,	• The proportion of both mortgage groups gradually increased.

Measure	Background/Rationale	Regulation	Impact of Measure
	mortgage remained high at 84.1 percent, and the share of interest only loans registered at 82.3 percent. A high proportion of these two loans could make households more susceptible to an increase in interest rate and having more balloon payment at the end of a mortgage contact. In addition, low-income's ability to repay debt deteriorated.	30 percent by end of 2016 and 40 percent by end of 2017 • Eased debt repayment burden for low-income borrowers by switching to lower-interest loans and debt restructuring • Granted borrowers with fixed-rate and amortizing loans more tax exemption up to KRW 18 million from the previous ceiling of KRW 15 million.	<Figure I-13> Proportions[1] of fixed-rate and amortizing loans  Note: 1) The dotted lines indicate the target proportions. Source: Financial Supervisory Service
• The FSC announced that special *Bogeumjari* Loan, which integrates Relief Conversion Loan and Conforming Loan with existing *Bogeumjari* Loan, will be available for one year starting from January 30, 2023.	•	• For houses valued at KRW900 million or less, eligible applicants can borrow up to KRW500 million in loans, irrespective of their income, within the maximum loan-to-value (LTV) and debt-to-income (DTI) ratios. Interest rates that are lower than those for conventional mortgage loans will be applied from the end of January (4.65~4.95 percent for borrowers with house valued at KRW600 million or less and total married couple's income of KRW100 million or less, 4.75~5.05 percent for borrowers with house valued in excess of KRW600 million and income surpassing KRW100 million), while adjustment will be made, when it becomes necessary, depending on the status of market interest rate, funding availability of Korea Housing Finance Corporation, etc.	•

Measure	Background/Rationale	Regulation	Impact of Measure
• Countercyclical capital buffer	•	• **January 2016** ○ Included loans to households as a risk factor of Domestic Systemically Important Banks for maintaining countercyclical capital buffer and additional capital under Pillar 2	
• Loan-to-value ratio • Tightened regulations on mortgages in NBFIs	• Tightened regulations on banks led to regulatory gap and thus a rapid rise of household debt given by non-bank financial institutions	• **June 2015** ○ Introduced the Guideline for the Loan-to-Value Ratio imposed on NBFIs • **September 2015** ○ Tightened regulations on non-residential mortgages in NBFIs by reducing maximum LTV ratio from 60 percent to 50 percent and strengthening evaluation of collateral value ○ Incentivized NBFI to increase a proportion of amortized mortgages • **August 2016** ○ Tightened monitoring and management on mortgages in the nonbanking sector and commercial property-backed loans by applying tighter screening and improving loan repayment structures. The loan-to-value ratio for commercial property loans was tightened as well.	• Household debt growth has been moderate overtime. In addition, the divergence between loan growth given by banks and NBFI narrowed.  
• Geographical based LTV ratio and tightened LTV ratio for multiple homeowners	• The government announced a package of measures that designate some “overheated” or “bubble-prone areas” in Seoul,	• **June 2017** ○ reduced the LTV ratio from 70 percent to 60 percent for selected areas ("Bubble-prone	

Measure	Background/Rationale	Regulation	Impact of Measure
	Busan and other major cities and discourage speculative buying in the designated areas.	Areas") in Seoul, Gyeonggi, Busan and Sejong • **August 2017** ○ Reduced the LTV ratio to 50 percent for multiple mortgage borrowers and 60 percent for single mortgage borrowers in non-speculative areas in Seoul, Gyeonggi, Busan and Sejong; reduced the LTV ratio to 30 percent for multiple mortgage borrowers, 40 percent for single mortgage borrowers as well as 50 percent for first-home buyers, low-income households and low-price housing in speculative (overheating) areas in Seoul, Gwacheon and Sejong • **December 2022** ○ The government introduced revisions to supervisory regulations to ease financing burden of homebuyers: – The loan-to-value (LTV) ratio is currently applied differentially for no-home or one-home owners in regulated areas by different locations and different house prices; it will be raised to uniform application of 50 percent. – Allow no-home or one-home owners who plan to purchase an apartment valued over KRW1.5 billion in designated speculation areas and high-	• The housing market in Seoul cooled down in late 2018. After the last batch of macroprudential policy measures was announced in September 2018, house prices in Seoul moderated. Purchase transaction has been moderating across the country. House Prices 

Measure	Background/Rationale	Regulation	Impact of Measure
		speculation areas to finance their house with a mortgage loan. – Raise the top LTV ratio for lower income and non-speculative homebuyers who plan to purchase a house in regulated areas to up to 70 percent with the maximum loan amount of KRW600 million.	<u>Housing Sale Transactions</u> 
	• Financial Service Commission announced tighter mortgage rules to curb speculative demand in the housing market, as part of the government's measures to rein in soaring housing prices. Stricter mortgage regulations are aimed at pre-empting speculative demand for house, while protecting the real demand by first-time homebuyers.	• **September 2018** ○ Housing rental business providers will be subject to tighter mortgage rules: The LTV ratio of 40 percent will apply to their mortgages for buying a housing for rent in the designated speculative areas; and they will be banned from taking out a mortgage for buying a high-priced house.	
• Debt-to-income ratio	• The government announced a package of measures that designate some "overheated" or "bubble-prone areas" in Seoul, Busan and other major cities and discourage speculative buying in the designated areas.	• **June 2017** ○ Tightened DTI from 60 percent for Seoul and only for apartment mortgage excluding collective loans to 60 percent for Seoul including collective loans and 50 percent for selected areas in Seoul, Gyeonggi, Busan and Sejong • **August 2017** ○ Tightened DTI from the measures announced in June 2019 to ○ 60 percent for collective loans	

Measure	Background/Rationale	Regulation	Impact of Measure
		○ 40 percent for multiple mortgage borrowers and 50 percent for single mortgage borrowers in <u>non-speculative</u> selected areas in Seoul, Gyeonggi, Busan and Sejong ○ 30 percent for multiple mortgage borrowers and 40 percent for single mortgage borrowers as well as 50 percent for first-home buyers, low-income households and low-price housing in <u>speculative (overheating)</u> selected areas in Seoul, Gyeonggi, Busan and Sejong	
	• Household debt is unlikely to pose a systemic risk, as household debt repayment ability is sufficient due to accumulation of households' net assets. In addition, an increasing share of fixed-rate and amortized loans improved the debt soundness. • However, some groups of borrowers, particularly whose debt repayment ability is highly limited, remain vulnerable to possible rate hikes. • Based on the assessment, the government came up with comprehensive measures to better protect those vulnerable households with tailored and targeted policy response and to curb the fast growth of household debt.	• **January 2018** ○ Adjusted formula of DTI ratio for a borrower with multiple mortgages ○ <u>Regular DTI ratio</u>: (Principal and interest repayment of a new mortgage + <u>Interest</u> payment of existing mortgages)/ Annual Income ○ <u>New DTI ratio for a borrower with multiple mortgages</u>: (Principal and interest repayment of a new mortgage + <u>Principal and Interest</u> payment of existing mortgages)/ Annual Income	
• Debt service ratio		• **January 2016**	

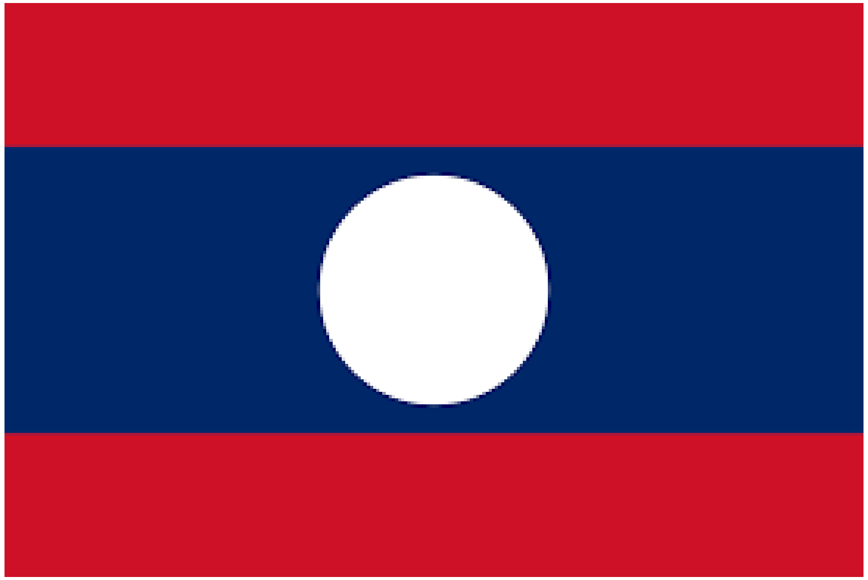
Measure	Background/Rationale	Regulation	Impact of Measure
		○ DSR was firstly introduced in the Guideline on Mortgage Loan Screening of Banks as one of factors for screening loan application and assessing borrowers' repayment ability. ○ Debt Service Ratio (DSR) = (Principal and interests for a mortgage + Principal and interest payments for other debts)/ Annual income ○ The guideline was applied on loans in Seoul in February 2016 and loans in other provinces in May 2016. • **H2 2018** ○ applied the thresholds of DSR to evaluate borrower's debt repayment ability: Debt Service Ratio (DSR) = (Principal and interest payments for all outstanding debts)/ Annual income ○ the DSR is not the regulation. The associations of each group of financial institutions would issue the guideline including recommended DSR ratio that will be applied to their own members. ○ Banks started the DSR in H2 208, while NBFIs started the DSR in Q2 2019. • **2021-2023** ○ Gradually transited the DSR rule from a bank level to an individual borrower level	

Measure	Background/Rationale	Regulation	Impact of Measure
		○ From July 2021 onwards, applied the DSR rule to a borrower for a new mortgage with collateral value worth KRW600 million or over in all regulated area and credit loans worth more than KRW100million ○ From July 2022 onward, the DSR rule will apply to a new mortgagee with collateral value worth more than KRW200 million ○ From July 2023, applied the DSR rule to a borrower with outstanding loan amount more than KRW100 million	
• Other measures imposed on real-estate related to housing market		• **September 2018** ○ **Targeted to residential mortgage loans** – Ban on home mortgage loans for new house purchases within regulated areas. This includes purchases of high-priced housing for home mortgage non-residential purposes, and additional purchases loans by multiple housing owners (allowed for single homeowners if for actual residential purposes). – Ceilings on loans of funds for residential stability in – speculative areas. ○ **Loans to housing rental operators** – the operators with home mortgage loan business (household, rental operator	

Measure	Background/Rationale	Regulation	Impact of Measure
		loans) are limited from borrowing new mortgage loans in speculative areas ○ **Limits on leasehold deposit guarantees** – Limits on public guarantees of leasehold deposit fund loans, depending on home ownership status ➢ Double homeowners: Guarantees banned for rental deposits. ➢ Single homeowners: Guarantees provided for households with incomes of 100 million won or less.	
• Real estate taxes		• **April 2018** ○ Raised the capital gains tax for residential property – Additional 10 percent on top of the current 6-40 percent capital gains tax for 2-home owner in designated areas – Additional 20 percent on top of the current 6-40 percent capital gains tax for more-than-2-home owner in the designated areas	
	• Financial Service Commission announced tighter mortgage rules to curb speculative demand in the housing market, as part of the government's measures to rein in soaring housing prices. Stricter mortgage regulations are aimed at pre-empting speculative demand	• **September 2018** ○ Raised the property tax rates by 0.1-1.2 percentage points for multiple home owners (more than 3 houses in the speculation areas and more than 2 houses elsewhere)	

<table>
<tr><th>Measure</th><th>Background/Rationale</th><th>Regulation</th><th>Impact of Measure</th></tr>
<tr><td></td><td>for house, while protecting the real demand by first-time homebuyers.</td><td>Raised the property tax by 0.2-0.7 percentage points houses valued KRW 300-600 million
Raised the ceiling of annual property ownership tax from 150 percent to 300 percent for multiple-home owners</td><td></td></tr>
<tr><td></td><td>The government announced a real estate tax reform plan targeted at the sharp increase in the financial burden of owners of multiple homes and more expensive properties.</td><td>January 2019
Announced the Comprehensive Real Estate Tax Reform
Taxes on homeowners go up
Unit: won
<table>
<tr><td>Listed price</td><td></td><td>1.2 billion</td><td>1.65 billion</td><td>2.4 b</td></tr>
<tr><td>Comprehensive real estate tax</td><td>Before</td><td>750,000</td><td>1.87 million</td><td>5.54</td></tr>
<tr><td></td><td>After</td><td>800,000</td><td>2.15 million</td><td>7.13</td></tr>
<tr><td></td><td>The amount of increase</td><td>50,000 (+6.7 percent)</td><td>280,000 (+15.0 percent)</td><td>1.59 (+28.</td></tr>
</table>
*For owners of one home   So</td><td></td></tr>
</table>

Sources: Thorvardur Tjoervi Olafsson (September, 2017); Ministry of Economy and Finance; Ministry of Land, Infrastructure, and Transport; Bank of Korea; Financial Services Commission; Local News Agencies; AMRO staff compilation and calculations.



Lao PDR

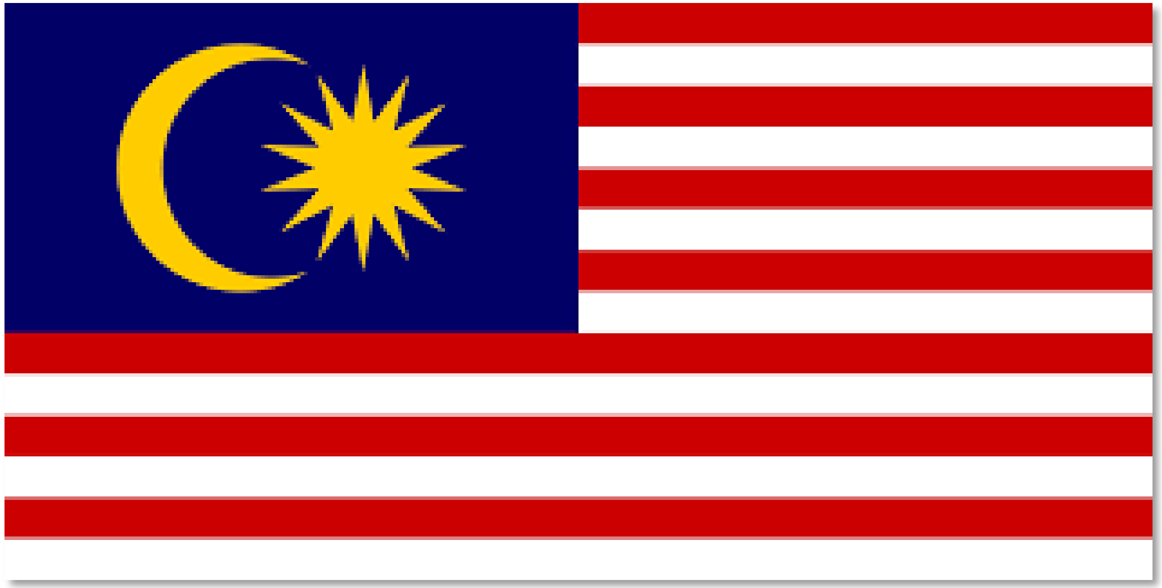
Lao PDR: Capital Flow Management and Macroprudential policy measures

Index	Category	Status	Description
I	**Institutional Aspects of Macroprudential Framework**		
I.A	• Designated macroprudential authority	• Yes	
I.A.1	○ Central Bank	○ Yes	○ The BOL is the financial institution of the government and has the function to maintain the stability of the Lao Kip (BOL Law, 2018), and Financial Institutions Stability (PM Decree, 1996). Since the Lao Banking System was transformed from a mono-banking system into a two-tier banking system (Resolution No. 2/PSL, 1988), all of the commercial banks were under the supervision of the BOL's Bank Supervision Department. The supervision regulations and tools has been developed as well as the use of CAMELS Ratings has been implemented to monitor bank condition. The BOL is making an effort to move from compliance-based to risk-based supervision in preparation for BASEL II implementation.
I.A.2	○ Committee within the BOL	○ No	○ There is no special committee to take care of macroprudential matters. However, the Monetary Policy Department and Banking Supervision Department are working together in establishing the related regulatory framework and developing supervisory tools by the direct supervision of the BOL's governor.
I.A.3	○ Committee Outside the central bank	○ No	○ Any regulatory framework issued by BOL need to be done in consultation with the government (particularly with the Prime Minister’s Office)
II.	**Broad-Based Tools Applied to the Banking Sector**		
III.	**Household Sector Tools**		
III.A	• Household Sector Capital Requirement	• No	
III.B	• Cap on credit growth to the household sector	• No	
III.C	• Loan restrictions or Borrower eligibility criteria	• No	
III.D	• Exposure caps on household Credit	• No	
IV.	**Corporate Sector Tools**		
IV.A	• Corporate sector capital requirements	• No	
IV.B	• Cap on credit growth to the corporate sector	• No	

Index	Category	Status	Description
IV.C	• Loan restrictions or Borrower eligibility criteria	• No	
	○ Cap on loan-to-value ratio for commercial real estate credit	○ No	○ There is also no cap on the LTV ratio since the real estate market in Laos is small
	○ Cap on debt-service coverage ratio for commercial real estate credit	○ No	
	○ Cap based on borrower leverage	○ No	
	○ Other	○ No	
IV.D	• Exposure caps on corporate credit		
	○ Foreign-currency-denominated loans	○ No	
	○ Lending to particular industries or sector	○ No	○ There is no cap on bank lending to real estate sector since the proportion of real estate sector lending is relatively small compared to loans for households, agriculture and public investment projects. The commercial banks will give loan to real estate sector based on the consideration of customer profile and their financial statement.
	○ Other	○ No	
IV.E	• Fiscal Measures to contain systematic risks	• No	
IV.F	• Other measures to mitigate systemic liquidity risks from loans to the corporate sector	• No	
V.	**Liquidity Tools Applied to the Banking Sector**		
V.A	• Liquidity buffer requirements	• Yes	
	○ Liquidity Coverage Ratio	○ Yes	○ Directive 761/BOL, Dated 03 Sep 2013: The Commercial Banks (including foreign bank branches) are required to daily maintain LCR of 2 percent or more (of total deposit, except the deposit of other commercial banks or financial institutions) to cover short-term liabilities and daily transactions. The BOL has set up the LCR committee in 2018 to improve resilience in banks' short-term liquidity risk profile based on BASEL III Standard.
	○ Liquidity Coverage Ratio differentiated by currency	○ No	
	○ Liquid asset ratio		
	○ Liquid asset ratio differentiated by currency	○ No	
	○ Other	○ No	
V.B	• Stable funding requirements	• No	

Index	Category	Status	Description
V.C	• Levies or charges on noncore funding	• No	
V.D	• Reserve requirements for macroprudential purposes	• Yes	
	○ Aggregate	○ Yes	○ Directive 557/BOL, Dated 17 July 2018: The commercial banks are subject to reserve requirement regulation. The objectives of this measure is to mitigate liquidity risk and credit risk. ○ Assets that are allowed to be held as required reserves included (1) bank reserves denominated in domestic currency; (2) bank reserves denominated in foreign currency; and (3) short-term liabilities. Required reserves are calculated as follows: – Reserve Ratio = Total average of bank deposits multiplied by Reserve Requirement (percent). – Total average of bank deposits = total deposit of that day divided by the number of the days in the base period (14 days). – Short-term liabilities = total bank short-term liabilities of that day divided by the number of the days in the base period (14 days).
	○ Differentiated by currency	○ Yes	○ Reserve requirement rates are differentiated between local and foreign currency. Prior to the COVID-19 pandemic, the levels of reserve requirement applied to local currency liabilities and foreign currencies (USD and THB) liabilities were 5 percent and 10 percent, respectively. This was cut to 4 percent and 8 percent, respectively in March 2020 to provide liquidity support to the banking system. The reserve requirement was further lowered in July 2021 to 3 percent and 5 percent for local and foreign currency liabilities, respectively.
V.E	• Limits on foreign exchange positions		
	○ Net foreign exchange positions	○ Yes	○ Directive 818/BOL, Dated 20 Oct 2010: Commercial Banks (including Foreign Commercial Bank Branches) are subject to the net foreign exchange position regulation. This regulation aims to ensure that commercial banks have the appropriate FX risk management system and adequate foreign exchange for financial transaction in order to mitigate risk against currency fluctuations. ○ The commercial banks (including foreign commercial bank branches) shall maintain their net FX position, whether long or short, in foreign currencies in either any foreign currency shall not exceed 20 percent of banks' Tier-1 capital or overall net FFX position in all foreign currencies shall not exceed 25 percent of banks' Tier-1 capital.

