



Monetary Authority  
of Singapore



# 40<sup>th</sup> Meeting of the Working Committee on Capital Account Liberalization

12 November 2020

Singapore, Via Virtual Conference

# Meeting Agenda

<b>Agenda Item 1:</b>	Adoption of the Agenda
<b>Agenda Item 2:</b>	Matters Arising from the 39 <sup>th</sup> WC-CAL Meeting and Instructions of the 19 <sup>th</sup> Meeting of the ASEAN SLC on Financial Integration
<b>Agenda Item 3:</b>	The Revised CAL Heat Map
<b>Agenda Item 4:</b>	Consolidated CAL Plans
<b>Agenda Item 5:</b>	SAP Implementation Status, KPIs, and RMT
<b>Agenda Item 6:</b>	Capital Flow Trends and Developments
<b>Agenda Item 7:</b>	Policy Dialogue Process on Safeguard Mechanisms for CAL
<b>Agenda Item 8:</b>	Local Currencies Usage for Trade and Investment
<b>Agenda Item 9:</b>	Capacity-Building Initiatives
<b>Agenda Item 10:</b>	Other Matters



Monetary Authority  
of Singapore



## Agenda Item 1:

Adoption of the Agenda



Monetary Authority  
of Singapore



## Agenda Item 2:

Matters Arising from the 39<sup>th</sup> WC-CAL Meeting  
Hanoi, Vietnam, 19 February 2020

# Matters Arising from the 39<sup>th</sup> WC-CAL Meeting

	Follow-Up Actions	Follow-Up By
1	To finalize the membership and draft Terms of Reference (ToR) of the Small Working Group (SWG)	AMS
2	To develop and propose the content for the WC-CAL website in the ASEAN Finance Cooperation Web-Portal	AMS
3	To submit updates on CAL Templates (i.e., CAL heat map, CAL individual plan, risk monitoring, policy dialogue, safeguard measures, and capacity building)	AMS
4	AEC Updates	ASEC



Monetary Authority  
of Singapore



## Agenda Item 3:

The Revised CAL Heat Map

# Revised CAL Heatmap

September 2020

From	To	Color Equivalent
0%	20%	RED
21%	40%	ORANGE
41%	60%	YELLOW
61%	70%	L. BLUE
71%	80%	BLUE
81%	90%	BLUE GREEN
91%	95%	L. GREEN
96%	100%	GREEN

Country		September 2020									
		BN	ID	KH	LA*	MA	MM*	PH	SG	TH	VN
Current Account	Inflows	100	90	100	100	85	96	100	100	90	100
	Outflows	100	100	100	94	100	94	94	100	94	100
Direct Invesments	Inflows	98	96	97	95	100	93	98	100	98	90
	Outflows	100	100	92	79	88	79	96	100	94	63
Portfolio Flows	Inflows	98	100	100	89	99	61	97	100	99	96
	Outflows	100	96	95	78	81	46	93	100	86	68
Other Flows	Inflows	100	98	100	92	97	75	93	100	97	97
	Outflows	100	97	100	80	89	35	91	98	85	83

\* Updated since previous meeting



Monetary Authority  
of Singapore









































































## Agenda Item 4:

Consolidated CAL Plans



# Consolidated CAL Plan (2019-2025)




	No existing restriction, to maintain regime
	With identified restriction/s, to be liberalised
	With identified restriction/s, to be maintained






Account	December 2019									
	Plans of Action									
	BN	ID	KH	LA	MA	MM	PH	SG	TH	VN
Current Account - Inflows										
Current Account - Outflows										
DI - Inflows										
DI - Outflows										
Portfolio Inv - Inflows										
Portfolio Inv - Outflows										
Other Inflows										
Other Outflows										

SG – no submission, fully liberalized

MM – copied from previous meeting, received no updates

# Consolidated CAL Plan (2019-2025)

	No existing restriction, to maintain regime
	With identified restriction/s, to be liberalised
	With identified restriction/s, to be maintained

Account	September 2020									
	Plans of Action									
	BN	ID	KH	LA	MA	MM*	PH	SG	TH	VN
Current Account - Inflows										
Current Account - Outflows										
DI - Inflows										
DI - Outflows										
Portfolio Inv - Inflows										
Portfolio Inv - Outflows										
Other Inflows		Plan to further liberalize documentary requirements for other outflows								
Other Outflows										



# Consolidated CAL Plan (2019-2025)

	No existing restriction, to maintain regime
	With identified restriction/s, to be liberalised
	With identified restriction/s, to be maintained

Account	September 2020									
	Plans of Action									
	BN	ID	KH	LA	MA	MM*	PH	SG	TH	VN
Current Account - Inflows										
Current Account - Outflows										
DI - Inflows										
DI - Outflows										
Portfolio Inv - Inflows										
Portfolio Inv - Outflows										
Other Inflows										
Other Outflows										



Monetary Authority  
of Singapore



## Agenda Item 5:

Strategic Action Plan (SAP) Implementation Status,  
Key Performance Indicators (KPIs), and Risk  
Monitoring Template (RMT)