Index	Category	Status	Description
	○ Gross Foreign Exchange Position	○ Yes	○ Overall, net FX position in all foreign currencies shall not exceed 25 percent of banks' Tier-1 capital.
	○ Foreign Exchange Swaps or derivative positions	○ No	
V.F	• Constraints on Foreign exchange funding	• No	
V.G	• Other measures to mitigate systemic liquidity risks	• No	
VI.	**Tools to Address Systemic Liquidity Risk and Fire Sale Risk in the Nonbank Sector**		
VI.A	• Asset Management Companies	• No	
VI.B	• Insurance Companies	• No	
VI.C	• Pension Funds	• No	
VI.D	• Central Counterparty Clearing	• No	
VI.E	• Securities lending market	• No	
VI.F	• Securitization	• No	
VI.G	• Other	• No	
VII.	**Tools to Address Risks from Systemically Important Institutions and Interconnectedness within the Financial System**		
VII. A	○ Measures to mitigate risks from systemically important institutions	○ No	
VII. B	○ Measures to mitigate risks from interconnectedness	○ No	
VII. C	○ Other measures to mitigate structural systemic risks	○ No	



Malaysia

Malaysia: Capital Flow Management and Macroprudential Policy Measures

Measure	Background/Rationale	Regulation	Impact of Measure
Capital Flow Management Measures			
• Stringent limits on private foreign borrowing	• In response to the significant deterioration in bank balance sheets during 1985–1986, stringent limits on private foreign borrowing were introduced under the Banking and Financial Regulation Act enacted in 1989. This important legislation required BNM to monitor foreign currency borrowings by residents and domestic borrowing by nonresidents under borrowing/lending ceilings stipulated in foreign exchange regulations (Yousof et al. 1994, BNM 1994). here	• [1992 April]: Total borrowing by residents in foreign currency from domestic commercial and merchant banks to finance imports of goods and services was restricted to the equivalent of MYR1 million. • [1992 July]: Borrowing under the export credit refinance facilities (both pre- and post-shipment) by nonresident-controlled companies would be considered domestic borrowing. • [1992 Oct]: Offshore guarantees obtained by residents to secure domestic borrowing, except offshore guarantees (whether dominated in ringgit or foreign currency) without recourse to Malaysian residents and obtained from the licensed offshore banks in Labuan to secure domestic borrowing, were deemed as foreign borrowing. In cases where an offshore guarantee is denominated in ringgit, it was subject to the condition that, in the event the guarantee is called on, the licensed offshore banks in Labuan must make payments in foreign currency (with some exceptions), not in ringgit. • [1992: Dec]: Residents and the offshore companies in Labuan	• The borrowing limits contributed significantly to limiting external debt exposure of the economy, a significant factor in providing Malaysian authorities with some autonomy in managing the 1997–1998 financial crisis (Athukorala 2002).

Measure	Background/Rationale	Regulation	Impact of Measure
		were prohibited from transacting with the currency of the FYR Yugoslavia without specific prior approval from the Controller of Foreign Exchange	
		• [1993 Dec]: Nonresident-controlled companies involved in manufacturing and tourism-related activities were freely allowed to obtain domestic credit facilities to finance the acquisition and/or the development of immovable property required for their own business activities.	
		• [1994 Jan]: A ceiling was placed on outstanding net external liability position of domestic banks (excluding trade-related inflows or for FDI in Malaysia)	
		• [1994 Dec]: ○ Residents may borrow in foreign currency up to a total of the equivalent of MYR5million from nonresidents and from commercial and merchant banks in Malaysia. ○ Nonresident-controlled companies were allowed to obtain credit facilities, including immovable property loans, up to MYR10 million without specific approval, provided that at least 60 percent of their total credit facilities from banking ○ institutions were obtained from Malaysian-owned financial institutions. Nonresidents with	

Measure	Background/Rationale	Regulation	Impact of Measure
		valid work permits may obtain domestic borrowing to finance up to 60 percent of the purchase prices of residential property for their own accommodation.	
• Promotion of KL as a global financial center and liberalization of the capital account	• Measures are aimed to promote trading on the KLSE and increase participation of institutional investors	• [1992 Nov]: The guidelines on foreign equity capital ownership were liberalized. Companies exporting at least 80 percent of their production were no longer subject to any equity requirement, whereas companies exporting between 50 percent and 79 percent of their production were permitted to hold 100 percent equity, provided that they have invested USD50 million or more in fixed assets or completed projects with at least 50 percent local value added and that company's products do not compete with those produced by domestic firms. These guidelines were not to apply to sectors in which limits on foreign equity participation have been established.	• Various government initiatives to promote Kuala Lumpur as a global financial center had resulted in a massive accumulation of portfolio capital in the lead-up to the Asian financial crisis. By the mid-1990s, market capitalization of the KLSE was around 200 billion, with foreign investors accounting for 30 percent–40 percent of total capitalization.
		• [1995 Jan]: A ceiling of the net external liability position of domestic banks was lifted.	
		• [1995 June]: Corporate residents with a domestic credit facility were allowed to remit funds up to the equivalent of MYR10 million for overseas investment purposes each calendar year.	

Measure	Background/Rationale	Regulation	Impact of Measure
• Measures to stem sharp ringgit appreciation and curb speculative activity	• The ongoing process of capital account opening was temporary halted in 1994 as the ringgit came under strong buying pressure with the booming economy creating expectations about the currency's increasing strength. From late 1993, speculators bought ringgit in large amounts, increasing short-term deposits and forward transactions. To avoid an adverse effect on export competitiveness from a sharp exchange rate appreciation, BNM imposed a number of restrictions on capital inflows during January–February 1994. Once speculative pressure subsided, BNM gradually removed the controls and freed up capital flows, completely lifting all restrictions by August 1994 (World Bank 1986, BNM 1999b).	• [1994 Jan]: Restriction on sales of short-term monetary instruments to nonresidents. The restriction applied only to instruments used by BNM to influence liquidity in the market: negotiable instruments of deposit, Bank Negara bills, Treasury bills, government securities (including Islamic securities) with a remaining maturity of one year or less. • [1994 Feb]: The list of securities on the prohibition list for selling to nonresidents was extended to cover private debt securities (including commercial papers but excluding securities convertible to ordinary shares) with maturity of one year or less, covering both initial issues and the subsequent secondary market trade. • [1994 Feb]: Prohibition of forward transactions (bid side) and non-trade-related swaps by commercial banks with foreign customers to curtail the speculative activities of offshore agents seeking long positions in ringgit. • [1994 Aug]: Residents were permitted to sell to nonresidents any Malaysian securities. Prohibition on forward transactions and non-trade swaps by commercial banks were lifted.	• Once speculative pressure subsided, BNM gradually removed the controls and freed up capital flows, completely lifting all restrictions by August 1994 (World Bank 1986, BNM 1999b). • The capital inflow controls were successful in moderating the surge of short-term flows and slowing down domestic monetary expansion. M3 growth moderated from 23.5 percent in 1993 to 13.1 percent in 1994. Short-term flows regained momentum following the lifting of controls, reaching 56.7 percent of total inflows in 1996 but was much lower compared to the average level in 1992–1993. • The introduction of specific controls in 1994 did not affect long-term investment flows—FDI inflows showed a sustained increase, amounting to USD4.4 billion in 1994 compared to USD4.0 billion in 1993.
		• [1997 Aug]:	

Measure	Background/Rationale	Regulation	Impact of Measure
• Responses following the currency collapse during the Asian Financial Crisis, eliminate internationalization of the ringgit and to stabilize capital outflows	• Malaysia faced the Asian financial crisis in mid-1997 with low foreign debt exposure compared to other crisis-hit countries in East Asia (Indonesia, the Republic of Korea, the Philippines, and Thailand) thanks to prudential regulations implemented by BNM from the late 1980s. However, the booming economy coupled with various government initiatives to promote Kuala Lumpur as a global financial center had resulted in massive accumulation of portfolio capital in the lead-up to the crisis. By the mid-1990s, market capitalization of the KLSE was around 200 billion, with foreign investors accounting for 30 percent–40 percent of total capitalization.	○ Hedging requirements of foreigners were imposed (excluding trade-related and genuine portfolio and foreign direct investment). ○ Residents are allowed to enter into non-commercial-related swap transaction up to a limit (no limits previously). ○ A ban on short selling of the listed securities on KLSE was introduced to limit speculative pressures on stock prices and exchange rates. • [1998 Sep]: ○ A requirement introduced to repatriate all ringgit held offshore (including ringgit deposits in overseas banks) by 1 October 1998 (BNM approval thereafter). ○ Approval requirement was imposed for transfer of funds between external accounts (freely allowed previously) and for the use of funds other than permitted purposes. ○ Licensed offshore banks were prohibited from trade in ringgit assets. ○ A limit was introduced on exports and imports of ringgit by resident and nonresident travelers. ○ Residents were prohibited from granting ringgit credit facilities to nonresident corresponding banks and	• The immediate policy reaction to the currency collapse was to directly intervene in share market operation with a view to punishing speculators. On 27 August 1997, the KLSE banned the short selling of 100 blue-chip stocks and rules were introduced to discourage the sale of stocks: sellers were required to deliver physical share certificates to their brokers before selling and the settlement period was reduced from five to two days. On 3 September 1997, the Prime Minister unveiled a plan to use funds from the Employees Provident Fund to prop up share prices by buying stocks from Malaysian shareholders—but not foreigners—at a premium above prevailing prices. These moves backfired, triggering a massive sell-off of stocks in KLSE and undermining sentiment on other regional bourses. Ironically, the share purchases sponsored by the government were seen by market participants, both local and foreign, as an opportunity to get rid of Malaysian shares rather than a reason for holding onto them. The ban on short selling was lifted in early September 1997. By August 1998, the economy was in recession and there were no signs of achieving currency and share price stability.

Measure	Background/Rationale	Regulation	Impact of Measure
		stockbroking companies (subject to a limit previously). ○ All imports and exports were required to be settled in foreign currency. ○ Residents were prohibited from obtaining ringgit credit facilities from nonresidents. ○ All purchases and sales of ringgit facilities can only be transacted through authorized depository institutions. ○ Approval requirement for nonresidents to convert MYR in external account into foreign currency, except for purchases of MYR assets, conversion of profits, dividends, interest, and other permitted purposes. ○ A 12-month waiting period was introduced for nonresidents wishing to convert MYR proceeds from the sale of Malaysian securities held in external accounts (excluding FDI, repatriation of interest, dividends, fees, commissions, and rental income from portfolio investment). ○ A prior approval requirement was imposed for all residents intending to invest abroad (in any form) beyond a certain limit. ○ A specific limit on exports of foreign currency by residents	• The Malaysian leadership opted for managing the crisis on its own while rejecting the conventional IMF path. The lynchpin of this radical policy choice was capital controls, which were expected to set the stage for fixing the exchange rate and provide breathing space for vigorous pursuance of monetary and fiscal expansion to fight recession. With policy autonomy gained through a fixed exchange rate and capital controls, the government swiftly embarked on a recovery package consisting of two key elements: fiscal and monetary stimulants and banking and corporate restructuring (Athukorala 2002). The newly-introduced capital controls were gradually relaxed and subsequently removed at successive stages during the next two years. On 21 July 2005, the ringgit peg to the dollar was abolished in favor of a managed floating exchange rate system. • The controls were strong but they were narrowly focused on short-term capital flows. The aim was to make it harder for short-term portfolio investors, both foreign and local, to sell their shares and repatriate proceeds, and for offshore hedge funds to drive down the currency. There was no retreat from the country's long-

Measure	Background/Rationale	Regulation	Impact of Measure
		and up to the amount brought into Malaysia for nonresidents. ○ Trading in Malaysia shares on Singapore's central limit order book (CLOB) OTC market became de facto prohibited as a result of strict enforcement of the existing law requiring Malaysian shares to be registered in KLSE prior to trade. • [1998 Sep]: Ringgit was pegged to the USD at 3.80. • [1998 Dec]: Residents were allowed to grant loans to nonresidents for purchases of immovable properties from 12 December 1998 to 12 January 1999. • [1999 Jan]: Designated nonresident accounts for future trading were allowed and exempted from the 12-month holding period. Capital flows for the purpose of trading derivatives on the commodity and monetary exchange of Malaysia and the Kuala Lumpur options and financial futures exchange were permitted for nonresidents without being subject to the rules governing external accounts when transactions were conducted through "designated external account" that could be	standing commitment to an open trade and FDI policy. Current account transactions (with the sole exception of limits on foreign exchange for travel by Malaysian citizens) as well as profit remittance and repatriation of capital by foreign direct investors continued to remain free of control. • Following this policy choice, which marked a significant departure from the IMF-centered approach adopted by the other crisis-hit countries in the region, the Malaysian economy recovered smoothly, defying widespread pessimism that prevailed in economic circles at the time. • Source: Athukorala and Jongwanich (2012)

Measure	Background/Rationale	Regulation	Impact of Measure
		treated with tier-1 commercial banks in Malaysia.	
		• [1999 Feb]: The 12-month waiting period was replaced with a graduated exit levy system on the repatriation of the principal of capital investments (in shares, bonds, and other financial instruments, except for property investments) made prior to 15 Feb 1999. The levy decreased over the duration of the investment and thus penalized earlier repatriations—the levy was 30 percent if repatriated in less than 7 months after entry, 20 percent if repatriated in 7–9 months, and10 percent if repatriated in 9–12 months. No levy, on principle, if repatriated after 12 months	
		• [1999 Feb]: Repatriation of funds relating to investments in immovable property was exempted from the exit levy regulations	
		• [1999 Mar]: The ceiling on the import and export of ringgit for border trade with Thailand was raised. Investors in MESDAQ (Malaysian Exchange of Securities Dealing & Automated Quotation) were exempted from the exit levy introduced on 15 February 1999.	
		• [1999 Jul]: Residents were allowed to grant overdraft facility	

Measure	Background/Rationale	Regulation	Impact of Measure
		in aggregate not exceeding MYR200 million for intraday and not exceeding MYR5 million for overnight to a foreign stockbroking company subject to certain conditions	
		• [1999 Sep]: Commercial banks were allowed to enter into short-term currency swap arrangement with nonresident stockbrokers to cover payment for purchases of shares on the KLSE and in outright ringgit forward sale contracts with nonresidents who have firm commitment to purchase shares on the KLSE, for maturity periods not exceeding five working days and with no rollover option.	
		• [1999 Oct]: Residents are allowed to grant MYR loans to nonresidents for purchases of immovable properties from 29 October 1999 to 7 December 1999.	
		• [2000 Mar]: Funds arising from the sale of securities purchased by nonresidents on the CLOB market can be repatriated without payment of an exit levy.	
		• [2000 Apr]: Nonresident-controlled companies raising domestic credit through private debt securities were exempted from the MYR19 million limit and the 50:50 requirement for issuance of private debt securities	

Measure	Background/Rationale	Regulation	Impact of Measure
		on tender basis through the fully automated system for tendering. • [2000 Jun]: Administrative procedures were issued to facilitate classification of proceeds from the sale of CLOB securities as being free from levy. • [2000 Jul]: Residents and nonresidents were no longer required to make travel declarations as long as they carry currency notes and/or travelers' checks within the permissible limits. For nonresidents, the declaration was incorporated into the embarkation card issued by the Immigration department. • [2000 Sep]: Licensed offshore banks in the Labuan international offshore financial center were allowed to invest in MYR assets and instruments in Malaysia for their own accounts only and not on behalf of clients (and not financed by ringgit borrowing). • [2000 Dec]: Foreign-owned banks in Malaysia were allowed to extend up to 50 percent (from 40 percent) of total domestic credit facilities to nonresident-controlled companies, in case of credit facilities extended by resident banks. This is to fulfil Malaysia's commitment under GATs. Licensed company banks were allowed to extend intraday overdraft facilities not exceeding	

Measure	Background/Rationale	Regulation	Impact of Measure
		MYR200 million in aggregate and overnight facilities not exceeding MYR10 million (previously MYR5 million) to foreign stockbroking companies and foreign global custodian banks	
		• [2001 Feb]: The exit levy on profit repatriated after one year from the month the profits are realized was abolished. Portfolio profits repatriated within one year remained subject to the 10 percent levy	
		• [2001 May]: The 10 percent exit levy imposed on profits arising from portfolio investments repatriated within one year of realization was abolished.	
		• [2001 June]: ○ All controls on the trading of futures and options by nonresidents on the Malaysia Digital Enterprise Exchange (MDEX) were eliminated. The commodity and monetary exchange of Malaysia and the KLSE were merged to form the MDEX. ○ Resident insurance companies were allowed to extend ringgit policy loans to nonresident policyholders with the terms and conditions of the policies. The amount of MYR loans extended may not exceed the policy's attended cash surrendered	

Measure	Background/Rationale	Regulation	Impact of Measure
		value and may be for the duration of the policies	
		• [2001 Jul]: Resident financial institutions were allowed to extend ringgit loans to nonresidents to finance the purchase or construction of any immovable property in Malaysia (excluding financing for purchases of land only) up to a maximum of three property loans in aggregate.	
		• [2002 Nov]: Banks are allowed to extend additional MYR credit facilities to nonresidents up to an aggregate of MYR5 million per nonresident to finance projects undertaken in Malaysia. Prior to this, credit facilities in MYR to nonresidents for purposes other than purchases of three immovable properties or a vehicle were limited to MYR200,000.	
		• [2002 Dec]: ○ In addition to obtaining property loans to finance new purchases or construction of any property in Malaysia, nonresidents may also refinance their MYR domestic property loans. The above is subject to a maximum of three property loans. ○ The limit of MYR10,000 equivalent in foreign currency for investment abroad by residents under the employee	

Measure	Background/Rationale	Regulation	Impact of Measure
		share option/purchase scheme was removed. o Effective this date, general permission was granted for overseas investment for this purpose. o Payments between residents and nonresidents as well as between nonresidents for MYR assets were liberalized to allow payments to be made either in MYR or foreign currency (previously, only in MYR)	
		• [2003 Mar]: Banking institutions as a group were permitted to extend ringgit overdraft facilities, not exceeding MYR500,000 in aggregate to a nonresident customer if the credit facilities were fully covered at all times by fixed deposits placed by the nonresident customer with the banking institutions extending the credit facilities.	
		• [2003 April]: o Exporters were allowed to retain a portion of their export proceeds in foreign currency accounts with onshore licensed banks in Malaysia with overnight limits ranging between the equivalent of USD1 million and USD70 million or any other amount that has been approved (previously, the limit was between USD1 million and USD10 million).	

Measure	Background/Rationale	Regulation	Impact of Measure
		○ Residents were allowed to sell up to 12 months forward foreign currency receivables for ringgit to an authorized dealer for any purpose, if the transaction was supported by a firm underlying commitment to receive such currency. ○ The maximum amount of payment of profits, dividends, rental income, and interest to a nonresident on all bona fide investments that may be remitted without prior approval, but upon completion of statistical forms, was increased from MYR10,000 to MYR50,000 or its equivalent in foreign currency per transaction.	
		• [2003 May]: The threshold level for acquisition by foreign and Malaysian interests exempted from foreign investment committee (FIC) approval was raised from MYR5 million to MYR10 million. Acquisition proposals by licensed manufacturing companies were centralized at the Ministry of International Trade and Industry (MITI), while corporate proposals were centralized at the Securities Commission (SC). These proposals no longer required FIC consideration.	
		• [2003 June]:	

Measure	Background/Rationale	Regulation	Impact of Measure
• Gradual and progressive liberalization of the financial sector	• Measures aimed at simplifying further of several major FX administration policies, which are in turn aimed at enhancing the business environment as well as efficiency and competitiveness of business operations in Malaysia	○ Foreign equity holdings in manufacturing projects were allowed up to 100 percent for all types of investment. ○ [2004 April]: ○ Residents were allowed to sell forward non-export foreign currency receivables for ringgit or another foreign currency to an authorized dealer or an approved merchant bank for any purpose, provided the transaction is supported by an underlying commitment to receive currency. ○ Residents with permitted foreign currency borrowing were allowed to enter into interest rate swaps with onshore licensed banks, approved merchant banks, or licensed offshore banks in Labuan, provided that the transaction was supported by a firm underlying commitment. ○ Resident individuals with funds abroad (not converted from ringgit) were allowed to maintain non export foreign currency accounts offshore without any limit imposed on overnight balances. ○ Resident companies with domestic borrowing were allowed to open non-export foreign currency accounts with licensed onshore banks in Malaysia to retain foreign	• Following the onset of the global financial crisis in 2008, share prices in Malaysia fell sharply (by 20 percent between 2007 and 2009), although the magnitude of the collapse was far less than in the Asian crisis (by 53 percent between 1996 and 1998). There was also a large exodus of short-term capital, around USD6 billion in 2009 (BNM 2010). However, these shocks were well absorbed by the domestic financial markets given ample liquidity in the financial system, a sound banking system, and the strong reserve position of the country. In addition, the broad-based financial sector reforms and capacity building undertaken following the Asian financial crisis had increased the sector's resilience to financial turmoil. Moreover, Malaysia (and other Southeast Asian countries) had little exposure to collateral debt obligations that originated in the US subprime market (BIS 2009). Therefore, unlike in the 1997–1998 crisis policymakers did not have to contemplate on capital controls as part of the crisis management strategy (Athukorala 2012).

Measure	Background/Rationale	Regulation	Impact of Measure
		currency receivables other than export proceeds with no limit on the overnight balances. ○ Resident companies without domestic borrowing were allowed to open non-export foreign currency accounts in licensed offshore banks in Labuan up to an overnight limit of USD500,000 or its equivalent. ○ Resident individuals were permitted to open foreign currency accounts to facilitate payments for education and employment overseas with an aggregate overnight limit equivalent to USD150,000 with Labuan offshore banks. Previously, the limit was USD100,000 (USD50,000 for overseas banks). ○ Resident individuals who have foreign currency funds were allowed to invest freely in any foreign currency product offered by onshore licensed banks. ○ The amount of export proceeds that residents may retain in foreign currency accounts with licensed onshore banks was increased from the range of USD1 million to USD70 million to the range of USD30 million to USD70 million. ○ The controller of foreign exchange (COFE) approval was required for the issuance of ringgit bonds in Malaysia by	

Measure	Background/Rationale	Regulation	Impact of Measure
		multinational development institutions and foreign multinational corporations. ○ Resident banks and nonbanks were permitted to extend ringgit loans to finance or refinance the purchase or construction of any immovable property in Malaysia (excluding financing for purchases of land only) up to a maximum of three property loans in aggregate. ○ The limit for banking institutions on loans to nonresidents (excluding stockbroking companies, custodian banks and correspondent banks) was raised from MYR200,000 to MYR10,000,000. ○ Licensed insurers and takaful operators (Islamic insurance) were allowed to invest abroad up to 5 percent of their margins of solvency and total assets. These entities were also allowed to invest up to 10 percent of net asset value (NAV) in their own investment-linked funds. ○ Unit trust management companies were allowed to invest abroad the full amount of NAV attributed to nonresidents and up to 10 percent of NAV attributed to residents without prior COFE approval. In addition, fund/asset managers were allowed to invest abroad	

Measure	Background/Rationale	Regulation	Impact of Measure
		up to the full amount of investments of nonresident clients and up to 10 percent of investments of their resident clients. ○ Bank Negara Malaysia (BNM) liberalized its foreign exchange administration rules to facilitate multilateral development banks (MDBs) or multilateral financial institutions (MFIs) in raising ringgit-denominated bonds in the Malaysian capital market. ○ The size of the bond to be issued by MDBs or MFIs should be large enough to contribute to the development of the domestic bond market, and the minimum tenure of the bonds should be three years. Ringgit funds raised from the issuance of ringgit-denominated bonds could be used either in Malaysia or overseas. MDB or MFI issuers and nonresident investors of ringgit-denominated bonds could maintain, without restrictions, foreign currency accounts or ringgit accounts as external accounts with any onshore licensed bank in Malaysia. MDBs, MFIs, or nonresident investors would be allowed to enter into forward foreign exchange contracts or swap arrangements to hedge ringgit exposure, and MDB or MFI issuers would be allowed to	

Measure	Background/Rationale	Regulation	Impact of Measure
		enter into interest rate swap arrangements with onshore banks. ○ BNM liberalized rules to facilitate foreign multinational corporations (MNCs) in raising ringgit-denominated bonds in the Malaysian capital market. The ringgit funds raised from such issues could be used in Malaysia or overseas. MNC issuers and nonresident investors of ringgit-denominated bonds could maintain, without restrictions, foreign currency accounts, or ringgit accounts as external accounts with any onshore licensed bank. MNC issuers or nonresident investors would be allowed to enter forward exchange contracts or swap arrangements to hedge ringgit exposures, and MNC issuers would be allowed to enter interest rate swap arrangements with onshore banks.	
		• [2005 April]: ○ Residents without domestic credit facilities were allowed to invest abroad in foreign currency, to be funded either from their own foreign currency or from conversion of ringgit funds. Individuals with domestic credit facilities were allowed to invest abroad any amount of their foreign currency funds or	

Measure	Background/Rationale	Regulation	Impact of Measure
		convert ringgit up to MYR100,000 per annum for such purposes. ○ Corporations with domestic credit facilities were also allowed to use their foreign currency funds or convert ringgit up to MYR10 million per annum for investment in foreign currency assets. These corporations must have a minimum shareholders' fund of MYR100,000 and must be operating for at least 1 year. ○ The threshold for investing abroad funds attributed to residents by a unit trust company was increased to 30 percent (from 10 percent previously) of the net asset value of all resident funds managed by the unit trust company. Still no restrictions were placed on investment abroad for funds attributed to nonresident clients. ○ Fund managers could now invest abroad any amount of funds belonging to nonresident clients and resident clients that do not have any domestic credit facilities. They were also free to invest up to 30 percent of funds of resident clients with domestic credit facilities. Currently they could invest only 10 percent of resident funds, irrespective of whether the resident clients	

Measure	Background/Rationale	Regulation	Impact of Measure
		have any domestic credit facilities. o Residents were now free to open a foreign currency account (FCA) onshore or offshore (except for export FCA). No specific prior permission was required and no limit on the amount of foreign currency funds a resident could retain onshore or offshore. Residents without any domestic credit facilities were allowed to convert any amount of ringgit funds for credit into FCAs maintained onshore or offshore. o A resident corporation with domestic credit facilities was allowed to convert ringgit up to MYR10 million in a calendar year for credit into its FCA. o A resident individual with domestic credit facilities was also allowed to convert ringgit for credit into FCA as follows: for education or overseas employment purposes (up to USD150,000 for credit into onshore FCA or FCA maintained with offshore banks in Labuan and up to USD50,000 for credit into overseas FCA) and for other purposes (up to MYR100,000 per annum). o Exporters could now retain any amount of their foreign currency export proceeds onshore with licensed banks (the previous	

Measure	Background/Rationale	Regulation	Impact of Measure
		limit of between USD30 million and USD100 million abolished). All export proceeds continue to be required to be repatriated to Malaysia onshore. ○ Resident corporation, on a per corporate group basis, could now obtain foreign currency credit facilities up to the aggregate of MYR50 million equivalent. The foreign currency borrowing could be used to finance overseas investment up to MYR10 million equivalent. ○ The aggregate limit for foreign currency borrowing by individuals was also increased from MYR5 million to MYR10 million equivalent. The funds could be used for any purpose, including financing overseas investments. ○ The rules for domestic borrowing by nonresident-controlled companies were fully liberalized via the removal of the MYR50 million limit and the 3:1 gearing ratio requirement	
		• [2005 July]: The ringgit peg to the dollar was abolished in favor of a managed float exchange rate system.	•
		• [2007 April]: ○ The net open position limit of licensed onshore banks was abolished. Previously, the open position limit had been capped	

Measure	Background/Rationale	Regulation	Impact of Measure
		at 20 percent of the banks' capital base. The limits imposed on licensed onshore banks for foreign currency accounts maintained by residents were also removed. Investment banks in Malaysia were allowed to undertake foreign currency business subject to a comprehensive supervisory review on the capacity and capability of the investment banks. ○ Nonresident stockbroking companies and custodian banks were given further flexibility in obtaining ringgit overdraft facilities from licensed onshore banks by: removing the previous overdraft limit of MYR200 million; and expanding the scope on utilization of the overdraft facility to include ringgit instruments settled through the Real Time Electronic Transfer of Funds and Securities (RENTAS) System and Bursa Malaysia. Previously, utilization of the facility had been confined to shares traded on Bursa Malaysia. ○ The limit on the number of residential or commercial property loans obtained by nonresidents was abolished. Under the previous policy, nonresidents were allowed to	

Measure	Background/Rationale	Regulation	Impact of Measure
		obtain a maximum limit of three property loans from residents to finance the purchase or construction of residential or commercial properties in Malaysia. Licensed onshore banks were allowed to appoint overseas branches of their banking group as a vehicle to facilitate the settlement of any ringgit assets of their nonresident clients. Also removed were restrictions on Labuan offshore banks from transacting in ringgit financial products on behalf of nonresident clients. o The limit on foreign currency borrowing that can be obtained by resident corporations from licensed onshore banks and nonresidents as well as through issuance of onshore foreign currency bonds was increased to MYR100 million equivalent in aggregate and on corporate group basis from the previous MYR50 million equivalent. The proceeds could be used for domestic purposes or offshore investment. Residents were allowed to hedge foreign currency loan repayment up to the full amount of underlying commitment. o Flexibilities for resident individuals and corporations to	

Measure	Background/Rationale	Regulation	Impact of Measure
		invest in foreign currency assets were enhanced by the following: – Resident individuals with domestic ringgit borrowing could now invest in foreign currency assets up to MYR1 million per calendar year from the previous limit of MYR100,000; – Resident corporations with domestic ringgit borrowing could now invest in foreign currency assets up to MYR50 million per calendar year from the previous limit of MYR10 million. ○ The limit for resident institutional investors investing in foreign currency assets was increased as follows: – Unit trust companies—up to 50 percent of NAV attributable to residents from 30 percent of NAV previously – Fund management companies—up to 50 percent of funds of resident clients with domestic credit facilities from 30 percent previously. – Insurance companies and takaful operators—up to 50 percent of NAV of investment-linked funds marketed from the from 30 percent of NAV previously	
		• [2007 June]:	

Measure	Background/Rationale	Regulation	Impact of Measure
		○ Licensed onshore banks were also allowed to appoint overseas branches of their banking group to facilitate the settlement of any ringgit assets of their nonresident clients. Ringgit transactions undertaken by the overseas branches were subjected to the following conditions: – Overseas branches must conduct only straight pass-through transactions matched with a back-to-back arrangement on exchange rate, amount, and value date with the licensed onshore bank. There should be: ➢ no gapping of the ringgit positions in the books of the overseas branches; ➢ no ringgit account, physical withdrawal or transfer of ringgit at the overseas branches (all ringgit settlements must be made onshore); and ➢ no public display of the ringgit exchange rate by the overseas branches. – The arrangement could be made available only to nonresident investors with firm underlying commitment to purchase or sell ringgit assets.	
		• [2007 Oct]:	

Measure	Background/Rationale	Regulation	Impact of Measure
		○ The registration requirement on forward foreign exchange contracts exceeding MYR50 million equivalent per contract for permitted capital account transactions and anticipatory current account transactions was abolished. ○ The registration requirement on ringgit-denominated loans exceeding MYR50 million extended by a resident to a nonresident to finance or refinance the purchase or construction of residential and commercial properties in Malaysia was abolished. ○ The registration requirement on investment in foreign currency assets exceeding MYR50 million equivalent by a resident (individual or company on corporate group basis) without domestic ringgit borrowing was abolished. ○ **On foreign currency borrowing by residents:** – The registration requirement on foreign currency borrowing in aggregate between MYR50,000,001 and up to MYR100 million equivalent by a resident company on corporate group basis from licensed onshore banks and nonresidents was abolished. – The registration requirement on foreign currency borrowing	

Measure	Background/Rationale	Regulation	Impact of Measure
		exceeding MYR50 million equivalent by an approved operational headquarters from licensed onshore banks and nonresidents to finance its own operation was abolished. – The registration requirement on foreign currency borrowing exceeding MYR50 million equivalent by a resident company from another resident company within the same corporate group using proceeds from an initial public offering on foreign stock exchanges was abolished. ○ **On prepayment or repayment of foreign currency borrowing by residents:** – The registration requirement on prepayment exceeding MYR50 million equivalent on permitted foreign currency borrowing from a nonresident lender was abolished. – Repayment of foreign currency borrowing with no fixed tenure or repayment schedule is deemed to be a prepayment, and therefore, registration requirement was also abolished. ○ **On investments of Islamic funds in foreign currency assets:** – To further promote Malaysia as an Islamic financial center	

Measure	Background/Rationale	Regulation	Impact of Measure
		and a center for origination of Sharia-compliant investment instruments, the thresholds (50 percent of the NAV for unit trust companies and total funds attributable to residents with domestic ringgit borrowing for fund management companies) on investments of Islamic funds in foreign currency assets were abolished. – The investment in foreign currency assets by conventional funds managed by the unit trust and fund management companies continued to be subject to the existing thresholds of 50 percent of the NAV and the total funds attributable to resident clients with domestic ringgit borrowing. – To provide greater flexibility to nonresident investors in managing their ringgit exposure, the requirement for a nonresident to reinvest within 7 working days the proceeds arising from the sale of ringgit assets prior to the maturity of the forward foreign exchange contract in order to continue with the existing forward foreign exchange contract, was abolished. With the abolition, a nonresident is allowed to continue with the	

Measure	Background/Rationale	Regulation	Impact of Measure
		existing forward foreign exchange contract entered with a licensed onshore bank for: proceeds arising from the sale of ringgit assets sold prior to the maturity of the forward foreign exchange contract, and income from the ringgit assets	
		• [2007 Nov]: Resident companies with export earnings were allowed to pay another resident company in foreign currency for the settlement of purchases of goods and services. The objective of this liberalization was to enhance Malaysia's competitiveness by reducing the cost of doing business for resident companies. With the liberalization, exporters would have greater control and flexibility in the management of their foreign currency cash flow and thereby more effectively settle their domestic and overseas transactions.	
		• [2008 Jan]: A resident company maintaining an overseas account, including a foreign currency account with a Licensed offshore bank in Labuan, was no longer required to submit an overseas account statement (Statement OA). Similarly, a resident company maintaining an inter-company account with a nonresident company no longer	

Measure	Background/Rationale	Regulation	Impact of Measure
		needed to submit an inter-company account statement (Statement IA).	
		• [2008 May]: ○ **On borrowing in foreign currency by residents:** – A resident company was now free to borrow any amount in foreign currency from its nonresident nonbank parent company; other resident companies within the same corporate group in Malaysia (previously, approval had been required for any amount); and licensed onshore banks. – A resident company was free to obtain any amount of foreign currency supplier's credit for capital goods from nonresident suppliers; and – A resident company or individual was free to refinance outstanding approved foreign currency borrowing, including principal and accrued interest. The thresholds for foreign currency borrowing of MYR100 million in aggregate by a resident company on a corporate group basis and MYR10 million for a resident individual would no longer be applicable for the above financing activities.	

Measure	Background/Rationale	Regulation	Impact of Measure
		○ **On borrowing in ringgit by residents from nonresidents:** – A resident company was now allowed to borrow in ringgit, including through the issuance of ringgit-denominated redeemable preference shares or loan stocks, any amount from its nonresident nonbank parent company to finance activities in the real sector in Malaysia and up to MYR1 million in aggregate from other nonresident non-bank companies and individuals for use in Malaysia. – A resident individual was now allowed to borrow in ringgit up to MYR1 million in aggregate from nonresident nonbank companies and individuals for use in Malaysia. – Previously, borrowing in ringgit in any amount from nonresidents required prior permission of the Controller of Foreign Exchange. ○ **On lending in ringgit by residents to nonresidents:** – A resident company or individual was now free to lend in ringgit in any amount to nonresident nonbank companies and individuals to finance activities in the real sector in Malaysia (previously,	

Measure	Background/Rationale	Regulation	Impact of Measure
		only allowed up to MYR10,000). – A licensed onshore bank was now free to lend in ringgit in any amount to nonresident nonbank companies and individuals to finance activities in the real sector in Malaysia (previously, only allowed up to MYR10 million in aggregate).	
		• [2008 Oct]: To promote Malaysia as an international Islamic financial center, the following changes were announced by the BNM (with immediate effect): ○ All international Islamic banks were now allowed to conduct the following transactions with any person in or outside Malaysia: buy or sell foreign currency against another foreign currency or borrow or lend in foreign currency. ○ All international Islamic banks, international takaful operators, and international currency business units of licensed onshore banks, takaful operators, or retakaful operators were allowed to make payments in foreign currency to resident intermediaries (individuals and companies) for the financial services rendered by the intermediaries to these institutions.	

Measure	Background/Rationale	Regulation	Impact of Measure
		• [2009 April]: The liberalization package encompasses measures on the conventional and Islamic finance sector as follows: ○ **Increase in Foreign Equity Limits** – With immediate effect, existing domestic Islamic banks that wish to scale up their operations and expand into global markets are given greater flexibility to enter into strategic partnerships with foreign players through an increased foreign equity limit of up to 70 percent. These banks will be required to maintain a paid-up capital of at least USD1 billion; – With immediate effect, investment banks are given flexibility to enter into foreign strategic partnerships to enhance international linkages and business opportunities. In this regard, the foreign equity participation in investment banks will be increased to a limit of up to 70 percent; – With immediate effect, to further strengthen the resilience and competitiveness of the insurance and takaful industry, insurance companies and takaful operators are given greater flexibility to tie-up with foreign partners.	

Measure	Background/Rationale	Regulation	Impact of Measure
		Accordingly, the foreign equity participation in insurance companies and takaful operators will be increased to a limit of up to 70 percent; – A higher foreign equity limit beyond 70 percent for insurance companies will be considered on a case-by-case basis for players who can facilitate consolidation and rationalization of the insurance industry. Existing foreign insurers that participate in the process will be accorded flexibility in meeting the divestment requirement. – Other measures are the issuance of new licenses for Islamic banking, family takaful licenses and commercial banking, and measures aimed towards operational flexibility.	
		• [2010 Apr]: ○ Resident futures brokers were allowed to make payments to nonresidents for foreign currency-denominated derivatives (other than currency contracts) transacted on overseas specified exchanges. ○ Residents were allowed to transact foreign-currency-denominated derivatives (other than currency contracts) on the overseas specified exchanges only through resident futures	

Measure	Background/Rationale	Regulation	Impact of Measure
		brokers as follows: any amount, for transactions that are supported by firm underlying commitment; and subject to limits on investment in foreign currency assets, for transactions that are not supported by firm underlying commitment. o In undertaking the above, resident futures brokers were required to ensure that the resident clients comply with the limits on investment in foreign currency assets if the derivative transactions were not supported by firm underlying commitment, and that the derivatives transacted on the overseas specified exchanges do not involve ringgit directly or indirectly.	
• Reinforcement of existing Foreign Exchange Administration (FEA) rules	• This policy was imposed to curb rising speculative pressures on the ringgit from the offshore market. As NDF flows are reportedly largely speculative, without any underlying ringgit-denominated assets, the large size of the offshore ringgit-denominated NDF market relative to the onshore FX market led to large speculative or one-sided activity in the NDF markets, which distorted the price discovery process. For instance, in the days following the US presidential election in November 2016, ringgit-denominated NDFs implied	• [2 Nov 2016]: BNM reinforced existing rules to prohibit facilitation of offshore trading of ringgit – being a non-internationalized currency – such as ringgit non-deliverable forward (NDF).	• Widely unexpected by portfolio investors, the announcement caused large capital outflows especially from the debt market and sharp depreciation of the ringgit in the succeeding 3-6 months. The decision has since been credited for the relative stability in the bond and FX markets following the easing of speculative investment activity.

Measure	Background/Rationale	Regulation	Impact of Measure
	a much larger depreciation in the exchange rate than that implied by foreign exchange forwards in the onshore market. Continuous trading activities in the offshore NDF market (while the onshore market is only open during the Malaysian trading day) and the US dollar's appreciation during US trading hours have resulted in sharp depreciations in the ringgit against the US dollar at the open of onshore trading sessions. Thus, NDF market has generated higher volatility in the domestic markets.		
• Initiatives to develop the onshore financial market, including development of the onshore dynamic hedging market	• Following the ban of offshore ringgit trading, the BNM ramped up initiatives to develop the onshore bond and FX market. • The various measures are intended to enhance the liquidity of the FX market as well as facilitate operational efficiencies and risk management by businesses and financial institutions	• **Initial series of initiatives** can be grouped into three categories [announced on December 2, 2016, wef on December 5, 2016]: ○ Liberalization and deregulation of the onshore ringgit hedging market – Residents may freely and actively hedge their USD and CNH exposures, without documentary evidence, up to a limit of MYR6 million per client per bank. A one-time declaration of non-participation in speculative activity is required. – Resident and non-resident fund managers can actively manage their FX exposure – through the dynamic hedging program – up to 25 percent of	• The measures have contributed to improved liquidity in the onshore FX market, as reflected in increased daily FX turnover. The FX forward market has recorded a two-fold increase in volume, according to BNM as of April 2019.