## 5.1 Strategic Action Plan (SAP) for CAL

End Goal	Policy Action	2016-2020 Targets	Status as of November 2020
Substantial liberalization in AMS' capital account	Enhance CAL Heatmap methodology as a monitoring tool  Continue capital account liberalization	Further liberalization of remaining restrictions on flows related to trade and direct investment	Continued facilitation of information-sharing on local currency in trade and direct investment settlement activities
		<b>2021-2025 Targets</b>	
		Further liberalization of the remaining restrictions on portfolio investment and other capital flows subject to domestic conditions and appropriate safeguards	

## 5.1 Strategic Action Plan (SAP) for CAL

End Goal	Policy Action	2016-2020 Targets	Status as of November 2020
Strengthened policy dialogue and information exchange mechanism on capital flows statistics and capital flow measures among AMS	Institutionalise policy dialogues on CAL	Develop and launch secured CAL policy dialogue database	Ongoing initiatives to develop and launch a secured WC-CAL website <ul style="list-style-type: none"> <li>To develop the contents of the WC-CAL website</li> </ul>
	Enhance policy dialogue to focus on safeguard measures related to monetary and financial stability		
	Development of a secured database for policy dialogue reports on capital flow statistics and capital flow measures		
		<b>2021-2025 Targets</b>	
		Develop capital flow measures for ASEAN based on AMS' experiences	

## 5.2 Key Performance Indicator

KPI	2017	2018	1H 2019
	%		
<b>Financial Integration</b>			
i. Share of intra-ASEAN portfolio investment to total portfolio investment in ASEAN	9.8	11.4	11.5
ii. Share of Intra-ASEAN FDI to Total FDI in ASEAN	16.7	15.9	13.9
<b>Financial Stability</b>			
iii. Reserves to Short Term External Debt (broken down into original maturity and remaining maturity)	<b>For discussion</b>		
iv. External Debt to GDP			

# Financial Stability

## 1. Reserves to Short Term External Debt (broken down into original maturity and remaining maturity)

Country Name	2017	2018	2019
Brunei Darussalam	*	*	*
Cambodia	6.62	5.87	5.84
Indonesia	2.79	2.52	2.72
Lao PDR	1.51	2.43	2.43
Malaysia	1.20	1.05	1.10
Myanmar	5.98	6.42	*
Philippines	5.70	4.93	5.20
Singapore	0.26	0.26	0.25
Thailand	3.13	3.41	3.92
Vietnam	2.24	2.83	*
<b>ASEAN (ex: BN)</b>	<b>2.16</b>	<b>2.12</b>	<b>*</b>
<b>ASEAN (ex: BN, LA, MM, VN)</b>	<b>2.46</b>	<b>2.44</b>	<b>2.74</b>

Source: World Bank, World Development Indicators 2020  
Malaysia data from WB-QEDS and WDI



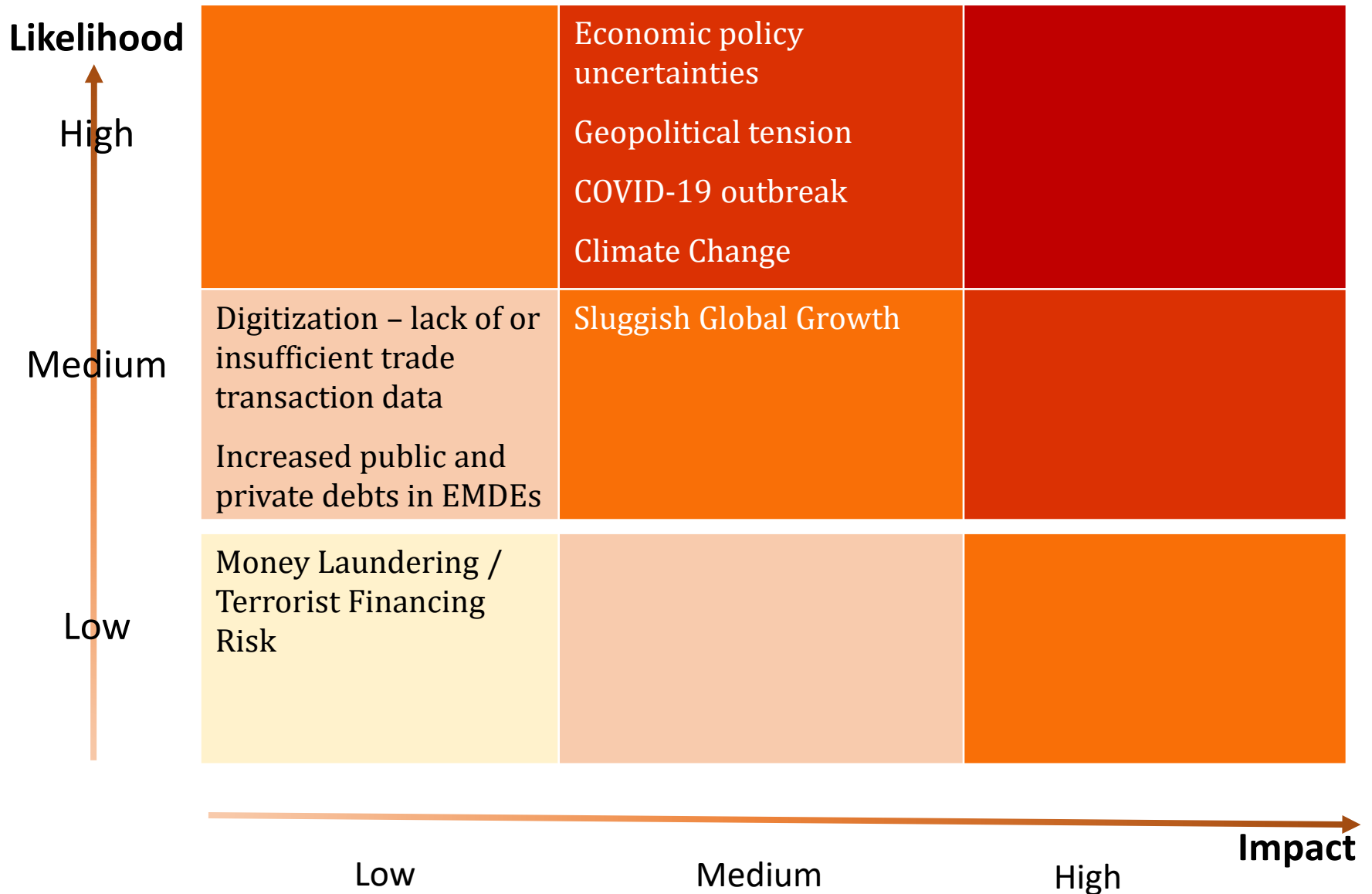
# Financial Stability

## 2. External Debt to GDP

Country Name	2017	2018	2019
Brunei Darussalam	*	*	*
Cambodia	50.65	54.60	54.71
Indonesia	34.83	36.41	36.31
Lao PDR	85.84	86.03	*
Malaysia	68.33	62.32	60.02
Myanmar	24.41	22.24	*
Philippines	23.72	23.82	23.23
Singapore	433.71	408.73	423.59
Thailand	34.53	33.42	33.00
Vietnam	37.57	35.76	*
<b>ASEAN (ex: BN)</b>	<b>86.56</b>	<b>84.17</b>	<b>*</b>
<b>ASEAN (ex: BN, LA, MM, VN)</b>	<b>92.66</b>	<b>90.35</b>	<b>88.52</b>

Source: World Bank, Fiscal Space 2020

### 3. Risk Monitoring Template Heat Map



# Risks/Challenges and Mitigating Measures

Recent Developments and Issues	Identified Risks, Vulnerabilities and Challenges	Suggested Risk Mitigation/ Policy Responses/Implemented Measures
<p><b>1) External shocks</b></p> <ul style="list-style-type: none"> <li>• <b><u>Geopolitical tensions</u></b> <ul style="list-style-type: none"> <li>➢ Escalation of trade tension between US and China</li> <li>➢ Global rise of protectionism</li> </ul> </li> <li>• <b><u>Policy Implementation and Limited Policy Space due to COVID-19</u></b> <ul style="list-style-type: none"> <li>➢ Increased public debt globally (due to COVID-19 stimulus)</li> <li>➢ Limited policy space to deal with COVID-19</li> <li>➢ Central bank monetary financing</li> <li>➢ Sovereign debt default</li> </ul> </li> <li>• <b><u>Negative global growth and increase in unemployment due to COVID-19</u></b></li> </ul>	<ul style="list-style-type: none"> <li>• Tightening of financial conditions</li> <li>• Volatility in financial markets</li> <li>• Increased risk aversion leading to nonresidents' capital outflows</li> <li>• Weakening global trade as engine of growth</li> <li>• Weakening regional growth, equity markets, and tourism</li> <li>• Risk of corporate credit rating downgrade and corporate insolvency</li> <li>• Risk of future non-residents' speculative inflows after the pandemic period, which may lead to rapid FX appreciation and adversely affect EMS' export sector</li> </ul>	<ul style="list-style-type: none"> <li>• Closely monitor financial market and macroeconomic indicators</li> <li>• Ensure robust external stability (e.g., current account surplus, and adequated international reserves)</li> <li>• Take a policy mix to strengthen external stability and support domestic economy</li> <li>• Implement appropriate safeguard measures, if necessary</li> <li>• Prepare readiness of financial safety nets</li> <li>• Maintain coordination among authorities and enhance regional and bilateral economic agreements</li> <li>• Encourage sharing of lessons learned and policies among members</li> </ul>

# Risks/Challenges and Mitigating Measures

## Recent Developments and Issues

## Identified Risks, Vulnerabilities and Challenges

## Suggested Risk Mitigation/ Policy Responses/Implemented Measures

### 2) Digitization

- Lack of or insufficient cross-border transactions data
- Rapid growth of financial and economic digitalization (the rapid development of the digital economy & finance in the form of fintech & unbundling financial services outside of banks & other financial institutions)
- Shifting in economic behaviour due to the acceleration of digital technology
- Concentration of digital technology investment by Bigtech

- Inability to measure appropriate risks
- Risk of creating shadow banking
- Risk of monopoly on business master and granular data by Bigtech

- Utilizing big data analysis
- Exploring new monitoring tools for cross-border capital flows
- Improving data collection and statistic methodology, including strengthening international and regional cooperation in statistics
- Capacity building , including technical support from international agencies
- Monitoring cross-border capital flows including bank flows which closely correlates with vulnerability of banking system against external shocks
- Providing technical support
- National digital financial economic integration.