Measure	Background/Rationale	Regulation	Impact of Measure
		their invested assets. A registration with the BNM is required to qualify for the arrangement. – Foreign investors and corporates can access the onshore FX market through offshore non-resident financial institutions that participate in the Appointed Overseas Office (AOO) framework. The AOOs will be accorded additional flexibilities on ringgit transactions, including FX hedging (own account/on behalf of client) for current and financial account based on commitment, opening of ringgit account (book-keeping) and extension of ringgit trade financing. ○ Streamlining treatment for investment in FCY assets – Resident entities with domestic ringgit borrowing can invest in FCY assets both onshore and abroad up to a prudential limit of MYR50 million, while residents without domestic ringgit borrowing can invest in FCY assets both onshore and abroad up to any amount. ○ Incentives and treatment of export proceeds – Goods exporters are only allowed to retain 25 percent of their export proceeds in FCY with onshore banks. The	

Measure	Background/Rationale	Regulation	Impact of Measure
		balance of 75 percent has to be converted in ringgit, which can earn a higher rate of return via a special deposit facility. The special deposit facility for ringgit proceeds will be offered to exporters until 31 Dec 2017, subject to further review, via commercial banks and receive a rate of 3.25 percent per annum. – Payment by resident exporters for settlement of domestic trade in goods and services is now to be made fully in ringgit. – Exporters are allowed to hedge and unhedge (dynamic hedging) up to 6 months of their FCY obligations. *Said measures are intended to enhance the liquidity of the foreign exchange (FX) market.* • **The following are the second series of initiatives to develop the onshore financial market** [announced on April 13, 2017, wef on May 2, 2017] ○ Improve liquidity in the bond market – All residents will be allowed to participate in short-selling activities, to facilitate a more effective avenue for the hedging of interest rate exposure as well as to generate more trading activities and liquidity in the	

Measure	Background/Rationale	Regulation	Impact of Measure
		secondary government bond market. – Eligible securities for short-selling transaction will be expanded to include MGII with an outstanding nominal amount of at least MYR2 billion. ○ Additional hedging flexibility – Registered investors will be allowed to fully hedge and actively manage their exposures including unwinding of hedging positions. Registered non-bank entities will be allowed to hedge up to 100 percent of their underlying assets as well as to manage an additional 25 percent of FX exposures. – Residents can actively manage their FX risk exposure for three additional currencies (GBP, EUR, JPY) up to an aggregate net open position limit of MYR6 million per client per bank, without documentary evidence. ***There are other measures to strengthen financial infrastructure as well as to promote a fair and effective financial market.* • **Additional hedging flexibility to further facilitate FX risk** [September 11, 2017] ○ Non-bank non-resident market participants, upon registration	

Measure	Background/Rationale	Regulation	Impact of Measure
		with the BNM, is allowed to enter into forward contracts with a licensed onshore bank or an AOO up to the net open position (NOP) of its ringgit-denominated Crude Palm Oil Futures (FCPO) or Options on Crude Palm Oil Futures (OCPO) contracts undertaken on Bursa Malaysia Derivatives Bhd for the purpose of managing its ringgit exposure arising from the FCPO or OCPO contracts. At the same time, the market participant should unwind the excess forward contracts with the same licensed onshore bank or AOO in the event that the notional value of such forward contracts exceed the NOP of the underlying FCPO or OCPO contracts. • **Enhancement of FEA policies** [August 17,2018] o Exporters are allowed to automatically sweep more than 25 percent of their export proceeds into their Trade Foreign Currency Accounts maintained with onshore banks. This is under the condition that exporters' existing aggregate balances plus the additional 25 percent of the export proceeds not required to be converted into ringgit are insufficient to meet the resident exporter's 6 months' worth of FCY	

Measure	Background/Rationale	Regulation	Impact of Measure
		obligations that exist on the date of receipt of the export proceeds. Exporters have to establish their 6 months' FCY obligations with their respective onshore banks. ○ Residents – upon BNM approval – are allowed to hedge (1) beyond 6 months of their FCY obligations, and (2) FCY exposures arising from invoices issued in FCY under international pricing practices for domestic trade in goods and services. ○ Non-resident corporations are allowed to trade in ringgit-denominated interest rate derivatives via the Appointed Overseas Offices (AOO), subject to back-to-back arrangements with onshore banks. The measure aims to further deepen the onshore market for interest rate derivatives to support risk management by businesses. *Said measures are aimed to facilitate operational efficiencies and risk management by businesses and financial institutions* • **Further liberalization of FX administration policies** [March 27, 2019] ○ Residents are allowed to hedge up to 12 months of their FCY obligations to facilitate efficient	

Measure	Background/Rationale	Regulation	Impact of Measure
		financial planning by business. BNM approval can be obtained to hedge over 12 months of FCY obligations. This measure is effective immediately. ○ SMEs with net import obligations are allowed to receive FCY payment from resident exporters for their domestic trade in goods and services. This measure is effective 2 May 2019, to provide time for banks to set up this flexibility for eligible SMEs and resident exporters. *Measures are aimed to provide greater hedging flexibility for residents to better manage their FX risk.* • **Development initiatives to enhance market liquidity and accessibility** [May 16, 2019] ○ Enhancements to repo market liquidity and flexibility – BNM will further increase the availability of off-the-run bonds to be borrowed via repo for market-making activities. The repo guideline will be reviewed accordingly to allow, amongst others, extending the repo tenor beyond 1 year. ○ Physical delivery for MGS futures – BNM, in collaboration with Securities Commission Malaysia, Bursa Malaysia and	

Measure	Background/Rationale	Regulation	Impact of Measure
		key market players will further enhance the delivery mechanism for MGS futures settlements. ○ Expansion of dynamic hedging program to include trust banks and global custodians – To enhance onshore market liquidity and accessibility, trust banks and global custodians can now apply under the program to undertake dynamic hedging on behalf of their underlying clients. ○ Increased flexibility for dynamic hedging program participants to manage FX risks – Registered institutional investors can enter into forward contracts to buy ringgit beyond the current 25 percent (of underlying assets) threshold upon approval by the BNM. ○ Simplified FX transaction and documentation process – A standard documentation guide for FX transactions has been developed by the industry and will be circulated via the Association of Banks Malaysia (ABM) for reference by market participants. ○ Ringgit liquidity beyond local trading hours – BNM will continue to facilitate market-making capacity of AOOs – which can provide	

Measure	Background/Rationale	Regulation	Impact of Measure
		ringgit pricing beyond local trading hours – to ensure sufficient access to ringgit prices. • **Further relaxation of FEA rules** [August 16, 2019] ○ Residents can hedge their foreign currency (FCY) current account obligations up to their underlying tenure. – Residents may obtain BNM approval to hedge their financial account obligations up to the underlying tenure. ○ Resident treasury centers can hedge on behalf of their related entities – Non-resident treasury centers can hedge on behalf of their related entities upon a one-time registration with the BNM ○ Non-residents can hedge on an anticipatory basis via an AOO for settlement of trade in goods and services. ○ Credit facilities used by corporates for miscellaneous expenses such as sundry and employees' travel expenses linked to overseas investments are excluded from domestic ringgit borrowings. *These measures are aimed at providing businesses greater flexibility in managing their FX risk and efficiency in the conduct of their daily operations.*	

Measure	Background/Rationale	Regulation	Impact of Measure
		○ In addition, measures to boost bond market liquidity were also announced. – Improved ringgit accessibility after onshore trading hours via AOOs for non-resident investors and companies. – Principal dealers will quote all off-the-run bonds available under the central bank's Securities Operations, in addition to existing commitment to provide quotes for benchmark bonds. – Standard documentation guide for FX transactions will be made available. – Greater flexibility proposed under revised repo guidelines, including longer tenor limit and wider range of repo securities. • **Refinement in FX policy** [April 31, 2020] – Resident exporters are exempted from converting export proceeds below MYR200,000 per transaction into MYR. – Residents can hedge their FCY loan obligations up to the underlying tenure, from up to 12 months previously. – Residents and non-residents are free to cancel or unwind their hedging except hedges on	

Measure	Background/Rationale	Regulation	Impact of Measure
		portfolio investment; previously, bank approval was needed to unwind hedging positions. – Residents may obtain financial guarantee from non-residents. Previously, residents can only obtain financial guarantees up to a total of MYR100 million. – Residents may issue financial guarantee to non-residents with some exceptions; an expansion from the aggregate limit of MYR50 million previously. *Further refinements are aimed to improve business efficiency and provide flexibility for corporates to better manage their FX risk exposure.* • **Initiative to Deepen the Interest Rate Swap (IRS) Market as a Liquid Hedging Instrument for Market Participants** [March 10, 2021] ○ Effective 15 March 2021, non-resident banks may trade ringgit-denominated interest rate swap (IRS) without any underlying commitment with any onshore bank or its Appointed Overseas Offices (AOOs). *This is one of the market initiatives by BNM to promote deep and vibrant onshore financial markets. The following flexibility is aimed to promote a more liquid domestic market to lower hedging costs for*	

Measure	Background/Rationale	Regulation	Impact of Measure
		corporates and asset managers, and funding costs for onshore banks. • **Liberalization of Foreign Exchange Policy** [March 31, 2021] ○ Removal of export conversion rule. Residents may now manage the conversion of export proceeds according to their foreign currency cash flow needs. ○ Resident exporters can settle domestic trade in foreign currency with other residents in the global supply chain. ○ Resident exporters can extend the period for repatriation of export proceeds beyond six months under exceptional circumstances. ○ Resident exporters can net-off export proceeds against permitted foreign currency obligations. Resident corporates can undertake commodity derivatives hedging directly with non-resident counterparties. *Further liberalization of FX policy provides greater flexibilities to export-oriented industries to better support the economic recovery from the COVID-19 pandemic.*	

Measure	Background/Rationale	Regulation	Impact of Measure
Macroprudential policy measures			

Measure	Background/Rationale	Regulation	Impact of Measure
• Measures to address household indebtedness	• Promote responsible financial behavior among borrowers and credit providers	• [2011 Mar]: ○ **Stricter credit card requirements** ○ The minimum income eligibility for new cardholders is set at MYR24,000 per annum with minimum age of 21 years; Cardholders earning ≤MYR36,000 per annum can only hold credit cards from at most two issuers and the maximum credit limit extended to a cardholder shall not exceed twice monthly income per issuer	• The measures have contributed to the moderation in household debt, while credit-induced speculative purchases have been in check.
		• [2011 Feb]: Capital risk-weights were raised to 100 percent for mortgages with LTVs exceeding 90 percent and were also raised for personal loans with a tenure of more than 5 years.	
		• [2012 Jan]: Issued guidelines on responsible financing and the computation of debt service ratios (DSR) based on a borrower's net income.	
	• Ensure prudent expansion of credit to households	• [2013 Jul]: ○ Maximum financing tenure of 10 years for personal financing and 35 years for the purchase of residential and non-residential properties ○ Prohibition on offering of pre-approved unsolicited personal financing products, and new personal financing products or variations to existing products must receive prior approval from the Bank.	
• Address property market speculation	• Promote sustainable property market and curb speculative activities	• [2010 Nov]: Maximum loan-to-value ratio of 70 percent for the third and above outstanding housing loan for individuals • [2011 Dec]: Maximum loan-to-value ratio of 60 percent on housing loans by non-individuals/corporates	
		• [2013 Nov]: Prohibit financial institutions from financing new development projects and end-purchases of properties with elements of interest capitalization schemes (ICS), including developer interest bearing schemes (DIBS) or any permutations thereof	
	• Curb speculative activities in the property market and	• [2010] onwards: ○ The RPGT has been adjusted since 2010:	

Disposal	RPGT rates (percent)

Measure	Background/Rationale	Regulation	Impact of Measure
	promote affordable housing to ease upward pressure on house prices due to structural mismatch		

	Before 1-Apr-07			07-09	'10	'12	'13
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non-Citizens)				
x≥2yrs	30	30	30	Exempted	5	10	15
2>x≥3yrs	20	20	30		5	5	10
3>x≥4yrs	15	15	30		5	5	10
4>x≥5yrs	5	5	30		5	5	10
x>5yrs	5	0	5		0	0	0

- Since 2014, government has differentiated the rates for different groups. The RPGT rates for holdings in the sixth year onwards were increased in 2019, but were abolished in 2022 for the citizen, permanent resident and other than company category.

Disposal of property	RPGT rates (percent), wef since 2014		
	Company	Individual Citizen, Permanent Resident, and Other Than Company	Non-Citizen and Non-Permanent Resident Individual
Within 3 years	30	30	30
In the 4th year	20	20	30
In the 5th year	15	15	30
In the 6th and subsequent years	5	0	5
*wef 1 Jan 2019***	*10*	*5*	*10*
x≥6yrs (wef 1 Jan 2022)	*10*	*0*	*10*

***RPGT exemption is given to Malaysian citizens for the disposal of low cost, medium low and affordable residential homes at the price of MYR200,000 and below in the sixth and subsequent years.*

<table>
<tr><th>Measure</th><th>Background/Rationale</th><th>Regulation</th><th>Impact of Measure</th></tr>
<tr><td></td><td></td><td>• [2022] Lowered the RPGT rate from the disposal of real property and shares in real property company by an individual, permanent resident and other than company in the 6th year and onward from 5 percent to 0 percent.</td><td></td></tr>
<tr><td></td><td></td><td>• [2014 Jan]: Increased the floor for properties that can be purchased by non-residents from MYR500,000 to MYR1 million</td><td></td></tr>
<tr><td></td><td></td><td>• [2011]: 50 percent stamp duty exemption on instruments of transfer and loan agreements for houses valued up to MYR350,000
• [Up to end-2016]: 50 percent stamp duty exemption on instruments of transfer and loan agreements for houses valued up to MYR500,000
• [2017-2020]: Stamp duty exemption is increased to 100 percent on instruments of transfer and housing loan instruments, to help reduce cost of home ownership for houses valued up to MYR300,000 for first-time homebuyers for the period 1 Jan 2017 – 31 Dec 2020.
• [Jan 2019]
<table>
<tr><td>Price / Market Value of Real Property Bands (whichever is higher)</td><td colspan="2">Rates of Stamp Duty (percent)</td></tr>
<tr><td></td><td>Previously</td><td>wef 1 Jan 2019</td></tr>
<tr><td>First MYR100,000</td><td>1</td><td>1</td></tr>
<tr><td>MYR100,001 to MYR500,000</td><td>2</td><td>2</td></tr>
<tr><td>MYR500,001 to MYR1,000,000</td><td rowspan="2">3</td><td>3</td></tr>
<tr><td>MYR1,000,001 and above</td><td>4</td></tr>
</table>

• [2019; June 2020-December 2021] Introduced Home Ownership Campaign, which provides a discount of at least 10 percent on houses priced from MYR300,000 to MYR2.5 million that are purchased from registered developers. A 100 percent stamp duty exemption is also provided for the first MYR1</td><td></td></tr>
</table>

Measure	Background/Rationale	Regulation	Impact of Measure
		million of the housing price, with the remaining amount subject to 3 percent. There is also a 100 percent stamp duty exemption covering the whole loan agreement. • [2021–25] Full stamp duty exemptions for the transfer of ownership document and loan agreement, for the purchase of a first home worth not more than MYR500,000. This will run from January 2021 to December 31, 2025.	
• Address existing overhang in residential properties	• There is an existing over-hang of MYR22 billion worth of residential properties as at March 31, 2018, an increase of 65 percent as compared to MYR13.3 billion last year.	• [Jan 2019]: For 6 months starting January 1, 2019, government exempted stamp duty on the instrument of transfer and the loan agreement for purchases of new homes from developers valued between MYR300,001 and MYR1 million.	• MOF and BNM advanced other measures to encourage the development of affordable housing. For example, the government has pledged to build 100,000 homes valued at MYR300,,000 and below by the end of 2019. The BNM also launched a MYR1 billion Fund for Affordable Homes in January 2019 to aid in the purchase of property priced up to • MYR300,000 by those in the lower-income group (those with a monthly household income of <MYR4,360), with coverage and eligibility

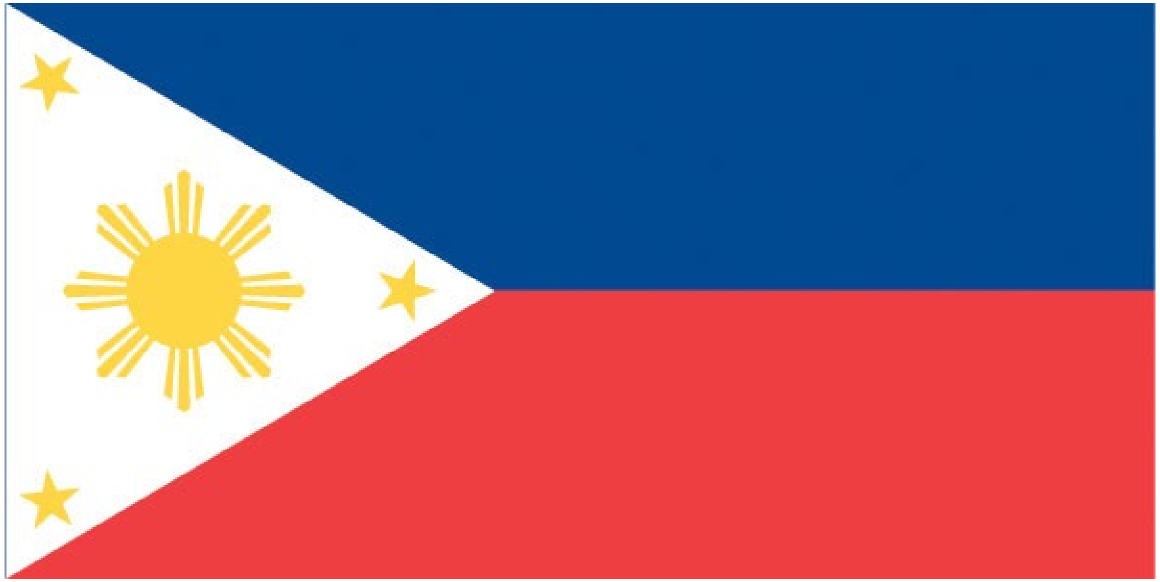
Measure	Background/Rationale	Regulation	Impact of Measure
			having been expanded in September 2019.

Sources:
2016 IMF Article IV Staff Report (Malaysia); BIS WP: Macroprudential frameworks: Implementation, and relationship with other policies – Malaysia (BNM); Budget reports for various years

Myanmar

Measure	Background/Rationale	Regulation	Impact of Measure
• Minimum reserve requirement ratio	•	• Feb 2007 – 10 percent of total deposits • August 2011 – 20 percent if banks accept deposit <= capital*10 – 15 percent if banks accept deposit <= capital*15 – 20 percent if banks accept deposit <= capital*20 – 25 percent if banks accept deposit <= capital*25 • May 2012 – 10 percent of total deposits (customer deposits or government securities or cash at bank) • April 2015 – 5 percent FCY, 5 percent LCY of total customer deposits • April 2020 – 5 percent FCY, 3.5 percent LCY of total customer deposits • May 2021 – 5 percent FCY, 3 percent LCY of total customer deposits • November 2021 – 5 percent FCY, 3 percent LCY of total customer deposits (2.25 percent need to be deposited at central bank and 0.75 percent will be cash at bank) • October 2022 – 5 percent FCY, 3 percent LCY of total customer deposits (2.50 percent need to be deposited at central bank and 0.5 percent will be cash at bank)	•

Measure	Background/Rationale	Regulation	Impact of Measure
• Minimum liquidity ratio	•	• July 2017: Liquidity Ratio Requirement Regulation – 20 percent (incuding treasury bonds having a remaining maturity of 1 year or less) • December 2017: CBM Instruction No. -10/2017 – 20 percent (incuding treasury bonds having a remaining maturity of 1 year or less and 50 percent of total value of treasury bonds having a remaining maturity of over 1 year) • April 2020: CBM Instruction No. -7/2020 – 20 percent (incuding treasury bonds having a remaining maturity of 1 year or less and 90 percent of total value of treasury bonds having a remaining maturity of over 1 year) • May 2021: CBM Instruction No. -7/2021 – 20 percent (incuding 100 percent of treasury bonds either under 1 year or over 1 year and time deposits of banks with remaining maturity of less than 3 months) • October 2021: CBM Instruction No. -14/2021 – 20 percent (incuding 100 percent of treasury bonds either under 1 year or over 1 year) • March 2022: CBM Instruction No. -2/2022 (1 year extension up to March 31, 2023) – 20 percent (incuding 100 percent of treasury bonds either under 1 year or over 1 year and time deposits of banks with remaining maturity of less than 3 months)	•
• Large exposures regulation	•	• 2017: A bank shall not take on financial exposures in respect of a person or a single counterparty or group of connected counterparties which constitutes in the aggregate a liability amounting to more than 20 percent of the core capital of the bank	•



Philippines

Philippines: Capital Flow Management and Macroprudential Policy Measures

Measure	Background/Rationale	Regulation	Impact of Measure
Capital Flow Management Measures			
Direct Investment			
• Direct investment inflow restrictions	• The registration of inward investments (i.e., those made by non-residents) with the BSP or registering banks (on behalf of the BSP) is optional. It is required only if the foreign currency needed to fund the repatriation of capital and the remittance of earnings thereon will be purchased from banks. The BSP (or the registering banks, on behalf of BSP) will issue a BSP Registration Document (BSRD) evidencing the registration of inward investment. • Applications for registration of inward investments filed with the BSP within the one (1) year prescriptive period shall be free of charge. Otherwise, the applicable processing fee shall be assessed as indicated in Appendix 20 of the Manual of Regulations on Foreign Exchange Transactions (FX Manual), as amended.[2] • Registering banks for foreign investments may sell for outward remittance the equivalent FX of (1) excess pesos funded with inward remittance of foreign exchange as follows: peso proceeds of foreign exchange inwardly remitted minus the peso amount actually used for BSP-registered investments; and (2) interest earned on the excess pesos, subject to certain conditions." • Investments shall comply with all applicable laws, rules and regulations, including those issued by the BSP (e.g., prohibition against non-resident	• Manual of Regulations on Foreign Exchange Transactions (FX Manual), as amended.	

[2] The applicable processing fees under Appendix 20 of the FX Manual, as amended, covering registration of foreign investments, among others, are temporarily waived for the duration of Circular No. 1080 dated 27 March 2020 and one (1) month thereafter. Circular No. 1080 shall be effective for the duration of the declaration of "community quarantine" by the Office of the President, or as may be extended by the BSP.