# Risks/Challenges and Mitigating Measures

Recent Developments and Issues	Identified Risks, Vulnerabilities and Challenges	Suggested Risk Mitigation/ Policy Responses/Implemented Measures
<p><b>3) Country-specific shocks</b></p> <p><b><u>Cambodia:</u></b></p> <p><i>External Issues</i></p> <ul style="list-style-type: none"> <li>• Negative global growth</li> <li>• Limited policy space to deal with COVID-19</li> <li>• Border lockdown and global rise of protectionism</li> <li>• Escalation of trade tension between US and China</li> <li>• Climate change that might trigger frequency of disasters increase</li> </ul> <p><i>Internal Issues</i></p> <ul style="list-style-type: none"> <li>• Erosion of competitiveness (high production cost, strong USD, partially loss preferential schemes-EBA)</li> <li>• Slow down of Cambodia's economic pillar such as tourism, construction &amp; activities related to real estate sector and garment</li> <li>• Constraint market mechanism for agricultural products</li> <li>• Infrastructure shortcomings</li> <li>• Climate change: flood and draught</li> </ul>	<ol style="list-style-type: none"> <li>1. Possible decline in exports</li> <li>2. Uncertainty of capital flows</li> <li>3. Possible higher cost of borrowing</li> <li>4. Stagnation of global trade, trade redirection</li> <li>5. Added uncertainty to business confidence and investment decisions</li> </ol> <ul style="list-style-type: none"> <li>• Real sector vulnerabilities</li> <li>• Financial sector vulnerabilities</li> <li>• Volatility in prices of agriculture products</li> </ul>	<ol style="list-style-type: none"> <li>1. Enhancing regional and bilateral agreement</li> <li>2. Motivating domestic investment, esp SMEs</li> <li>3. Diversifying export products and destinations</li> <li>4. Advancing technology</li> <li>5. Closely monitoring capital flows</li> <li>6. Implement appropriate safeguard measures, as necessary</li> </ol> <ul style="list-style-type: none"> <li>• Reducing electricity tariff</li> <li>• Closely monitoring development of construction and real estate sectors</li> <li>• Reducing import tariff on some agricultural products and agricultural related materials</li> <li>• Allocating more budget for agriculture sector</li> <li>• Increasing government investment in physical infrastructure</li> <li>• Easing monetary policy by releasing liquidity to financial system to support financial shortage and boost credit growth</li> <li>• Expansionary Fiscal policy by tax cut/tax exemption especially to tourism and manufacturing sector businesses</li> <li>• Provided financial support to laid off workers and household, and reserve budget package for supporting all economic pillar after Covid-19 pandemic</li> <li>• Expanded to open economic sector by sector by following to the Ministry of health and WHO suggestion and recommendation</li> </ul>

# Risks/Challenges and Mitigating Measures

## Recent Developments and Issues

## Identified Risks, Vulnerabilities and Challenges

## Suggested Risk Mitigation/ Policy Responses/Implemented Measures

### Laos

#### *External Shocks*

- The fluctuations in the exchange rate of the major currencies in US dollars and Thai baht may result in an uncertainty of Lao Kip, which will negatively affect the value of international trade as well as foreign debt position;
- The natural disasters have led to an unavoidable reduction of the domestic production;
- The COVID-19 pandemic has caused essential impacts on Lao economy, tourism sectors in particular.

- Economic slowdown of trading and investment partners (China, Vietnam and Thailand) to Laos may pose negative impacts on trade and investment.
- The fluctuations in the exchange rate of the major currencies and global oil prices may adversely affect the domestic market prices;
- The natural disasters;
- The COVID-19 pandemic.

- The Government has implemented several measures to improve and facilitate business environment in Laos.
- The Government encourages an engagement of the domestic production for import substitution and export promotion.
- The Government of the Lao PDR has adopted approaches for risk management of natural disasters.
- The Government has issued and implemented a number of health and social measures to ensure the COVID-19 pandemic being brought under control.
- The Government has issued and implement financial measures to reduce the impacts of COVID-19 pandemic to the economy

# Risks/Challenges and Mitigating Measures

## Recent Developments and Issues

## Identified Risks, Vulnerabilities and Challenges

## Suggested Risk Mitigation/ Policy Responses/Implemented Measures

### **Malaysia:**

#### *External Shocks*

- Dampened growth prospects from containment measures of COVID-19 pandemic

- Weakness in regional exports

### **Myanmar:**

- Fluctuations in the exchange rate of the major currencies such as US dollars and MMK
- Natural disasters which may affect domestic production

- Risk of devaluation in major partner countries
- Risk to inflation
- Risk to domestic production

- Continuous fiscal budget management and emphasis on law, regulations and enforcements by the authorities
- Implementing measures to improve doing business environment – to make it easier and more transparent
- Encouraging domestic production to reduce imports and promote exports
- Developing domestic financial market in order to reduce external loans
- Adopting an approach to comprehensive disaster risk management
- Building a database system for analysing and identifying risk arising from capital flows
- Coordinating with internal and external units to analyse and assess risks related to capital flows

# Risks/Challenges and Mitigating Measures

Recent Developments and Issues	Identified Risks, Vulnerabilities and Challenges	Suggested Risk Mitigation/ Policy Responses/Implemented Measures
<p><b><u>Philippines:</u></b> <i>External Shocks</i></p> <ul style="list-style-type: none"> <li>a) Contraction in global growth (weak demand, low inflation, supply chain disruptions, and weak balance sheets in advanced economies and China)</li> <li>b) US elections and its possible impact on trade policy, including against China</li> <li>c) Uncertain financial market sentiment</li> </ul>	<ul style="list-style-type: none"> <li>a) Increased risk aversion leading to capital outflows or lower investments</li> <li>b) Stagnation of global trade, trade redirection</li> <li>c) Added uncertainty to business confidence and investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>a) Readiness to implement time-bound financial safety nets, incentives regime</li> <li>b) Increase surveillance of financial market developments; implement appropriate capital flow measures and job-generation programs<sup>1</sup></li> <li>c) Adoption of macroprudential tools which may serve to reduce financial market uncertainty and allow financial institutions to remain afloat even during crisis episodes [(e.g. Counter Cyclical Buffer (CCyB))]</li> </ul>
<p><i>Internal Shocks</i></p> <ul style="list-style-type: none"> <li>a) Slowdown in domestic economic activity, including output contraction and increased unemployment, amid the COVID-19 pandemic and other external shocks</li> <li>b) Adjustments in utility rates</li> <li>c) Challenging supply chain and logistics for basic and essential commodities</li> <li>d) Displacement and repatriation of overseas Filipino (OF) workers</li> <li>e) Pessimistic overall business and consumer sentiments</li> </ul>	<ul style="list-style-type: none"> <li>a) More disruptive impact of COVID-19 on domestic economic growth; lower income levels, and higher unemployment</li> <li>b) Increased risk aversion leading to low investments, and even capital outflows</li> <li>c) Volatility in the domestic currency (i.e. sharp appreciation and depreciation of the peso)</li> <li>d) Failure to address infrastructure gap</li> <li>e) Probable decline in OF remittances</li> <li>f) Weak business confidence affecting foreign investments</li> <li>g) Lower trade growth</li> </ul>	<ul style="list-style-type: none"> <li>a) Adjustment in monetary policy settings; deployment of liquidity and regulatory relief measures and supplemental actions</li> <li>b) Proper central bank communication to anchor inflation expectations</li> <li>c) Continue to adhere to a market-determined exchange rate policy and maintain a healthy level of international reserves</li> <li>d) Pursue coordinated efforts with other agencies in addressing supply-side shocks</li> <li>e) Fast-track the Build, Build, Build program, emergency employment programs</li> <li>f) Follow-through of critical economic reforms, e.g., [Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)]</li> <li>g) Clearly defined incentives systems and ease-of-doing business rules</li> <li>h) Repurpose certain local industries towards production of/provision of services in strategic sectors (e.g., e-payments, e-commerce, development and manufacturing of medical equipment/vaccines)</li> </ul>



# Risks/Challenges and Mitigating Measures

## Recent Developments and Issues

## Identified Risks, Vulnerabilities and Challenges

## Suggested Risk Mitigation/ Policy Responses/Implemented Measures

### Thailand

#### Impact from COVID-19:

- Weakening external demand from prolonged global slowdown affecting Thailand's export of goods and services
- Slow recovery in tourism sector
- COVID-19 new cases leading to strict control measures in some specific areas
- Increase in unemployment and underemployment
- Increase in corporate/household debt and default rate

#### Other:

- Political protest

- Volatility in financial and capital markets
- Negative impact on GDP growth
- Financial sector vulnerabilities
- High level of corporate/household debt and NPLs
- Excess capacity in affected sectors and lower potential GDP

- Appropriate economic stimulus measures
- Regulatory reliefs for banks and borrowers
- Market liquidity enhancement to stabilize the corporate bond market
- Soft loan program and guarantee schemes to support liquidity for SMEs
- Loan payment holiday and debt restructuring programs for household and SMEs
- Compensation for affected workers such as grant and unemployment compensation
- Supply-side policies to support Thailand's economic restructuring

### Vietnam

#### External shocks

- Outbreak of corona pneumonia in China from December 2019 and expand to many other countries cause a serious impact to Chinese economy and country who has trade relations with China.
- US-China trade war continues to show signs of tension
- Loosen monetary policy of major countries
- Risk come from protectionism of countries, especially the US

- Impact on the foreign exchange market
- Major fluctuations in financial markets
- Movement of capital flows from China
- A decline in global and domestic economic growth due to the corona virus

- Regularly and closely monitoring financial and monetary market developments
- Apply appropriate safeguard measures
- Study and learning from other countries' experiences in establishing and implementing safety policy instruments

# Risks/Challenges and Mitigating Measures

## Recent Developments and Issues

## Identified Risks, Vulnerabilities and Challenges

## Suggested Risk Mitigation/ Policy Responses/Implemented Measures

### **Vietnam**

#### *Internal shocks*

The problem of fiscal discipline and public debt.