Measure	Background/Rationale	Regulation	Impact of Measure
	investments, whether directly or indirectly, in the BSP term deposit facility). • From December 2021 – March 2022, the Philippines eased restrictions on foreign direct investment (particularly the ownership restrictions) and lowered the investment requirements of foreign enterprises, including amendments to the Retail Trade Liberalisation Act, Foreign Investment Act, and Public Service Act.		
• Direct investment outflow restrictions	• Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements and compliance with applicable laws, rules and regulations, including the bank's "Know Your Customer" policy and existing regulations on anti-money laundering. https://www.bsp.gov.ph/Regulations/MORFXT/MORFXT.pdf • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP.		
• Direct investment liquidation restrictions	• Registration is required only if the foreign exchange for capital repatriation and remittance of profits and earnings is purchased from AABs and/or and AAB-forex corps.		
Portfolio investment			
• Bond: purchase locally by nonresidents	• Remittance of profits, dividends, and earnings related to BSP-registered foreign investments may be fully effected using foreign exchange purchased from AABs and/or AAB-forex corps. There is no		

Measure	Background/Rationale	Regulation	Impact of Measure
	minimum holding period for the above-mentioned transactions.		
• Bond: sale or issue locally by nonresidents	• Nonresidents may issue bonds and other debt securities locally after approval or license to do business in the country is secured from the appropriate government agency. Nonresidents' issuance of notes and bonds or similar instruments in the domestic market requires BSP approval before execution. Philippine branches and subsidiaries of foreign banks must inform the BSP if their parent bank and/or branches abroad of their parent bank offer or market products in the Philippines that are duly registered. When products are being offered, they must submit to the BSP the list of products offered/marketed, the corresponding manuals containing the policies and procedures, the flowchart of transaction, and the risk management system for each product. • Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP.		
• Bond: purchase abroad by residents	• Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents		

Measure	Background/Rationale	Regulation	Impact of Measure
	requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP.		
• Bond: sale or issue abroad by residents	• Private sector borrowing may be freely obtained, provided there is no guarantee from the government sector or AABs and payments are not funded with AABs' and/or AAB-forex corps' resources. Public sector borrowing requires BSP approval. Banks that wish to issue unsecured subordinated debt must secure the approval of the BSP.		
• Equity: purchase locally by nonresidents	• If at least one of the parties in a securities transaction is a bank or a NBFI under BSP supervision, securities purchased must be held by a BSP-accredited securities custodian or registry or SEC-authorized central securities depository that is a third party—i.e. with no subsidiary or affiliate relationship with the issuer or seller of the securities. However, if the purchaser is a nonresident who is a party to an existing global custody agreement governed by foreign laws and conventions under which the bank or NBFI is designated as custodian or subcustodian, the requirement for a third-party BSP-accredited custodian or SEC-registered central securities depository does not apply. Registration of the shares purchased is necessary only if the foreign exchange needed for capital repatriation and remittance of dividends, profits, and earnings thereon will be purchased from AABs and/or AAB-forex corps.		

Measure	Background/Rationale	Regulation	Impact of Measure
• Equity: sale or issue locally by nonresidents	• The shares or securities issued or sold by nonresidents are subject to the same SEC approval and registration requirements as those issued by local companies. However, payment for redemption of such shares or securities must not involve the purchase of foreign exchange from AABs and/AAB-forex corps. Foreign firms whose securities are listed and traded on a local stock exchange must designate a transfer agent and registrar in the Philippines. • Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP.		
• Equity: purchase abroad by residents	• Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be		

Measure	Background/Rationale	Regulation	Impact of Measure
	funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP.		
• Equity: sale or issue abroad by residents	• Investments of residents that will require settlement in foreign currency in favor of another resident shall be governed by the rules on resident-to-resident transactions.		
• Money market instruments: purchase locally by nonresidents	• Registration of the securities purchased is necessary only if the foreign exchange needed for capital repatriation and remittance of profits and earnings that accrue thereon will be purchased from AABs and AAB-forex corps. Banks are prohibited from investing in the BSP Special Deposit Accounts (SDA) facility funds sourced from nonresidents. SDA was replaced by Term Deposit Facility (TDF).		
• Money market instruments: sale or issue locally by nonresidents	• Approval or license to issue money market instruments must be secured from the appropriate government agency. Non-residents' issuance of notes and bonds or similar instruments in the domestic market requires BSP approval before execution. • Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per		

Measure	Background/Rationale	Regulation	Impact of Measure
	investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP		
• Money market instruments: purchase abroad by residents	• Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP. • Residents may also purchase foreign exchange from FXDs and MCs for outward investment, including investment in bonds and notes of the Philippines and of other Philippine entities requiring settlement in foreign currency, regardless of the amount, with documentation.		
• Money market instruments: sale or issue abroad by residents	• Private sector borrowing may be freely obtained, provided there is no guarantee from the government sector or AABs and payments are not funded with AABs' and/or and AAB-forex corps' resources. Public sector borrowing requires BSP approval.		
• Collective investments inflow restrictions	• Private sector borrowing is permitted, provided it is not guaranteed by the government sector or AABs and payments are not funded with AABs' and/or		

Measure	Background/Rationale	Regulation	Impact of Measure
	AAB-forex corps' resources. Public sector borrowing requires BSP approval.		
• Collective investments: purchase locally by nonresidents	• Trust departments/entities, including UITFs, are prohibited from investing in the BSP SDA facility funds from nonresidents. SDA was replaced by TDF.		
• Collective investments: purchase abroad by residents	• Residents may invest in instruments: (a) issued/created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP.		
• Collective investments: sale or issue abroad by residents	• Private sector borrowing may be freely obtained, provided there is no guarantee from the government sector or AABs and payments are not funded with AABs' and/or and AAB-forex resources. Public sector borrowing requires BSP approval. Residents may purchase foreign exchange from AABs and/or AAB-forex corps without BSP approval for investment in foreign-currency-denominated instruments issued onshore by nonresidents, provided these do not exceed USD60 million an investor a year when aggregated with other allowable outward investments. • Purchase of FX by residents from AABs and AAB forex corps for investments in instruments issued by residents shall be treated as resident-to-resident transactions which shall be subject to documentation regardless of amount involved.		

Measure	Background/Rationale	Regulation	Impact of Measure
• Derivatives: purchase locally by nonresidents	• Non-residents may, through FX forwards hedge their market risks arising from FX obligations and/or exposures; Provided, that forward sale of FX may only be used when the underlying transaction (e.g., BSP-registered investments) is eligible for servicing using FX resources of AABs or AAB forex corps. Non-residents may, likewise, cover their funding requirements through FX swaps.		
• Derivatives: sale or issue locally by nonresidents	• Nonresidents' derivatives transactions involving local currency require BSP approval.		
• Derivatives: purchase abroad by residents	• Foreign exchange contracts that do not involve local currency are unrestricted. Contracts involving local currency are subject to restrictions on the importation and exportation of local currency. Banks that wish to engage in derivatives transactions not considered generally authorized are required to secure license from the BSP.		
• Derivatives: sale or issue abroad by residents	• Foreign exchange contracts that do not involve local currency are unrestricted. Contracts involving local currency are subject to restrictions on the importation and exportation of local currency. Banks that wish to engage in derivatives transactions not considered generally authorized are required to secure license from the BSP.		
• Commercial credits inflow restrictions	• Private sector borrowing is permitted, provided it is not guaranteed by the government sector or AABs and payments are not funded with AABs' and/or AAB-forex corps' resources. Public sector borrowing requires BSP approval.		
• Commercial credits outflow restrictions	• These transactions may be freely undertaken, provided they do not involve foreign exchange purchased from AABs and/or AAB-forex corps. Banks may extend peso financing to nonresidents to fund the following: (1) Without prior BSP approval – specific cases allowed under the MORB; or (2) Subject to prior BSP approval – for		

Measure	Background/Rationale	Regulation	Impact of Measure
	use in projects/programs/purposes that are: (a) not covered by item (1) above; and (b) legitimate and not contrary to laws, regulations, public order, public health, public safety, or public policy.		
• Financial credits inflow restrictions	• Private sector borrowing may be freely obtained, provided it is not guaranteed by the government sector or AABs and payments are not funded with AABs' and/or and AAB-forex corps' resources. Public sector borrowing requires BSP approval.		
• Financial credits outflow restrictions	• These transactions may be freely undertaken if they do not involve foreign exchange purchased from AABs and/or and AAB-forex corps.		
• Guarantees, sureties and financial backup facilities inflow restrictions	• BSP approval is required for guarantees by foreign banks and financial institutions to secure obligations of residents in the nature of a foreign loan that is subject to BSP approval. Guarantees that are related to foreign/foreign currency loans/borrowings that require BSP approval/registration must already form part of the loan terms submitted for BSP approval/registration (as applicable). In case of a call on such guarantee: (1) The borrower/guarantor shall submit a written notification to the BSP target date of settlement of the call on the guarantee to allow servicing using foreign exchange resources of AABs/AAB-forex corps; and (2) the borrower shall comply with pertinent rules covering the underlying obligation (including reportorial requirements). Guarantees by nonresident foreign banks and financial institutions as well as other nonresident entities to cover private sector peso loan/foreign currency loans from banks operating in the Philippines FCDU obligations authorized under existing regulations need not be registered, but must be reported to the BSP to be eligible for servicing with foreign exchange purchased from AABs and/or and AAB-forex corps.		

Measure	Background/Rationale	Regulation	Impact of Measure
• Guarantees, sureties and financial backup facilities outflow restrictions	• Guarantees for public sector accounts that may give rise to actual foreign obligation of the public sector to nonresidents and those issued by government-owned and government-controlled corporations [excluding public sector banks and nonbank financial institutions with quasi-banking functions] in favor of nonresidents require BSP approval. Guarantees issued by resident banks and other financial institutions, including public sector banks and nonbank financial institutions with quasi-banking functions and government financial institutions, that cover foreign obligations for account of the private sector other than foreign loans need not be registered, but must be reported to the BSP to be eligible for servicing using foreign exchange purchased from AABs and/or AAB-forex corps.		
• Real estate: purchase abroad by residents	• Residents may invest in instruments: (a) issued/ created offshore by non-residents (except foreign currency deposit accounts offshore) to be funded by FX resources of the banking system; and (b) issued/created onshore by non-residents requiring settlement in foreign currency, in amounts of up to USD60 million (or its equivalent) per investor per year, or per fund per year, upon submission to the FX selling institution of documentary requirements. • Resident investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval, subject to investor's submission of a notification to BSP.		
• Real estate: purchase locally by nonresidents	• Purchases are subject to constitutional and legal limits. Under the Philippine Constitution, foreign nationals and foreign companies are not allowed to directly own land. Ownership of private lands in the Philippines is reserved for Philippine citizens and corporations that are considered Philippine nationals. The Republic Act No. 11647 or the		

Measure	Background/Rationale	Regulation	Impact of Measure
	Foreign Investment Act of 1991, as amended, allows foreign nationals to do business in the country or invest in a domestic enterprise up to 100 percent of its capital and liberalizes the practice of professions not governed by existing special laws. The law also allows foreign investors to set up 100 percent ownership of all small- and medium-sized enterprises. The Philippine Foreign Investment Act allows foreign nationals and companies to indirectly own land by acquiring up to 40 percent ownership of a corporation that is considered a Philippine national, that is qualified to own land (corporations that are considered Philippine nationals are those corporations or partnerships with at least 60 percent of the capital stock outstanding owned by Filipinos). Foreign nationals and foreign companies may also acquire condominium units and shares in condominium corporations up to not more than 40 percent of the total and outstanding capital stock of a Filipino-owned or controlled condominium corporation subject to the rules under the Condominium Act of the Philippines. https://www.officialgazette.gov.ph/downloads/2022/03mar/20220302-RA-11647-RRD.pdf • Investments by non-residents in real estate need not be BSP-registered, unless the FX needed to service repatriation of capital and remittance of profits, and earnings is purchased from AABs or and AAB forex corps.		
• Real estate: sale locally by nonresidents	• Non-residents are not allowed to own private lands in the Philippines, thus cannot sell them the same locally. The Philippine Condominium Act provides that each condominium owner also has the absolute right to sell or dispose of his condominium unless the master deed contains a requirement that the property be first offered to the		

Measure	Background/Rationale	Regulation	Impact of Measure
	condominium owners within a reasonable period of time before the same is offered to outside parties. • BSP-registered investments shall be entitled to full and immediate repatriation of capital and remittance of related earnings thereon using FX resources of AABs/AAB forex corps.		
• Foreign currency deposit unit (FCDU)	• Covered banks will only have to notify the BSP of their intention to engage in expanded foreign currency deposit unit (FCDU) operations. They are, however, expected to comply with the standards and requirements of the expanded FCDU license on a continuing basis.	• BSP CIRCULAR NO. 1134 https://www.bsp.gov.ph/Regulations/Issuances/2021/1134.pdf	
Macroprudential policy measures			
Broad-based tools applied to the banking sector			
• Countercyclical capital buffer	• On 2.13.2018, the Monetary Board approved the Philippine adoption of the Countercyclical Capital Buffer (CCyB) intended for universal and commercial banks (U/KBs) as well as their subsidiary banks and quasi-banks. • The CCyB will be complied with by the banks using their Common Equity Tier 1 (CET1) capital. During periods of stress, the Monetary Board can lower the CCyB requirement, effectively providing the affected banks with more risk capital to deploy. During periods of continuing expansion, the CCyB may be raised which has the effect of setting aside capital which can be used if difficult times ensue. • The CCyB is set initially at a buffer of zero percent. This is in line with global practice. It also suggests that the Monetary Board does not see the ongoing build-up of credit as an imminent risk that would otherwise require an increase in the capital position of banks. The buffer, however, will be continuously reviewed by the BSP. Banks will be given a lead time of 12 months in the event that the CCyB buffer is raised. However, when the buffer is reduced, it takes effect immediately.	• BSP CIRCULAR NO. 1024 • Philippine Adoption of the Basel 1/1 Counter cyclical Capital Buffer□http://www.bsp.gov.ph/dow nloads /regulations/attachments /2018/c1024.pdf	

Measure	Background/Rationale	Regulation	Impact of Measure
• Capital conservation buffer	• The capital conservation buffer (CCB) is another fundamental reform under the Basel III regulatory framework, which the BSP has adopted through the issuance of Circular No. 781 of January 15, 2013. Under this Circular, banks are mandated to raise the quality of their capital and to set up a capital conservation buffer (CCB) of 2.5 percent composed of Common Equity Tier 1 (CET1) capital, effective January 1, 2014. Banks that do not meet the 2.5 percent CCB will be restricted from paying dividends, buying back shares, and paying discretionary employee bonuses in accordance with the table given below. Restrictions on distributions shall continue to be imposed until the required level of CET1 (>8.5 percent) is met. Restrictions on distributions shall be implemented as follows: If Level of CET1 Capital is less than 6.0 percent the bank is fully restricted to make distributions. If Level of CET1 Capital is between 6.0 percent (inclusive) and 7.25 percent distribution shall be limited to 2.5 percent. If Level of CET1 Capital is between 7.25 percent (inclusive) and 8.5 percent (inclusive) up to 50 percent of earnings may be restricted. If Level of CET1 Capital is above 8.5 percent, there are no restrictions on distribution. • Amid the ongoing crisis, the BSP has temporarily allowed banks/quasi-banks to use their CCBs, subject to certain conditions. Banks/quasi-banks were also given a reasonable time to restore these buffers after the crisis, in case of utilization.	• BSP Circular No. 781 of January 15, 2013: Basel III Implementing Guidelines on Minimum Capital Requirements www.bsp.gov.ph/downloads/regulations/attachments/2013/c781.pdf • BSP Memorandum No. M-2020-039 of 4 May 2020: Utilization of Basel III Capital and Liquidity Buffers www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4319	
• Limit on leverage ratio	• The BSP issued Circular No. 881 of June 9, 2015 to restrict the buildup of leverage in the banking sector and reinforce the risk-based capital requirements with a simple, non-risk-based	• BSP Circular No. 881 of 9 June 2015: Implementing Guidelines on the Basel III Leverage Ratio Framework	

Measure	Background/Rationale	Regulation	Impact of Measure
	"backstop" measure, consistent with the Basel III Leverage Ratio. Initially, the minimum Basel III Leverage Ratio is set at 5.0 percent (vis-à-vis the 3.0 percent of Basel Committee on Banking Supervision (BCBS)), consistent with the requirement under the BSP's Prompt Corrective Action Framework. • The 5.0 percent minimum leverage ratio was implemented for monitoring purposes starting end-December 2014 up to end-June 2018 based on BSP issued Circular Nos. 943 and 990 dated January 26, 2017 and January 22, 2018, respectively. Migration of the Basel III leverage ratio to a Pillar 1 requirement took effect on July 1, 2018.	www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=3397 • BSP Circular No. 943 of 26 January 2017: Extension of the Basel III Leverage Ratio Monitoring Period www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=3667 • BSP Circular No. 990 of 22 January 2018: Amendments to the Basel III Leverage Ratio Framework www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=3832	
• Cap on credit growth	• The BSP issued Circular No. 600 of February 4, 2008, which imposes a Real Estate Loan (REL) limit of 20 percent of a bank's total loan portfolio, with certain exclusions. In 2020, the BSP increased the REL limit applicable to universal and commercial banks to 25 percent from 20 percent as prescribed under BSP Circular No.1093 dated August 20, 2020. • Under Circular 1098 dated 24 September 2020, the BSP maintained the maximum interest rate or finance charge on unpaid outstanding credit card balance at two percent per month or 24 percent per year. Furthermore, monthly add-on rates that credit card Issuers could charge on installment loans was retained at a maximum rate of one payment.	• BSP Circular No. 600 dated 4 February 2008: Limit on Real Estate Loans of Universal Banks/ Commercial Banks www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=1957 • BSP Circular No. 1093 of 20 August 2020: Amendments to the Real Estate Limits of Banks • www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4370 •	
• Other broad-based measures to increase resilience or address risks from broad-based credit booms.	The purpose of this measure is to identify potential vulnerabilities arising from banks' exposure in real estate and to serve as a preemptive measure to strengthen the banking system's ability to withstand	• BSP Circular No. 839 of June 27, 2014. Memorandum No. M-2012-046 September 21, 2012: Expanded Report on Real Estate	

Measure	Background/Rationale	Regulation	Impact of Measure
	a systemic shock emanating from the property sector. Real Estate Stress Test Limit (REST) The BSP issued Circular No. 839 of June 27, 2014 for Universal (UBs), Commercial (KBs), and Thrift banks (TBs) to adopt REST limits. REST limits are 10.0 percent of the capital adequacy ratio (CAR) and 6.0 percent of CET1 (for universal, commercial banks, and their subsidiary thrift banks)/Tier 1 ratio (for thrift banks that are not subsidiaries of universal and commercial banks), on both solo and consolidated basis, after adjusting for a stress scenario resulting in a 25.0 percent write-off rate on real estate exposures (REE) and Real and Other Properties Acquired (ROPA)/Non-Current Assets Held for Sale. REST limits took effect July 19, 2014. The REST limits are not absolute limits, rather, a bank that does not meet either or both the REST limits is directed to explain why its exposures do not warrant remedial action. A bank that persistently, breaches any of the REST limits is subject to heightened supervisory response. REST limits are 10.0 percent of the capital adequacy ratio (CAR) and 6.0 percent of CET1 (for universal, commercial banks, and their subsidiary thrift banks)/Tier 1 ratio (for thrift banks that are not subsidiaries of universal and commercial banks), on both solo and consolidated basis, after adjusting for a stress scenario resulting in a 25.0 percent write-off rate on real estate exposures (REE) and Real and Other Properties Acquired (ROPA)/Non-Current Assets Held for Sale. REST limits took effect July 19, 2014. In 2020, the BSP enhanced the regulations governing the REST limits by excluding residential real estate loans as well as	Exposures: www.bsp.gov.ph/downloads/regulations/attachments/2012/m046.pdf • Memorandum No. M-2014-032 of August 11, 2014: Guidelines on the Electronic Submission of the Stress Testing Reports. • BSP Circular No 1164: Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital: www.bsp.gov.ph/Regulations/Issuances/2023/1164.pdf • BSP Circular No. 976 of 10 October 2017: Amendments to the Expanded Report on Real Estate Exposure (ERRRE) and the Submission of the Report on Project Finance Exposures (RPFE): www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=3786 • BSP Circular No. 1093 of 20 August 2020: Amendments to the Real Estate Limits of Banks: www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4370	

Measure	Background/Rationale	Regulation	Impact of Measure
	ROPA/NCAHS from the computation of said limits. The REST limits are not absolute limits, rather, a bank that does not meet either or both the REST limits is directed to explain why its exposures do not warrant remedial action. A bank that persistently, breaches any of the REST limits is subject to heightened supervisory response. On March 19, 2020, the BSP raised the single borrower limit (SBL) applicable to all banks from 25% to 30% as a tool to encourage lending amid the COVID-19 pandemic, pursuant to national interest. The relaxation of SBL and borrowing limits of pawnshops (from 50 percent to 70 percent) have ended on 31 December 2022. In addition, the temporary relaxation in the credit risk weight for loans to MSMEs for purposes of computing compliance with the BSP's Risk-Based Capital Adequacy Frameworks (RBCAF) has been extended to June 30, 2023. https://www.bsp.gov.ph/Regulations/Issuances/2022/M-2022-041.pdf • The regulations on credit exposure limits to a single borrower and definition of capital for credit risk transfer will be enhanced from July 2023. Banks shall continue to use the SBL framework as of end-December 2022 during the transition period from January 2023 to 30 June 2023 for purposes of reckoning compliance with the SBL. • Expanded Monitoring of Real Estate Exposures—The BSP implemented Expanded Monitoring of REE by prescribing UBs, KBs, TBs, and their trust departments to submit solo and consolidated reports on their REE starting with the reporting period ending December 31, 2012. Stress Test (Uniform Stress Testing Program) The BSP issued		