- Risk of increasing bad debt in real estate sector may increase due to the inability to pay debt mobilized from stock and bond market

- Building a database system for analysing and identifying risk arising from capital flows
- Coordinating with internal and external units to analyse and assess risks related to capital flows
- Completing the macro safety policy framework, including macro safety tools for capital flow management



Monetary Authority  
of Singapore



Break



Monetary Authority  
of Singapore



## Agenda Item 6:

### Capital Flow Trends and Developments

Presentation by Dr. Ilhyock Shim

Head of Economics and Financial Markets for Asia and the Pacific  
Bank of International Settlements



Monetary Authority  
of Singapore



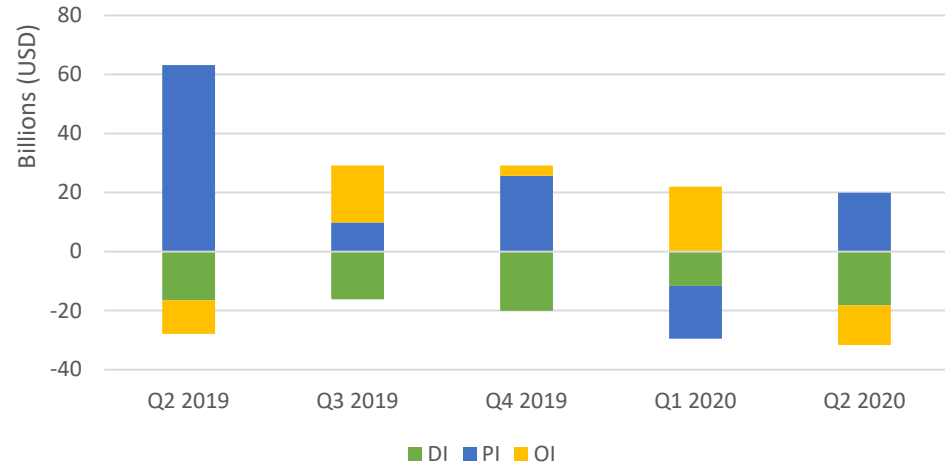
## Agenda Item 7:

### Policy Dialogue Process on Safeguard Mechanisms for CAL

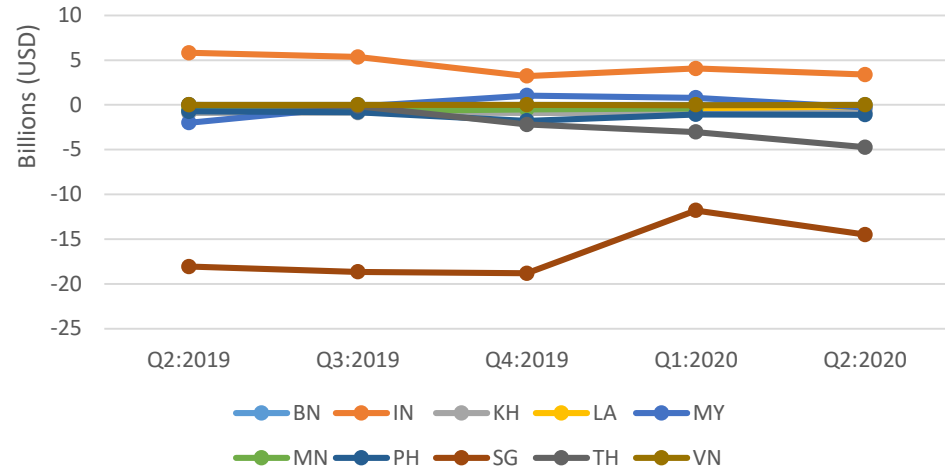
Period Covered in the Report: January – September 2020