Measure	Background/Rationale	Regulation	Impact of Measure
	Memorandum No. M-2014-032 of August 11, 2014 to institutionalize a Uniform Stress Testing Program for Banks to reinforce prudential policy that banks must have sufficient capital level to absorb risks. The stress test exercise was implemented starting end-June 2014. The stress test has a reference period of end-June and end-December annually. The coverage of the stress test is as follows: Type of Institution Coverage Universal/Commercial Banks and its subsidiary Thrift Banks Credit risk from bank's exposure to (1) economic activities; (2) conglomerates; and (3) consumer loans Market Risk movement in interest rates and foreign exchange Stand-alone Thrift Banks with total assets of at least (a) PhP 5.0 billion; or (b) capital of at least PhP 1.0 billion Stand-alone Thrift Banks that do not meet qualifications in item b above Credit risk from banks' exposure to (1) economic activities; (2) conglomerates; and (3) consumer loans. • The revised expanded report on Real Estate Exposures including report on Project Finance Exposures were issued through Circular No. 976 dated 10 October 2017. Under the new guidelines, covered banks shall report granular information on their real estate loans to mid- and high-end housing units, in addition to socialized and low-cost housing. Moreover, covered banks shall now report commercial real estate loans as to the underlying commercial project being financed such as residential units, office buildings, malls, and factory/plant facilities. Live implementation of said report took effect for the reporting period as of end-September 2018.		
Liquidity tools applied to the banking sector			
• Liquidity Coverage Ratio	• Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) and	• BSP Circular No. 905 of March 10, 2016: Implementation of Basel III	

Measure	Background/Rationale	Regulation	Impact of Measure
	Disclosure Standards—The BSP issued Circular No. 905 of March 10, 2016 to strengthen the liquidity position of universal and commercial banks (U/KBs). Under this Circular, the BSP requires U/KBs, including foreign bank branches, to hold sufficient High-Quality Liquid Assets (HQLAs) that can be easily converted to cash to service liquidity requirements over a 30-day stress period. This provides banks with a minimum liquidity buffer to be able to take corrective action to address a liquidity stress event. Starting January 1, 2018, UKBs are required to maintain LCR on solo and consolidated basis of at least 90 percent and 100 percent beginning January 1, 2019. • Starting January 1, 2018, UKBs are required to maintain LCR on solo and consolidated basis of at least 90 percent and 100 percent beginning January 1, 2019. While an observation period for the Basel III LCR compliance was extended to subsidiary banks/quasi-banks of U/KBs until end-December 2019. This was made under BSP Circular No. 1035. • Meanwhile, for smaller banks, the BSP introduced in 2018 a prudential minimum liquidity ratio of 20 percent for stand-alone thrift banks (TBs), rural and cooperative banks (RBs/CBs) and quasi-banks (QBs). This was prescribed under BSP Circular No. 996. • Amid the ongoing crisis, the BSP has temporarily allowed banks/quasi-banks to use their LCR buffers, subject to certain conditions. Banks/quasi-banks were also given a reasonable time to restore these buffers after the crisis, in case of utilization. Moreover, the MLR of 20 percent for stand-alone TBs, RBs, CBs, and QBs was temporarily reduced to 16 percent until end of 2022.	Framework on Liquidity Standards—Liquidity Coverage Ratio and Disclosure Standards www.bsp.gov.ph/downloads/regulations/attachments/2016/c905.pdf • BSP Circular No. 996 of 8 February 2018: Amendments to the Liquidity Coverage Ratio Framework and Minimum Prudential Liquidity Requirements for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks, and Quasi-Banks www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=3846 • BSP Circular No. 1035 of 15 March 2019: Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4020 • BSP Memorandum No. M-2020-039 of 4 May 2020: Utilization of Basel III Capital and Liquidity Buffers www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4319 • BSP Memorandum M-2022-004 of 17 January 2022: Extension of BSP Prudential Relief Measures www.bsp.gov.ph/Regulations/Issuances/2022/M-2022-004.pdf	

Measure	Background/Rationale	Regulation	Impact of Measure
• Liquidity Coverage Ratio differentiated by currency	• The BSP is monitoring the LCR per currency. However, the BSP does not require banks to maintain 100 percent LCR per currency. Under BSP Circular No. 905 issued March 10, 2016, Universal/Commercial Banks are required to separately monitor on an ongoing basis, their liquidity requirements in currencies that have significant activity as of LCR measurement date.	• BSP Circular No. 905 of March 10, 2016 www.bsp.gov.ph/downloads/regulations/attachments/2016/c905.pdf	
• Net Stable Funding Ratio	• In 2018, the BSP introduced the Basel III Net Stable Funding Ratio (NSFR) under Circular No. 1007. The NSFR Framework applies to all universal and commercial banks (U/KBs) and subsidiary banks/quasi-banks (QBs) on both solo and consolidated bases. Starting January 1, 2019, U/KBs are required to maintain NSFR on solo and consolidated basis of at least 100 percent. While an observation period for the Basel III NSFR compliance was extended to subsidiary banks/quasi-banks of U/KBs until end-December 2019. This was made under BSP Circular No. 1034.	• BSP Circular No. 1007 of 6 June 2018: Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=3901 • BSP Circular No. 1034 of 15 March 2019: Amendments to the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4021)	
• Net foreign exchange positions	• The BSP issued Circular No. 561 of March 8, 2007. Under this Circular, Bank's allowable Net Open Foreign Exchange Position (NOP, either overbought or oversold) shall be the lower of 20 percent of their unimpaired capital or USD50 million. Any excess of the allowable limit shall be settled on a daily basis. Banks shall submit a report on the daily consolidated foreign exchange position of banks which shall include a foreign currency position against pesos of any of the banks' branches/offices, subsidiaries, and affiliates, here and abroad whether or not they are financial institutions, as long as the banks and their	• BSP Circular No. 1120 of 7 June 2021: Amendments to the Regulations on Open Foreign Exchange Position of Banks www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4537	

Measure	Background/Rationale	Regulation	Impact of Measure
	shareholders/officers exercise reasonable influence or control over them, as well as any entity that is engaged in foreign exchange (FX) trading or FX corporation that is affiliated with the banks either by ownership, management control, or influenced by banks, their retirement fund, officer, directors, or shareholders. • In 2021, the BSP increased NOP limit to the lower of 25 percent of qualifying capital or USD150 million. The change aims to make the calculation and measurement of the NOP limit more risk based. To align with the base used for measuring a bank's capital requirement for its FX risk, the BSP also change the base for computation of the NOP limit to qualifying capital from the previous unimpaired capital..		
• Foreign exchange swaps or derivative positions	• The BSP issued Circular No. 740 of November 16, 2011 and Circular No. 790 of March 6, 2013 to curb speculative attacks on the Philippine Peso (PhP) by imposing limits and higher risk weights on Non-Deliverable Forward (NDF). Circular No. 740 imposes higher risk weights for purposes of compliance with the risk-based capital requirement (15 percent capital charge from 10 percent capital charge) on NDF transactions. Circular No. 790 imposes limits on a bank's gross exposures to peso NDF transactions (20 percent and 100 percent of unimpaired capital for domestic banks and foreign bank branches, respectively). • the file reference of the MORB and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) uses 2011 version. And that the MORB has been updated as of 2018. https://www.bsp.gov.ph/Pages/Regulations/BSPIssuances/MORBArchives.aspx	• BSP Circular No. 740 of November 16, 2011: Amendment of Appendix 46 (Guidelines to Incorporate Market Risk in the Risk-Based Capital Adequacy Framework) of the Manual of Regulations for Banks (MORB): www.bsp.gov.ph/downloads/regulations/attachments/2011/c740.pdf • BSP Circular No. 790 of March 06, 2013: Macro-prudential Measure for Handling Non-Deliverable Forwards Involving the Philippine Peso: www.bsp.gov.ph/downloads/regulations/attachments/2013/c790.pdf. • Manual of Regulations for Banks (MORB): www.bsp.gov.ph/downloads/regulations/attachments/2011/c740.pdf.	

Measure	Background/Rationale	Regulation	Impact of Measure
• Other measures to mitigate systemic liquidity risks	• Prohibition on investment in Special Deposit Account (SDA) by nonresidents The BSP issued Memorandum No. M-2012-034 of July 13, 2012 to manage excess domestic liquidity in the financial system. The BSP limited the participation and placements to the SDA Facility by banks/trust departments (TDs)/entities whose funds are obtained directly or indirectly from nonresidents. On January 1, 2014, agency accounts and investment management accounts of trust department of banks were prohibited from accessing the BSP Special Deposit Account (SDA) facility, a monetary policy instrument. The amendments were made as part of the BSP's efforts to fine-tune its monetary policy instruments and have greater flexibility in conducting monetary operations. (Memorandum No. M-2013-021). The BSP issued Circular No. 1014 (effective 12 October 2018) with revised guidelines on the Currency Rate Risk Protection Program (CRPP) and Circular No. 1015 (24 October 2018) on the implementation guidelines of the CRPP. The CRPP Facility aims to ease the excessive demand pressures and promote liquidity in the foreign exchange spot market. The CRPP is a hedging facility offered by the BSP through U/KBs for clients who are seeking to hedge their borrowings denominated in foreign currency. Obligations eligible under the CRPP facility are the unhedged foreign currency obligations in amounts of not less than USD50,000.00 that are current and outstanding as of the date of application. https://www.bsp.gov.ph/Regulations/Issuances/2018/c1014.pdf https://www.bsp.gov.ph/Regulations/Issuances/2018/c1015.pdf	• Memorandum No. M-2012-034 of July 13, 2012: Prohibition against Non-Residents from Investing in the SDA Facility: www.bsp.gov.ph/downloads/regulations/attachments/2012/m034.pdf • Memorandum No. M-2013-021 May 17, 2013: Access of Trust Departments/Entities to the SDA Facility of the Bangko Sentral ng Pilipinas: www.bsp.gov.ph/downloads/regulations/attachments/2013/m021.pdf .	
Tools to address risks from systemically important institutions and interconnectedness within the financial system			

Measure	Background/Rationale	Regulation	Impact of Measure
• Capital surcharges for systemically important institutions	• The BSP has implemented the Basel III framework for D-SIBs through the issuance of Circular No. 856 dated October 29, 2014, which became effective on 31 December 2014. The BSP's guidelines governing D-SIBs are consistent with the international standards applicable to global systemically important banks. Banks identified as D-SIBs are required to have additional common equity tier 1 (CET1) capital or higher loss absorbency (HLA) requirement. The HLA requirement is aimed at ensuring that risk exposures of D-SIBs are supported by high quality capital instruments to increase their resilience considering that a distressed D-SIB poses significant threats of disruption to the domestic financial system and economy. • The BSP D-SIBs framework was amended under Circular No. 1051 dated September 27, 2019. Under the revised framework, "size" and "interconnectedness" bear greater weight as these factors are more critical measures in determining a bank's systemic importance in the Philippines, taking into consideration the simple structure of the Philippine financial system. D-SIBs are identified based on overall scores that exceed a certain threshold. To complement this quantitative assessment, supervisory judgment is also exercised, as necessary, to consider factors that are not captured in the quantitative indicator-based measurement approach. • Under the enhanced framework, D-SIBs that are slotted under bucket 1 are assigned a uniform 1.5 percent HLA requirement, while those slotted under bucket 2 are assigned a differentiated HLA requirement (> 1.5 percent to 2.0 percent). An empty bucket 3 with HLA requirement of 2.5 percent is also maintained to provide incentives for	• BSP Circular No. 856 of October 29, 2014: Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III www.bsp.gov.ph/downloads/regulations/attachments/2014/c856.pdf • BSP Circular No. 904 of 10 March 2016: Guidelines on Recovery Plan of Domestic Systemically Important Banks (D-SIBs) • www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=3506 • BSP Circular No. 1051 of 27 September 2019: Amendments to the Framework for Dealing with Domestic Systemically Important Banks (D-SIBs) www.bsp.gov.ph/Regulations/Issuances/2019/c1051.pdf • BSP Circular No. 1113 of 16 April 2021: Amendments to the Guidelines on Recovery Plan of a Domestic Systemically Important Bank (D-SIB) www.bsp.gov.ph/Regulations/Issuances/2021/1113.pdf	

Measure	Background/Rationale	Regulation	Impact of Measure
	banks to avoid becoming more systemically important. Failure to meet the foregoing regulatory minimum will subject the bank to constraints in the distribution of their income. Banks identified as D-SIBs under the new D-SIBs framework as of 2020 are required to comply with the new minimum capital requirements starting 1 January 2022 to 31 December 2022. • Moreover, D-SIBs are subject to intensive supervisory approach and are required to come up with a concrete and reasonable recovery plan that describes in detail the actions that will be taken to restore their viability in case they face significant financial stress or crisis. This was provided under BSP Circular No. 904 of March 10, 2016, which was amended by Circular No. 1113. The recovery strategies that are embedded in the recovery plan should be in line with these banks' broader crisis preparedness framework. Guidelines on D-SIBs recovery plan includes the submission of a separate recovery plan starting on June 30, 2022 and shall be submitted every June of each year. https://www.bsp.gov.ph/Regulations/Issuances/2021/1113.pdf		
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Singapore

Singapore: Capital Flow Management and Macroprudential Policy Measures

Measure	Background/Rationale	Regulation	Impact of Measure
Exchange Rate Policies			
• **1981** – Adoption of an exchange rate-based monetary policy framework	• The exchange rate has been used as the monetary policy instrument since 1981, as it has a stronger influence on inflation than the interest rate in Singapore's small and open economy. • There are three main features of the exchange rate framework in Singapore, summarised by the acronym BBC: ○ <u>Basket</u>: The Singapore dollar is managed against a basket of currencies of Singapore's major trading partners, which is revised periodically to account for changes in trade patterns. ○ <u>Band</u>: The trade-weighted exchange rate is allowed to fluctuate within a policy band, which accommodates short-term fluctuations in the FX market and provides some flexibility in managing the exchange rate. ○ Crawl: MAS formulates monetary policy by setting a path (i.e. rate of crawl or appreciation) for the exchange rate policy band to ensure price stability in the medium term. MAS' monetary policy decisions are typically characterised by shifts in the slope of the policy band (i.e. the crawl rate) and occasionally by changes in the level of the mid-point or the width of the band.	• NA	• NA
• **1983 to 2004** –Policy on the Non-Internationalisation of the Singapore Dollar • **2004 onwards** – Lending of Singapore Dollar to Non-Resident Financial Institutions	• From 1983 to 2004, MAS had an explicit policy of not encouraging the internationalisation of the SGD, i.e. the use of the SGD outside Singapore for activities unrelated to its real economy. This stemmed from MAS' use of the exchange rate as the principal tool of monetary	**<u>Current restrictions in place:</u>** • Financial institutions may not extend SGD credit facilities exceeding SGD 5	• With the liberalization of the policy, the key impediments to capital market development were

Measure	Background/Rationale	Regulation	Impact of Measure
	policy. The policy was aimed at ensuring that the growth of the SGD market was commensurate with the development of the economy and that the effective conduct of MAS' monetary policy was not compromised. • Under the policy, the extension of credit in SGD to non-residents was limited except for the purpose of funding economic activities. In addition, some restrictions were placed on interbank SGD derivatives, such as FX, currency and interest rate swaps and options, which could facilitate the leveraging or hedging of SGD positions. These restrictions made it harder for potential speculators to short the SGD, and signalled unambiguously our disapproval of such speculation. • Starting in the 1990s, MAS embarked on a gradual liberalisation, while refining the specific measures to discourage SGD speculation. By 2004, the measures were simplified and distilled to only two basic safeguards against borrowing by non-resident financial institutions for speculating in the SGD. There were no other restrictions on SGD activity. The policy of non-internationalisation of the SGD had thus become a misnomer, and it was renamed in 2004 as "Lending of SGD to non-resident financial institutions". **<u>Additional amendments:</u>** • **1983** – Issuance of MAS Notice 621, which codified the policy of discouraging the internationalization of the SGD • **1992** – Amendment to MAS Notice 621 to allow the extension of SGD credit facilities of any amount to non-residents where the SGD	million to non-resident financial entities where they have reason to believe that the proceeds may be used for speculation against the SGD. This continues to be necessary to prevent offshore speculators from accessing the liquidity in our onshore FX swaps and money markets. • For a SGD loan to a non-resident financial entity exceeding SGD 5 million or for a SGD equity or bond issue by a non-resident entity that is used to fund overseas activities, the SGD proceeds must be swapped or converted into foreign currency before use outside Singapore. This guideline is unlikely to stand in the way of market development, as the SGD is not a currency commonly used for transactions abroad, and non-resident entities will	removed, and the policy was reduced to its essence of discouraging speculation against the SGD.

Measure	Background/Rationale	Regulation	Impact of Measure

	funds were used for activities tied to economic activities in Singapore.
	• **13 Aug 1998** – The new MAS Notice 757 replaced MAS Notice 621. MAS Notice 757 reaffirmed the basic thrust of the SGD policy, but contained clearer and more explicit provisions than MAS Notice 621. This minimised the need for financial institutions to consult MAS. Some activities under the SGD policy, specifically in relation to arranging SGD equity listings and bond issues of foreign companies, were relaxed to foster the development of the capital market in Singapore
	• **26 Nov 1999** – Key changes were made to MAS Notice 757 to allow banks to:
	  ○ Transact all SGD interest rate derivatives with non-residents freely. This followed the launch in September 1999 of the SGD interest rate futures on SIMEX (now Singapore Exchange) where participation was open to residents and non-residents.
	  ○ Arrange SGD equity listing for foreign companies freely, provided the proceeds were converted into foreign currency before being used outside Singapore.
	• **Dec 2000 –** Changes to MAS Notice 757 to allow banks to:
	  ○ Lend SGD to non-residents for investment purposes in Singapore. This would allow non-residents to obtain SGD funding for investment in SGD equities, bonds and real estate, and broaden the investor base for SGD assets
	  ○ Extend SGD credit facilities to non-residents to fund offshore activities, as long as the SGD proceeds were first swapped into
		in any case wish to swap or convert the SGD proceeds into a currency of their choice for overseas use	

Measure	Background/Rationale	Regulation	Impact of Measure
		foreign currency before being used outside Singapore. • **20 Mar 2002 –** Changes to MAS Notice 757 to allow banks to: ○ Exempt all individuals and non-financial entities from the SGD lending restrictions of MAS 757. This recognised that such entities were not usually the prime drivers of destabilising currency speculation. ○ Allow non-resident financial entities to: (i) transact freely in asset swaps, cross-currency swaps and cross-currency repos. Previously, such transactions were treated as forms of SGD lending; (ii) lend any amount of SGD-denominated securities in exchange for both SGD and foreign currency denominated collateral. Previously, lending of SGD securities exceeding SGD 5 million had to be fully collateralised by SGD collateral. (iii) Transact freely in SGD FX options with non-resident entities. Previously, such transactions were allowed only if they were supported by underlying economic and financial activities in Singapore. • **28 May 2004 –** Changes to MAS Notice 757 to allow banks to: ○ Exempt all non-resident non-financial issuers of SGD bonds and equities from the requirement to swap or convert their SGD proceeds into foreign currencies before remitting abroad. This would allow the issuers greater flexibility in managing their SGD funds; and ○ Provide an exemption for temporary overdrafts of SGD vostro accounts to prevent settlement failures. This would	

Measure	Background/Rationale	Regulation	Impact of Measure
	facilitate straight-through processing and more efficient handling of SGD payments.		
Macroprudential / CFM Policies			
Household Sector Tools			
• **May 1996** – Introduction of the Loan-to-Value (LTV) cap for loans from financial institutons	• Encourage financial prudence among borrowers. • Provide buffer for lenders against falls in collateral value. Enhance credit underwriting standards. • Ensure long-term stability in the property market. **<u>Additional amendments:</u>** • **July 2005 – Increased LTV limit and decreased minimum cash down payment.** The LTV limit applicable to loans granted by FIs was raised from 80 to 90 percent, and the minimum cash down payment was decreased from 10 to 5 percent. These measures applied to loans for both private and public housing. • **Feb 2010 – Lowered LTV limit.** LTV limit for housing loans was lowered from 90 to 80 percent for housing loans granted by financial institutions. • **Aug 2010 – Lowered LTV limit and raised minimum cash down payment.** For property buyers with one or more outstanding housing loans, the LTV limit was lowered from 80 to 70 percent for housing loans granted by financial institutions and the minimum cash down payment for housing was raised from 5 to 10 percent. • **Jan 2011 – Lowered LTV limit.** ○ For property buyers who are individuals with one or more outstanding housing loans: LTV limit for housing loans granted by financial	• **Latest (since July 2018) – Tightened LTV limits.** Tightened LTV limits by 5 percentage points for all housing loans granted by financial institutions (does not apply to loans granted by HDB). https://www.mas.gov.sg/news/media-releases/2018/raising-additional-buyers-stamp-duty-rates-and-tightening-loan-to-value-limits	• New mortgage loan growth has moderated and the credit risk profile of household debt has improved. To the extent that excessive mortgage loan growth has been pre-empted, this has also contributed to the sustainability of the property market.

Measure	Background/Rationale	Regulation	Impact of Measure
		institutions was lowered from 70 to 60 percent. ◦ For property buyers who are not individuals: LTV limit was lowered from 70 to 50 percent for housing loans granted by financial institutions, regardless of whether the borrower has any outstanding housing loan. • **Oct 2012 – Lowered LTV limit.** ◦ LTV limits for new housing loans to borrowers who are individuals, if (i) the tenure exceeds 30 years or (ii) the loan period extends beyond the retirement age of 65 years, were lowered to (i) 40 percent for a borrower with one or more outstanding residential property loans and 60 percent for a borrower with no outstanding residential property loan. ◦ The LTV limit for housing loans to non-individuals was lowered from 50 to 40 percent, regardless of whether the borrower has any outstanding housing loan. • **Jan 2013 – Lowered LTV limit and increasing minimum cash downpayment.** ◦ LTV limits for new housing loans to borrowers who are individuals with one outstanding housing loan and applying for another housing loan were lowered to (i) 50 percent if the loan tenure does not exceed 30 years and the loan period does not extend beyond the borrower's age of 65 years and (ii) 30 percent if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's age of 65 years. ◦ LTV limits for new housing loans to borrowers who are individuals with two or more outstanding housing loans and applying for another housing loan were	

Measure	Background/Rationale	Regulation	Impact of Measure
		lowered to (i) 40 percent if the loan tenure does not exceed 30 years and the loan period does not extend beyond the borrower's age of 65 years and (ii) 20 percent if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's age of 65 years. ○ The LTV limit for housing loans to non-individuals was lowered to 20 percent, regardless of whether the borrower has any outstanding housing loan. ○ Besides tighter LTV limits, the minimum cash down payment for individuals applying for a second or subsequent housing loan was raised from 10 to 25 percent. • **Aug 2013 – Lowered LTV limit** ○ LTV limits for new housing loans granted for the purchase of public housing to borrowers who are individuals with no outstanding housing loan and applying for a housing loan were lowered to 60 percent if the loan tenure exceeds 25 years or the loan period extends beyond the borrower's age of 65 years and the borrower is an individual with; ○ LTV limits for new housing loans granted for the purchase of public housing to borrowers who are individuals with one outstanding housing loan and applying for another housing loan were lowered to (i) 50 percent if the loan tenure does not exceed 25 years and the loan period does not extend beyond the borrower's age of 65 years and (ii) 30 percent if the loan tenure exceeds 25 years or the loan period extends beyond the borrower's age of 65 years; ○ LTV limits for new housing loans granted for the purchase of public housing to borrowers who are individuals with two or more	

Measure	Background/Rationale	Regulation	Impact of Measure
	outstanding housing loans and applying for another housing loan were lowered to (i) 40 percent if the loan tenure does not exceed 25 years and the loan period does not extend beyond the borrower's age of 65 years and (ii) 20 percent if the loan tenure exceeds 25 years or the loan period extends beyond the borrower's age of 65 years.		
• **Oct 2012 –** Introduced Maximum Loan Tenure for loans from financial institutions	• The objective of the measure is to discourage borrowers from taking on excessive leverage. Lower initial monthly repayments arising from long tenure loans may result in borrowers over-estimating their ability to service their loans.	• The loan tenure rules impose a limit of 35 years on the tenure of housing loans granted by FIs for the purchase of any private residential property. • **Latest (since Aug 2013)** – Maximum loan tenure for housing loans granted by FIs for the purchase of HDB flats reduced to 30 years. For loans of more than 25 years or which extend beyond the retirement age of 65 years, the LTV limit is lower.	• NA
• **May 1996** – Introduction of Seller's Stamp Duty (SSD)	• The SSD was introduced on May 14, 1996 to discourage speculation in the residential property market. The aim is to stabilize the market and prevent prices from overshooting. • The SSD was imposed on residential properties sold within three years of purchase as follows: ○ Sold within the first year of purchase, that is, the property is held for 1 year or less from its	• **Latest (since Mar 2017) – Reduced Seller's Stamp Duty (SSD) holding period and rates.** ○ Impose SSD on holding periods of up to three years,	• The implementation of stamp duties has been followed by a sharp reduction of speculative activity, as proxied by short-term resale

Measure	Background/Rationale	Regulation	Impact of Measure
	purchase date – the full SSD rate (1 percent for the first S$180,000 of the consideration, 2 percent for the next S$180,000, and 3 percent for the balance) is imposed. ○ Sold within the second year of purchase, that is, the property is held for more than 1 year and up to 2 years – 2/3 of the full SSD rate. ○ Sold within the third year of purchase, that is, the property is held for more than 2 years and up to 3 years – 1/3 of the full SSD rate. **<u>Additional amendments:</u>** • **November 1997 – Suspended SSD.** The Government suspended SSD for the sale of properties within 3 years of purchase made on or after November 19, 1997 to improve the liquidity of transactions in the market. SSD was no longer necessary since speculative activity in the property market had been quenched. • **Feb 2010 – Introduced Seller's Stamp Duty (SSD) on residential properties and residential lands.** Introduction of SSD on all residential properties and residential lands that were bought on or after February 20, 2010 and sold within one year from the date of purchase. • **Aug 2010 – Increased holding period for imposition of SSD.** For residential properties bought on or after August 30, 2010, the holding period for the imposition of SSD on residential properties sold was increased from one to three years. The SSD levied on residential properties is revised as follows: ○ Sold within the first year of purchase, that is, the property is held for 1 year or less from its purchase date – the full SSD rate (1 percent for the first S$180,000 of the consideration, 2	down from four years previously; ○ Lower the SSD rate by four percentage points for each tier. The new SSD rates range from 4 percent (for properties sold in the third year) to 12 percent (for those sold within the first year).	transactions, including subsales.

Measure	Background/Rationale	Regulation	Impact of Measure
	percent for the next S$180,000, and 3 percent for the balance) is imposed. ○ Sold within the second year of purchase, that is, the property is held for more than 1 year and up to 2 years – 2/3 of the full SSD rate. ○ Sold within the third year of purchase, that is, the property is held for more than 2 years and up to 3 years – 1/3 of the full SSD rate. • **Jan 2011 – Increased holding period for imposition of SSD and SSD Rate.** ○ Holding period for imposition of SSD was increased from three to four years. ○ SSD rates were raised to 16, 12, 8, and 4 percent for residential properties bought on or after January 14, 2011, and are sold in the 1st, 2nd, 3rd, and 4th year of purchase respectively.		
• **June 2013** – Introduction of Total Debt Servicing Ratio (TDSR)	• The TDSR aims to encourage financial prudence among borrowers, and strengthen credit underwriting practices among lenders. • The TDSR framework provides Financial Institutions (FIs) a robust basis for assessing the debt servicing ability of borrowers applying for property loans, taking into consideration their other outstanding debt obligations. FIs will be required to compute the TDSR, or the percentage of total monthly debt obligations to gross monthly income, on a consistent basis. • The TDSR apply to loans for the purchase of all types of property, loans secured on property, and the re-financing of all such loans. FIs are required to: ○ take into account the monthly repayment for the property loan that the borrower is applying for plus the monthly repayments on all other outstanding property and non-property debt obligations of the borrower;	• **Latest (since June 2013) –** MAS expects property loans granted by an FI to not exceed a TDSR threshold of 60 percent. Property loans in excess of the TDSR threshold of 60 percent should only be granted on an exceptional basis. Banks should ensure that these cases are approved by their credit committees and that such approvals are in line with the policies set	• The TDSR has moderated the growth of new mortgage loans and strengthened credit underwriting practices among lenders. • In 2013, the TDSR, together with the raising of the Additonal Buyer's Stamp Duty and lowering of LTV ratio, has helped to moderate excessive buyer demand and contributed to the sustainability of the property market.

Measure	Background/Rationale	Regulation	Impact of Measure
	○ apply a specified medium-term interest rate or the prevailing market interest rate, whichever is higher, to the property loan that the borrower is applying for when calculating the TDSR (3.5 percent for housing loans and 4.5 percent for non-residential property loans); ○ apply a haircut of at least 30 percent to all variable income (e.g. bonuses) and rental income; and ○ apply haircuts to and amortise the value of any eligible financial assets taken into consideration in assessing the borrower's debt servicing ability, in order to convert them into 'income streams' in computing the TDSR. **Additional amendments:** • **Sep 2016 – Disapply the TDSR framework to borrowers refinancing their owner-occupied housing loan, regardless of when the residential property was bought.** The refinancing of all investment property loans would be subject to the TDSR threshold, except if they can commit to a debt reduction plan to repay at least 3 percent of their outstanding property loan over a period of no more than three years, and they meet the lender's credit assessment. • **Mar 2017 – Disapply TDSR framework to mortgage equity withdrawal loans with LTV ratios of 50 percent and below.** To give borrowers greater flexibility to monetize their properties in their retirement years.	by their boards of directors. • FIs should clearly document the basis for granting property loans in excess of the TDSR threshold of 60 percent, and report such cases to MAS. https://www.mas.gov.sg/news/media-releases/2013/mas-introduces-debt-servicing-framework-for-property-loans	
• **May 1996** – Disallowed foreigners from taking SGD housing loans	• Disallowed the granting of Singapore dollar loans to non-permanent resident foreigners and	• **Latest (since Oct 2001) – Foreigners allowed to have**	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
	non-Singapore companies for the purchase of residential properties.	**SGD dollar loans.** The restrictions that foreigners who were not PRs and non-Singapore companies were not allowed to obtain housing loans in Singapore dollars were lifted.	
• **Sep 2009** – Elimination of interest-only mortgages	• Interest-only housing loans and Interest Absorption Scheme loans in which the developer absorbed interest payments on behalf of the borrower for a period of time were disallowed. This measure applied to all private residential projects. These schemes could have encouraged property speculation, as they were forms of housing loans that entirely eliminated or substantially lowered regular instalment payments for property purchasers in the first few years before the properties were completed.	• NA	• NA
• **Jan 2013 –** Introduction of Mortgage Servicing Ratio for HDB flats and EC	• MSR for public housing loans granted by financial institutions was capped at 30 percent of a borrower's gross monthly income. For loans granted by HDB, the cap on the MSR was lowered from 40 to 35 percent.	• **Latest (since Aug 2013)** The MSR for public housing loans granted by both financial institutions and HDB has been set at the same threshold of 30 percent since August 2013, when HDB lowered its MSR from 35 percent to 30 percent.	• NA

Measure	Background/Rationale	Regulation	Impact of Measure	
• **Dec 2011 –** Introduction of Additional Buyer's Stamp Duty (ABSD) • The Additional Buyer's Stamp Duty (ABSD) is a residency-based capital flow management (CFM)/macro-prudential measure (MPM) based on IMF definition	• The ABSD's objective is to moderate the demand for residential properties, to keep prices in line with economic fundamentals. • **Imposition of ABSD on the following categories of residential property purchases:** ○ 10 percent for foreigners and non-individuals (corporate entities) buying any residential property; ○ 3 percent for SPRs owning one and buying a second and subsequent residential property; and ○ 3 percent for Singapore citizens owning two and buying a third and subsequent residential property. • **Jan 2013 – Increased ABSD rates.** Additional Buyer's Stamp Duty (ABSD) rates were: ○ Raised between five and seven percentage points across the board. ○ Imposed on SPRs purchasing their first residential property and on Singapore citizens purchasing their second residential property.		• **Latest (since July 2018) – Increased Additional Buyer's Stamp Duty (ABSD) Rates** ○ Increased ABSD by 5 percentage points for individuals (excluding Singapore Citizens (SCs) and Singapore Permanent Residents (SPRs) purchasing their first residential property), and by 10 percentage points for entities (including developers).[3] ○ Introduced an additional ABSD of 5 percentage points that is non-remittable under the Remission Rules[4] (payable on the purchase	• Transaction activity has moderated following the ABSD, especially for buyer profiles more affected by the calibration of the measure (e.g. those with more than one existing property, non-individual buyers, and non-resident purchasers). To the extent that the ABSD has moderated excessive buyer demand, this has also contributed to the sustainability of the property market.

[3] As entities, developers will also be subject to the ABSD rate of 25 percent for entities. Developers may apply for remission of this 25 percent ABSD, subject to conditions (including completing and selling all units within the prescribed periods of 3 years or 5 years for non-licensed and licensed developers respectively). Details are provided under the Stamp Duties (Non-licensed Housing Developers) (Remission of ABSD) Rules 2015 and the Stamp Duties (Housing Developers) (Remission of ABSD) Rules 2013.

[4] Stamp Duties (Non-licensed Housing Developers) (Remission of ABSD) Rules 2015 or Stamp Duties (Housing Developers) (Remission of ABSD) Rules 2013.

Measure	Background/Rationale	Regulation	Impact of Measure
		price or market value, as applicable) for developers purchasing residential properties for housing development. o The ABSD rates for SCs and SPRs purchasing their first residential property is retained at 0 percent and 5 percent respectively. https://www.mas.gov.sg/news/media-releases/2018/raising-additional-buyers-stamp-duty-rates-and-tightening-loan-to-value-limits	
• **May 1996** – Introduced deemed income tax on gains from sale of property within 3 years of purchase	• Deemed income tax on gains from the sale of property within 3 years of purchase was introduced on May 14, 1996 to discourage speculation in the residential property market. **Additional amendments:** • **October 2001 – Removal of deemed income tax on gains from sale of property within 3 years of purchase.** The Government removed deemed income tax on gains from the sale of	• NA	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
	property within 3 years on and after October 13, 2001.		
Broad-based Tools Applied to the Banking Sector			
• **Jan 2016** – Countercyclical capital buffer (CCyB)	• MAS implements, since January 1st, 2016, a CCyB framework (including reciprocity requirements) consistent with the BCBS framework. CCyB decisions are pre-announced by up to 12 months and at least annually in MAS Financial Stability Review (FSR).	• **(Latest)** As communicated in November 2019 FSR, the CCyB is currently set at zero.	• NA
• **Jan 2016** – Capital conservation buffer (CCB)	• In line with the requirements and phase-in arrangements set out under the Basel III framework, MAS has implemented the CCB requirement for Singapore-incorporated banks from January 1st, 2016.	• **(Latest)** From January 1st, 2019, Singapore-incorporated banks need to meet a CCB of 2.5 percent (increased from 1.875 percent in line with the BCBS' phase-in arrangements) of CET1.	• NA
Tools to Address Risks posed by Domestic Systemically Important Banks (D-SIBs)			
• **2015 –** Additional supervisory measures for D-SIBs	• D-SIBs are banks that are assessed to have a significant impact on the stability of the financial system and proper functioning of the broader economy. All banks in Singapore will be assessed for their systemic importance annually based on their size, interconnectedness, substitutability and complexity. The framework builds on MAS' existing supervisory impact assessment methodology. It is aligned with the principles set out by the Basel Committee on Banking Supervision (BCBS) for determining banks that are of domestic systemic importance.	• **(Latest)** D-SIBs that have a significant retail presence in Singapore will be required to locally incorporate their retail operations. • Locally-incorporated D-SIBs will also need to meet higher capital requirements – a minimum Common Equity Tier 1 (CET1)	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
		• Banks designated as D-SIBs are required to comply with additional supervisory measures. •	capital adequacy ratio (CAR) of 6.5 percent, Tier 1 CAR of 8 percent and Total CAR of 10 percent, compared with the Basel III minimum requirements of 4.5 percent, 6 percent and 8 percent respectively. • Other measures such as recovery and resolution planning, liquidity coverage ratio requirements, and enhanced disclosures will also apply, depending on the bank's operating model and structure. • The following banking groups are designated as D-SIBs: ○ DBS Bank; ○ Oversea-Chinese Banking Corporation; ○ United Overseas Bank; ○ Citibank; ○ Malayan Banking Berhad; ○ Standard Chartered Bank; and

Measure	Background/Rationale	Regulation	Impact of Measure
		○ The Hongkong and Shanghai Banking Corporation • For more details on the D-SIB framework, please refer to the monograph on MAS' Framework for Impact and Risk Assessment of Financial Institutions: https://www.mas.gov.sg/-/media/MAS/News-and-Publications/Monographs-and-Information-Papers/Monograph--MAS-Framework-for-Impact-and-Risk-Assessment.pdf	
Liquidity Tools Applied to the Banking Sector			
• **Jan 2015** – Liquidity Coverage Ratio/Minimum Liquid Asset Requirement	• All D-SIBs are required to comply with the Liquidity Coverage Ratio (LCR) requirement, both on an all-currency level and a Singapore Dollar (SGD) level. All other banks in Singapore may elect to comply with the LCR requirement or the Minimum Liquid Assets (MLA) framework, similarly both on an all-currency level and an SGD level.	• **(Latest)** For the three local banking groups which cover all internationally active banks in Singapore, the all-currency LCR requirement started at 60 percent on January 1st, 2015 and increased 10 percent annually to reach 100 percent on January 1st, 2019. These banks are also	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
			subject to an SGD LCR requirement of 100 percent from January 1st, 2015. • For other D-SIBs as well as non-D-SIBs that elect to comply with the LCR framework, they are subject to an all-currency LCR requirement of 50 percent and an SGD LCR requirement of 100 percent from January 1st, 2016. • For non-D-SIBs complying with the MLA requirement, they are required to hold liquid assets denominated in any currency of at least 16 percent of its qualifying liabilities (a subset of the banks' liabilities) in all currencies from January 1st, 2016. They are also required to hold liquid assets denominated in SGD of at least 16 percent of its SGD qualifying liabilities. • For more details, please refer to MAS

Measure	Background/Rationale	Regulation	Impact of Measure
		Notice 649 Minimum Liquid Assets and Liquidity Coverage Ratio: https://www.mas.gov.sg/regulation/notices/notice-649	
• **Jan 2018** – Net Stable Funding Ratio	• All D-SIBs are required to meet the Net Stable Funding Ratio (NSFR) requirement on an all currency level from January 1st, 2018.	• **(Latest)** For the three local banking groups which cover all internationally active banks in Singapore, the all-currency NSFR requirement is 100 percent. For other D-SIBs, the all-currency NSFR requirement is 50 percent. • For more details, please refer to MAS Notice 652 Net Stable Funding Ratio: • https://www.mas.gov.sg/regulation/notices/notice-652	• NA
• **Jan 2018 –** Minimum leverage ratio requirement	• MAS has also introduced a minimum leverage ratio of 3 percent for Singapore-incorporated banks.	• **(Latest)** MAS has also introduced a minimum leverage ratio of 3 percent for Singapore-incorporated banks. For more details, please refer to MAS Notice 637 Notice on Risk Based Capital	• NA

Measure	Background/Rationale	Regulation	Impact of Measure
		Adequacy Requirements for Banks Incorporated in Singapore: https://www.mas.gov.sg/regulation/notices/notice-637	
Corporate Sector Tools			
• Lending to particular industries or sectors	• Total property-related exposure of a bank is capped at 35 percent of total eligible assets.	• Total property-related exposure of a bank is capped at 35 percent of total eligible assets.	• NA

Thailand

Thailand: Capital Flow Management and Macroprudential Policy Measures

Measure	Background/Rationale	Regulation	Impact of Measure
2002			
• Portfolio outflow liberalization	• Help relieve pressure on the baht; greater risk sharing and diversification, enhanced return, greater economic and financial integration	• Mutual funds: portfolio investments abroad permitted up to USD 200 million per year.	• Didn't do much to alleviate baht pressure, but increased diversification benefits for investors (Thaicharoen and Ananchotikul 2009)
2003			
• Portfolio outflow liberalization	• Help relieve pressure on the baht; greater risk sharing and diversification, enhanced return, greater economic and financial integration	• With BOT approval, some institutional investors (i.e., specialized financial institutions [SFIs] government pension funds, mutual funds (excluding private funds), social security funds, provident funds, and insurance companies) permitted to invest abroad, in: (1) Thai government and corporates debt securities, and (2) debt instruments issued by non-resident sovereigns and quasi-sovereigns, subject to annual.	• Didn't do much to alleviate baht pressure, but increased diversification benefits for investors (Thaicharoen and Ananchotikul 2009)
• Manage speculative inflows	• Help avoid self-fulfilling prophecy that could result in the baht strengthening beyond level justified by fundamentals	• For underlying trade or investment, financial institutions can borrow Thai baht or enter into transactions comparable to baht borrowing from non-residents up to underlying value. However, for transactions without underlying trade and investment, financial institutions can borrow Thai baht or enter in transactions comparable to baht borrowing from non-residents for only up to THB 50 million per entity only for a maturity not more than three months.	• Effectiveness of measures were limited (Thaicharoen and Ananchotikul 2009)

Measure	Background/Rationale	Regulation	Impact of Measure
• Manage speculative inflows	• Help avoid self-fulfilling prophecy that could result in the baht strengthening beyond level justified by fundamentals	• The daily outstanding balance of the Non-resident Baht Account is limited to a maximum of THB 300 million per non-resident. Exceptions to this limit are considered on a case by case basis by the BOT.	• Effectiveness of measures were limited (Thaicharoen and Ananchotikul 2009)
• Manage speculative inflows	• Help avoid self-fulfilling prophecy that could result in the baht strengthening beyond level justified by fundamentals	• Financial institutions are not allowed to undertake non-deliverable forward (NDF) transactions against Thai Baht with Non-Residents (NRs) except rollover transactions and transactions to be terminated due to settlement failure (unwind) caused by the counter party being unable to seek sufficient liquidity to fully settle the transaction.	• Effectiveness of measures were limited (Thaicharoen and Ananchotikul 2009)
• Macroprudential measure	• Help check household debt	• 70 percent LTV limit on residential properties amounting to ≥ THB 10 million (strict limit)	• Successfully slowed housing credit growth (Pongsaparn et al 2017)
2004			
• Macroprudential measure	• Help check household debt	• Credit card LTI measures: Minimum monthly payment increased to 10 percent (from 5 percent previously); minimum income ≥ THB15,000 per month for credit card holders; combined credit limit: 5X average monthly income	
2005			
• Macroprudential measure	• Help check household debt	• [2005] Personal loan LTI measure: overall credit limit: 5X average monthly income	
2006			
• Relaxing foreign currency deposit regulation	• Help relieve pressure on the baht	• [2006] Allowing individuals and juristic persons with foreign currency (FC) earnings and having future obligation within 6 months to deposit into FCD up to the outstanding limit	• Didn't do much to alleviate baht pressure (Thaicharoen and Ananchotikul 2009)