# Recent Trends in Capital Flows

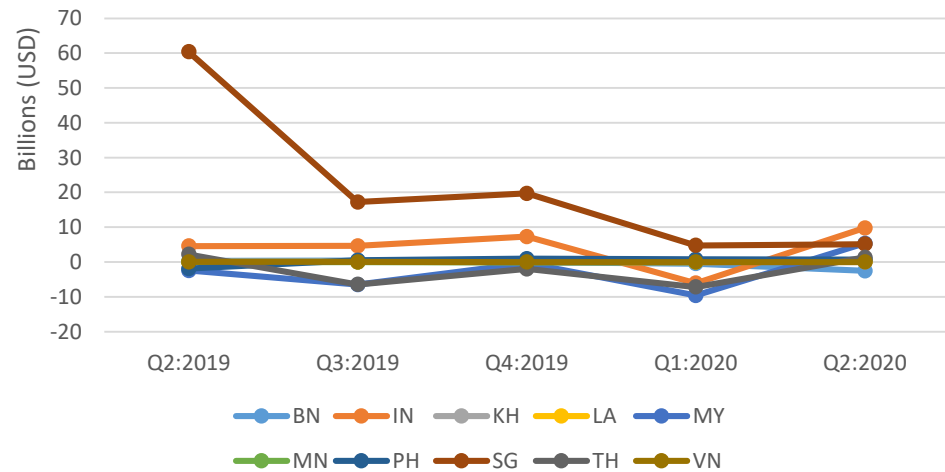
## Capital Flows



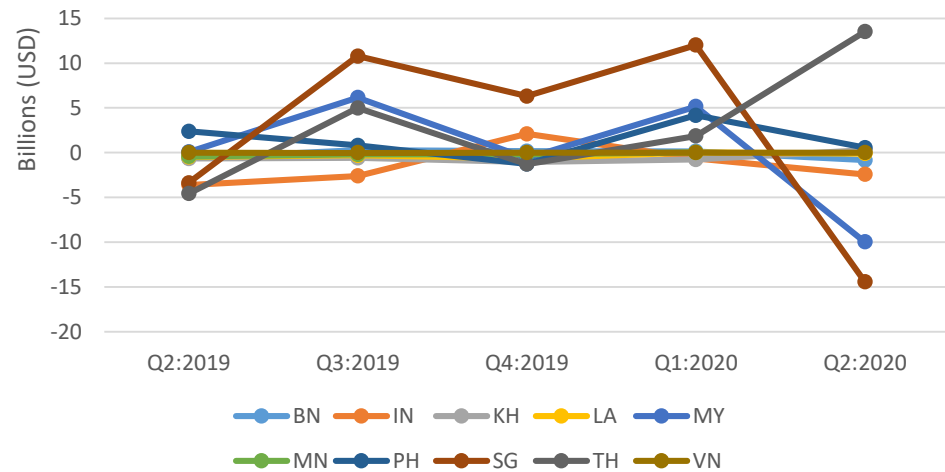
## Direct Investment



## Portfolio Investment



## Other Investment



# Recent Policy Developments and Safeguard Measures

Policy Developments	Safeguard Measures
<b>Brunei Darussalam</b>	
<p>Brunei Darussalam has a Currency Board Arrangement whereby, under the Currency Interchangeability Agreement, the Brunei Dollar is valued at par with the Singapore Dollar</p> <p><i>Rationale:</i> to ensure that the value of currency notes and coins in circulation are at least 100 percent backed up by external assets</p>	
<b>Cambodia</b>	
<p>Diversify export destination and products</p> <p><i>Rationale:</i> to mitigate country concentration risk</p> <p>Improve productivity in garment industry and focusing on higher-value added products, and encourage domestic production by strengthening and promoting SMEs</p> <p><i>Rationale:</i> to help promote capital flow balance</p> <p>Higher minimum registered capital and BIS capital buffers</p> <p><i>Rationale:</i> to strengthen capital base of banking and financial institutions</p> <p>Impose interest rate cap on microfinance institutions and rural credit institutions</p> <p><i>Rationale:</i> to contribute to pro-poor policy, in particular benefit agriculture sector</p>	<p><b><u>Loosened Macprudential Measures</u></b></p> <ul style="list-style-type: none"> <li>Lowered reserve requirement ratio from 12.5% to 7% and released bank capital conservative buffers</li> </ul> <p><b><u>Expanded Fiscal Spending</u></b></p> <ul style="list-style-type: none"> <li>Introduced tax cuts and exemptions, mainly geared towards tourism and manufacturing sectors</li> <li>Provided financial support for workers and households</li> </ul>

# Recent Policy Developments and Safeguard Measures

Policy Developments	Safeguard Measures
<b>Indonesia</b>	
<p>Strengthened synergy and policy coordination with the Government and other relevant authorities  <u>Rationale:</u> to support cashless social aid program disbursements and economic recovery momentum</p> <p>Strengthened synergy of monetary expansion with the acceleration of the Government’s fiscal stimulus  <u>Rationale:</u> to promote national recovery</p> <p>Maintain cash and non-cash payment system convenience and availability through circulation of hygienic currency and the promotion of cashless transactions.  <u>Rationale:</u> To facilitate various economic and financial transactions</p> <p>Supporting SME digitalisation and expanding QRIS (Quick Response Code Indonesia Standard).  <u>Rationale:</u> Accelerate digitalisation and support economic recovery.</p>	<p><b><u>Loosened Monetary Policy Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Lowered monetary policy rate (BI7DRR) to 4% since the beginning of 2020.</li> <li>2. Maintained rupiah exchange rate stabilization policy by increasing the intensity of interventions in the spot market, DNDF, and through SBN purchases in the secondary market.</li> <li>3. Expanded DNDF transactions, FX swaps, and term repo agreements with banks to provide more hedging instruments against currency risk.</li> <li>4. Strengthened monetary operations and Islamic financial market deepening through FLisBI, PaSBI and SiPA .</li> </ol> <p><b><u>Loosened Macroprudential Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Lowered Rupiah Reserve Requirements to inject liquidity into banking industry to support loan restructuring.</li> <li>2. Relaxing of Macroprudential Intermediation Ratio (MIR) regulations to encourage the allocation of loans for SMEs, export import activity, and to priority sectors.</li> </ol>



# Recent Policy Developments and Safeguard Measures

Policy Developments	Safeguard Measures
<b>Lao PDR</b>	
<p>Special Small and Medium Enterprises (SMEs) Promotion Fund (SME PF) implemented through commercial banks  <u>Rationale:</u> Provide financial support to businesses and SMEs affected by COVID-19</p>	<p><b><u>Loosened Macroprudential Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Debt rescheduling for financial institutions and commercial banks</li> <li>2. Reduced reserve requirement ratio</li> </ol> <p><b><u>Loosened Monetary Policy Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Exemptions and reductions of interest rates and fees to support customers</li> <li>2. Lowered policy rate</li> </ol>
<b>Malaysia</b>	
<p>Established access to the Federal Reserve’s Foreign and International Monetary Authorities (FIMA) repo facility.  <u>Rationale:</u> Backstop measure to alleviate tightness in US dollar funding</p> <p>Refinements to foreign exchange policies (FEP) to improve business efficiency  <u>Rationale:</u> Provide flexibility for corporates to better manage their FX risk exposure</p>	<p><b><u>Loosened Monetary Policy Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Lowered reserve ratio requirements from 3% to 2%</li> <li>2. Expand reverse repo and open money market operations to ensure liquidity in domestic financial system</li> <li>3. Reduction in overnight policy rate from 3% to 1.75%.</li> </ol> <p><b><u>Loosened Macroprudential Policy</u></b></p> <ol style="list-style-type: none"> <li>1. Regulatory forbearance and extension of loan moratoriums to ensure continued credit to households and businesses</li> </ol>