Measure	Background/Rationale	Regulation	Impact of Measure
		of USD 0.5 million and USD 50 million, respectively	
• Manage speculative inflows	• Help avoid self-fulfilling prophecy that could result in the baht strengthening beyond level justified by fundamentals	• [2006] The BOT seeks cooperation from financial institutions not to issue and sell bills of exchange in baht for all maturities to non-residents. • Financial institutions can borrow Thai baht or enter in transactions comparable to baht borrowing from non-residents without underlying trades and investments in Thailand for only up to THB 50 million per group of entity only for a maturity not more than three months.	• Effectiveness of measures were limited (Thaicharoen and Ananchotikul 2009)
• Manage speculative inflows	• Help avoid self-fulfilling prophecy that could result in the baht strengthening beyond level justified by fundamentals	• [2006] Financial institutions are asked to refrain from selling and buying all types of debt securities through sell-and-buy-back transactions for all maturities. Such transactions are financial instruments that non-residents can use to evade the BOT's anti-speculation measures. • Financial institutions are allowed to buy and sell foreign currencies with non- residents or to credit THB into or debit THB from the Non-resident Baht Accounts for the settlements relating to investments in government bonds, treasury bills or BOT bonds only when such investment holdings are longer than three months.	• Effectiveness of measures were limited (Thaicharoen and Ananchotikul 2009)

Measure	Background/Rationale	Regulation	Impact of Measure
		• Financial institutions are allowed to borrow baht or enter into transactions comparable to baht borrowing from non-residents without underlying trades and investments in Thailand only for a maturity not more than six months (previously three months)	
• Manage speculative inflows	• Price-based friction to slow the inflow surge and break momentum of one-way speculation	• Implement unremunerated reserve requirement (URR). Investors in debt securities, mutual funds as well as property funds, and FX transactions with no proof of underlying transactions are required to reserve 30 percent of the amount with commercial banks. The investors will be able to get the reserved amount back without penalty after one year.	• Successful in decreasing inflows to more manageable levels and helped break the momentum of the baht's movement. Measure enabled the private sector and the economy to adjust in a more orderly and efficient manner (Thaicharoen and Ananchotikul 2009).
2007			
• Direct investment outflow liberalization	• Help relieve pressure on the baht; greater risk sharing and diversification, enhanced return, greater economic and financial integration	• [2007] Thai parent companies are allowed to invest in or lend to subsidiary and affiliated companies abroad up to USD 50 million per company per year. • Thai subsidiary companies are allowed to invest in or lend to their parent and affiliated companies ab As it has been observed, a country decides on a range of policy options based on policy objectives, rather than their classification given by IFIs increased up to USD 20 million per company per year • Companies listed in the Stock Exchange of Thailand (SET) are	• Didn't do much to alleviate baht pressure, but increased diversification benefits for investors (Thaicharoen and Ananchotikul 2009)

Measure	Background/Rationale	Regulation	Impact of Measure
		allowed to invest in or lend to subsidiary and affiliated companies abroad up to USD 100 million per year	
• Portfolio investment outflow liberalization	• Help relieve pressure on the baht; greater risk sharing and diversification, enhanced return, greater economic and financial integration	• [2007] Seven types of institutional investors including securities companies are allowed to invest in oversea securities, including Thai securities issued abroad with no limit, and in foreign securities abroad up to an outstanding balance of USD 50 million per investor with no prior approval. • The BOT approves an investment quota of a USD 10bn outstanding balance to the SEC (Securities and Exchange Commission Thailand) to be allocated among investors under the SEC such as, mutual fund, pension fund and private funds for purchasing overseas securities	• Didn't do much to alleviate baht pressure, but increased diversification benefits for investors (Thaicharoen and Ananchotikul 2009)
• Relaxing foreign currency deposit regulation	• Help relieve pressure on the baht	• [2007] Allowing individuals and juristic persons with FC earnings but without future obligation to deposit into FCD up to the outstanding limit of USD 0.05 million and USD 2 million, respectively. • Residents with foreign currencies originated abroad can deposit up to the outstanding limit • Residents with foreign currencies bought, exchanged, or borrowed from authorized financial institutions (foreign currencies originated domestically) can deposit up to outstanding limit	• Didn't do much to alleviate baht pressure

Measure	Background/Rationale	Regulation	Impact of Measure
• Relaxing FX regulation	• Help relieve pressure on the baht	• The limit of fund remittances by Thai residents to a family member who is a permanent resident abroad is raised to USD 1 million. • Relaxing the repatriation requirement for Thai residents with foreign currency receipts by extending the period in which such receipts must be brought into the country to 360 days.	• Didn't do much to alleviate baht pressure
2008			
• Direct investment outflow liberalization	• Help relieve pressure on the baht; greater risk sharing and diversification, enhanced return, greater economic and financial integration	• [2008] Further relaxing for Thai parent companies, Thai subsidiary companies and companies in the SET to invest in or lend to subsidiary and affiliated companies abroad such as raising amount limit of Thai parent companies up to USD 100 million per year	• Didn't do much to alleviate baht pressure, but increased diversification benefits for investors
• Portfolio investment outflow liberalization	• Help relieve pressure on the baht; greater risk sharing and diversification, enhanced return, greater economic and financial integration	• [2008] Increasing the investment quota of overseas securities for the SEC from up to a USD 10bn to USD 30 billion outstanding balance • Upon approval by the BOT, retail investors are allowed to invest in oversea securities through local intermediaries within the amount limit allocated by the SEC	• Didn't do much to alleviate baht pressure, but increased diversification benefits for investors
• Relaxing foreign currency deposit regulation	• Help relieve pressure on the baht	• [2008] Removing the outstanding limit on FCDs whose foreign currencies are originated abroad for both individuals and juristic persons. • Raising the limit on FCDs for residents with foreign currency originated domestically	• Didn't do much to alleviate baht pressure

Measure	Background/Rationale	Regulation	Impact of Measure
• Relaxing FX regulation	• Help relieve pressure on the baht	• [2008] Increasing the limit for purchase of properties abroad from USD 1 million to USD 5 million.	• Didn't do much to alleviate baht pressure
• Lifted capital flow management measure	• After successful implementation, the measure has been lifted (Thaicharoen and Ananchotikul 2009).	• URR lifted.	• Avoided possible distortions in economic and financial decisions and higher capital costs
• Manage speculative inflows	• Help check speculative activity and relieve pressure on the baht	• [2008] For transactions without underlying trade and investment in any maturity, financial institutions can borrow Thai baht or enter in transactions comparable to baht borrowing from non-residents for only up to THB 10 million per group of entity (previously THB 50 million per group of entity). • The daily outstanding balance of the Non-resident Baht Account for securities is limited to a maximum of THB 300 million per non-resident. Exceptions to this limit are considered on a case by case basis by the BOT.	•
2009			
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2009] Eight types of institutional investors including Thai juristic persons with assets of at least THB 5 billion are allowed to invest in overseas securities	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Macroprudential measure (relaxation of strict LTV measure)		• [2009] Increased LTV limit for mortgage with amount ≥ THB 10 million, from 70 percent to 80 percent. 75 percent risk-weighted capital charge if loans has LTV > 80 percent, else 35 percent risk-weighted capital charge	

Measure	Background/Rationale	Regulation	Impact of Measure
2010			
• Direct investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2010] Thai companies and individuals are allowed to invest in or lend to subsidiary and affiliated companies abroad without limit (as necessary) and up to USD 100 million, respectively. • Thai companies are allowed to lend to non-affiliated business entities abroad up to USD 50million	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2010] Increasing the investment quota of overseas securities for the SEC from up to a USD 30bn to USD 50bn outstanding balance.	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Relaxing foreign currency deposit regulation	• Recycle current account surplus and help relieve pressure on the baht	• [2010] Raising the outstanding limit on FCDs for residents with foreign currencies originated domestically without obligations up to USD 0.5million.	
• Relaxing FX regulation	• Recycle current account surplus and help relieve pressure on the baht	• [2010] Increasing the limit for purchase of properties abroad from USD 5 million to USD 10 million.	
2012			
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2012] Nine types of institutional investors including company listed in the Stock Exchange of Thailand are allowed to invest in overseas securities • Expanding list of permitted type of oversea securities, including foreign currency denominated bond issued and offered in Thailand.	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Macroprudential measure	• Help check household debt	• [2012] For high-rise property of amount < THB 10 million: 75 percent risk-weighted capital charge if loans has LTV > 90 percent, else	• Successfully slowed housing credit growth (Pongsaparn et al 2017)

Measure	Background/Rationale	Regulation	Impact of Measure
		35 percent risk-weighted capital charge	
2013			
• Direct investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2013] Removing the amount limit for individuals investing in or lending to subsidiary and affiliated companies abroad	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2013] Institutional investors are allowed to invest in overseas securities without limit, where such investment shall not exceed the limit set by the supervisory authority of the investors. • Increasing the investment quota of overseas securities for the SEC from up to a USD 50 billion to USD 75 billion outstanding balance.	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Relaxing foreign currency deposit regulation	• Recycle current account surplus and help relieve pressure on the baht	• [2013] Raising the outstanding limit on FCDs for residents with foreign currencies originated domestically with obligations up to obligations amount	
• Macroprudential measure	• Help check household debt	• [2013] For low-rise property with amount < THB 10 million: 75 percent risk-weighted capital charge if loans has LTV greater than 95 percent, else 35 percent risk-weighted capital charge	
2015			
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2015] Ten types of institutional investors including derivatives dealer are allowed to invest in overseas securities	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Relaxing foreign currency deposit regulation	• Recycle current account surplus and help relieve pressure on the baht	• [2015] Raising the outstanding limit on FCDs for residents with foreign currencies originated domestically	•

Measure	Background/Rationale	Regulation	Impact of Measure
		without obligations up to USD 5 million	
• Relaxing FX regulation	• Recycle current account surplus and help relieve pressure on the baht	• [2015] Increasing the limit for purchases of properties abroad from USD 10 million to USD 50 million.	
2016			
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2016] Thai juristic persons or individuals having investments in securities or derivatives or deposits of at least THB 100 million are allowed to invest in overseas securities up to 5million per year.	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
2017			
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2017] Increasing the investment quota of overseas securities for the SEC from up to a USD 75 billion to USD 100 billion outstanding balance.	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht
• Macroprudential measure	• Help check household debt	• [2017] Credit card LTI: Lowered credit limit: Monthly income less than THB 30,000 per month, lowered to 1.5X monthly income (previously 5X). If monthly income THB30-50k, limit is 3X monthly income (from 5X previously) • [2017] Personal loan LTI: Lowered credit limit: Monthly income less than THB 30,000 per month, lowered to 1.5X monthly income	
2018			
• Portfolio investment outflow liberalization	• Recycle current account surplus and help relieve pressure on the baht	• [2018] Thai Juristic persons or individuals having investments in securities or derivatives or deposits of at least THB 50 million but less than THB 100 million are allowed to invest in overseas securities up to USD 1 million per year.	• Helped recycle current account surplus and a bit of overall help in relieving pressure on the baht

Measure	Background/Rationale	Regulation	Impact of Measure
2019			
• Manage speculative inflows	• The baht has come under renewed speculation. • The BOT has observed that during the period of Thai baht appreciation, the volumes of Thai baht transactions undertaken by NRs increase significantly, especially in the offshore market. The Thai baht funds are placed in the NRBA/NRBS for future gains on exchange rates. The aim of the first measure is to limit channels to place the Thai baht and help lessen short-term capital flows that add unnecessary pressure on the currency. • The second measure will help enhance the BOT's surveillance of non-residents' investment behaviors.	• [2019] Reducing the limit on the outstanding balance of Non-resident Baht Account (NRBA) and Non-resident Baht Account for Securities (NRBS) from 300 million baht per non-resident to 200 million baht per non-resident. • Enhance the reporting requirements for non-residents' holdings of debt securities issued in Thailand where the names of end beneficiaries shall be reported for all non-residents' holdings of Thai debt securities.	• Remains to be seen.
• Macroprudential measure (tightening measure)	• Household debt is elevated and household exhibited some search for yield behavior amid prolonged low interest rate environment	• [2019] Revised mortgage loan regulations requiring loan-to-value (LTV) ratio of 70 percent for third and subsequent mortgages and 80 to 90 percent for second mortgages (strict limit)	• Successful is reducing 2nd and 3rd mortgage loans
• Macroprudential measure	• Implementation of "too big to fail" Basel III international regulations	• [2019–20] Additional CET 1 percent capital for DSIBs (Siam Commercial Bank, Kasikornbank, Bank Ayudhya, Krung Thai Bank, and Bangkok Bank), phased in 0.5 percent each for 2019 and 2020.	• Remains to be seen.
2020			
• Macroprudential measure (relaxation measure)	• Rationale: to help home ownership	• [Jan 20] Relaxed LTV regulations by allowing first mortgage amounting to less than THB 10 million to borrow up to 110 percent (previously 100	• Helped buoy the real estate sector somewhat.

Measure	Background/Rationale	Regulation	Impact of Measure
		percent); lowering the number of years to 2 (from 3 previously) of paying the first mortgage, before a lower minimum downpayment of 10 percent can be availed of, for second mortgage amounting to less than THB 10 million; and lowering the downpayment to 10 percent (from 20 percent previously) for first mortgages amounting to more THB 10 million or more.	
• Portfolio investment outflow liberalization	• Capital flows liberalization measures during COVID-19	• [Nov 20] Unveiled additional exchange rate and capital outflows relaxation measures, which consist of: (1) permitting Thai residents to freely deposit and transfer foreign currency deposit (FCD) funds; and (2) relaxing foreign securities investment rules, such as increasing the limit for Thai retail investors to invest in foreign securities to USD 5 million, from USD 200,000 previously, and allowing listing of foreign securities in Thailand, such as exchange traded funds.	• Remains to be seen
2021			
• Relaxing FX regulation	• Capital flows liberalization measures during COVID-19	• [Jan 21] Allowed more flexibility for non-resident firms to conduct FX transactions under the non-resident qualified company program, as part of liberalizing capital flow regulations.	• Remains to be seen
• Macroprudential measure (relaxation measure)	• To stimulate the economy by boosting the real estate sector	• [Oct 21] Temporarily increased LTV ceiling from 70–90 percent to 100 percent, from October 20, 2021–December 31, 2022.	• Remains to be seen
2022			

Measure	Background/Rationale	Regulation	Impact of Measure
Relaxing FX regulation	• Support capital movement and flexibility in conducting foreign exchange transactions and risk management, as well as cost reduction for the private sector.	• [Apr 22] Remove limits for lending to unaffiliated companies and purchasing of immovable properties abroad by Thai residents, broaden the scope of FX hedging tools, and removal of administrative requirements for undertaking regular FX transactions.	• Remains to be seen

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Vietnam

Vietnam: Capital Flow Management and Macroprudential Policy Measures

Measure	Background/Rationale	Regulation	Impact of Measure
• FX flexibility	• From 1999-2007, the SBV regulated the exchange rate by announcing the daily average interbank exchange rate and trading band, with a relatively narrow trading band (from +/-0.25 percent to +/-0.75 percent) In 2008, the band was widened (from +/-1 percent to +/-5 percent), allowing more fluctuations in the FX market. In order to stabilize the public expectation on the exchange rate, from 2011-2015, the SBV set out an annual target of VND depreciation at the beginning of the year (around 2 percent on average). However, since the average interbank exchange rate was adjusted only when there was strong depreciation pressure on the VND, the old exchange rate management mechanism was very susceptible to speculation, especially when the economy faced pressure arising from a high trade deficit, high inflation, or adverse developments in the global economy.	• In January 2016, the SBV implemented a new system in where the central USD/VND rate was announced on a daily basis. This rate is based on three benchmarks: (i) the weighted average interbank exchange rate; (ii) the exchange rate of a basket of eight foreign currencies of countries having important trade, investment and borrowing-lending links with Vietnam; and (iii) macroeconomic, monetary balances and the monetary policy target. With a trading band of +/-3 percent, the central exchange rate now moves in both directions,	• Greater room for exchange rate flexibility has allowed the exchange rate to act more as a shock absorber for the Vietnamese economy. The trading band relieves the SBV of the pressure to maintain the value of the exchange rate rigidly and is arguably effective in limiting foreign currency speculation and hoarding. That said, the market exchange rate is often times near the bottom of the trading band.
• FX intervention	• To contain the market exchange rate within the trading band of +/-3 percent	• The SBV conducts FX intervention to limit exchange rate fluctuations.	• The intervention has been two-sided, largely responding to capital flow movements and also taking into account the need to

Measure	Background/Rationale	Regulation	Impact of Measure
			build and maintain adequate foreign exchange reserves.
• Exchange control	• To ensure stability of the dong and the financial system at large	• Rules on foreign currency inflows are more relaxed than those on outflows. For example, a person leaving Vietnam is prohibited from carrying out more than USD5,000 in cash. Any violation may subject the violator to a fine, confiscation, or criminal punishment. However, if a person entering Vietnam brings in more than USD5,000, the additional amount must simply be declared. • Foreign investors bringing capital to the country are welcome. However, if a Vietnamese investor wishes to invest offshore, the investor must notify and/or obtain the approval of the State Bank of Vietnam for transactions relating to the investor's offshore investment (for example, remittance of the capital amount, and repatriation of the profits). The sale of or loans in foreign currencies by a bank in Vietnam are limited to certain transactions, mostly for export-driven purposes. However, in most instances, when a foreign investor has fully paid its tax obligations, it may repatriate its proceeds back home. • The primary legislation governing foreign exchange is the Ordinance on Foreign Exchange	• Sizeable errors and omissions in the balance of payments suggest that regulatory circumvention is not insignificant.

Measure	Background/Rationale	Regulation	Impact of Measure
		Control of 2005 (as amended in 2013). The Vietnamese Government and the State Bank have issued numerous guiding decrees and circulars based on this legislation.	
• Withholding tax	• To reduce financial market volatility by creating a disincentive for nonresidents' portfolio flows.	• A 5-percent withholding tax is imposed on dividends and interest paid to nonresident individuals. The rate is 10 percent for royalties paid to nonresidents.	• NA
• Reserve requirements for local currency and foreign currency deposits	• Reserve requirements are in place to ensure banks' capacity to meet obligations when deposits are withdrawn.	• Reserve requirements are differentiated based on the deposit currency (VND or foreign currencies), the maturity of deposits, the type of credit institution.	• Reserve requirements have not been adjusted since 2011, although they may be reduced in the near future to assist banks in restructuring their balance sheets.
• Ceiling on credit growth	• The SBV's objective for credit management is to control credit growth rate to be in line with other instruments, in order to meet the objectives of the banking sector as set by the government. Before 2010, the SBV only provided general guidance for credit institutions to control credit growth and improve credit quality. In 2010-2011, the SBV started to announce a specific credit growth target for the whole system.	• Starting in 2012, in line with the economic growth and inflation targets set out by the National Assembly and the government, the SBV sets the annual credit growth target and allocates credit growth targets to specific credit institutions. In its implementation, it adjusts credit limits for credit institutions on the basis of their financial status, credit demand, and credit expansion capability.	• Credit ceilings have been relatively effective in influencing credit growth at the bank level, although the policy may lead to suboptimal lending behavior, with adverse implications on financial stability. If the ceiling is lower than implied by market forces, unmet demand for funding may be fulfilled through non-bank financing, which may be less regulated. If the ceiling is set too high, imprudent behavior may transpire as banks attempt to meet credit growth targets.
• Limits on the proportion of loans in high-risk sectors	• Controlling cash flow into high-risk areas helps stabilize the system of credit institutions and control the bad debt ratio.	• SBV has been controlling the proportion of loans for property and securities investment, starting from 2011 – 2012 in order	• Limits on the proportion of loans in high-risk sectors have been relatively beneficial reducing banks' exposure to high-risk sectors.

Measure	Background/Rationale	Regulation	Impact of Measure
		to support the transmission of credit into the production sectors.	
• Capital adequacy ratios	• To ensure the soundness of banks in case of deterioration in asset quality	• The minimum CAR is calculated according to the Basel II framework, with the minimum level set at 8 percent.	• The requirement is beneficial in shoring up banks' capital especially in light of their effort to shed non-performing assets and improve their balance sheets.
• The ratio of short-term funding used for medium- to long-term loans	• To ensure banks' capacity to meet short-term liquidity needs	• A maximum ratio is specified for each category of credit institution.	• The measure has been useful to influence banks' lending activity, especially in recent years for lending for real estate and speculative activities.
• Loan-to-deposit ratios	• To ensure banks' capacity to meet short-term liquidity needs	• A maximum ratio is specified for each category of credit institution.	• NA
• Interest rate caps	• To reduce lending rates to support businesses, especially small- and medium-sized enterprises, and priority sectors	• Caps are applied to both lending and deposit rates.	• NA
• Limits on open FX positions	• To minimize currency mismatch risk for banks	• The net open FX position is not to exceed a certain percentage of the entity's equity.	• NA
• Limits on credit in foreign currency	• To encourage greater use of the local currency, which would contribute to the reduction in exchange rate volatility	• Lending in foreign currency is limited to certain activities the SBV deems permissible, such as loans for the purpose of importing goods and services for domestic consumption and for the purpose of importing intermediate input.	• NA

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