# Recent Policy Developments and Safeguard Measures

Policy Developments	Safeguard Measures
<b>Myanmar</b>	
<p>Monitoring capital flows vigilantly  <u>Rationale:</u> to mitigate the potential risks in the FX market that can be stemmed from capital flows volatility</p> <p>Permitted portfolio capital inflows in the domestic capital markets (Yangon Stock Exchange)  <u>Rationale:</u> to accumulate investment funds in the domestic FX market</p>	<p><b><u>Loosening Other Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Accelerate approval of investments in labour-intensive and infrastructure projects, and businesses in healthcare and medical equipment manufacturing</li> <li>2. Lowering of investment application fee by 50%</li> </ol>
<b>Philippines</b>	
<p>Relaxation of borrowing limits of pawnshops by increasing the allowed percentage of their total borrowings to pledge loans until 31 December 2021  <u>Rationale:</u> Regulatory relief to facilitate ease of doing business.</p>	<p><b><u>Loosened Macprudential Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Issued BSP securities to add to the existing supply of risk-free financial instruments in the banking system.</li> <li>2. Lowered banks' reserve requirement ratio (RRR) and minimum liquidity requirement (MLR) to increase lending capacity and support financing requirements of MSMEs</li> <li>3. Cut in policy rate to 2.25% to cushion growth momentum and uplift market confidence amid stronger headwinds.</li> <li>4. Extending the temporary reduction of the term spread on peso, USD, JPY rediscounting loans.</li> </ol>

# Recent Policy Developments and Safeguard Measures

<b>Policy Developments</b>	<b>Safeguard Measures</b>
<b>Philippines</b>	
	<p data-bbox="1031 322 1576 354"><b><u>Loosened Macroprudential Measures</u></b></p> <ol data-bbox="1031 365 1846 708" style="list-style-type: none"><li data-bbox="1031 365 1846 486">5. Increased real estate loan limit of banks to 25% to support lending and economic growth in the real estate sector.</li><li data-bbox="1031 498 1846 576">6. 25% write-off of real estate exposures under adjusted REST limits.</li><li data-bbox="1031 588 1846 708">7. Exclusion of debt securities acquired due to market-making activities from Single Borrower's Limit (SBL) to contribute to capital market development.</li></ol> <p data-bbox="1031 765 1508 796"><b><u>Loosened Capital Flow Measures</u></b></p> <ol data-bbox="1031 808 1846 929" style="list-style-type: none"><li data-bbox="1031 808 1846 929">1. Implemented operational relief measures to facilitate public's access to FX resources to finance legitimate transactions</li></ol> <p data-bbox="1031 986 1421 1018"><b><u>Tightened Other Measures</u></b></p> <ol data-bbox="1031 1029 1846 1372" style="list-style-type: none"><li data-bbox="1031 1029 1846 1193">1. One-time 60-day grace period to all loans with amortisations falling on or before 31 December 2020 to allow banks to support clients while meeting new minimum capital ratios.</li><li data-bbox="1031 1205 1846 1372">2. Implemented interest rate cap of 24% p.a. on credit card transactions to ease financial burden on consumers and promote responsible credit card lending.</li></ol>

# Recent Policy Developments and Safeguard Measures

Policy Developments	Safeguard Measures
<b>Philippines</b>	
	<p><b><u>Loosened Other Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Relaxed supervisory expectations on the measurement of Expected Credit Losses (ECL)</li> <li>2. Extension of grant to waive fees for filing, processing, licensing and registration fees for Fis for electronic payment and financial services.</li> <li>3. Regulatory relief to Non-Stock Savings and Loan Associations (NSSLAs) for purposes of income distribution to members.</li> <li>4. Relaxation of the maximum penalty that may be imposed for reserve deficiencies</li> </ol>
<b>Singapore</b>	
<p>Established MAS USD Facility to provide USD funding to banks in Singapore  <u>Rationale:</u> Promote stable USD funding conditions in Singapore and facilitate continued USD lending to businesses in Singapore and the region.</p> <p>Increased the volume of FX swaps transacted in daily money market operations  <u>Rationale:</u> Promote stable USD funding conditions in Singapore and facilitate continued USD lending to businesses in Singapore and the region.</p>	<p><b><u>Loosened Monetary Policy Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Recentring mid-point of S\$NEER policy band lower</li> <li>2. Reducing the rate of appreciation of the policy band to zero per cent</li> </ol>

# Recent Policy Developments and Safeguard Measures

Policy Developments	Safeguard Measures
<b>Thailand</b>	
<p>Increased repatriation threshold from USD 200,000 to USD 1,000,000  <u>Rationale:</u> Facilitate the ease of conducting foreign exchange transactions</p>	
<b>Vietnam</b>	
<p>Outstanding self-borrowed foreign loans is limited to a certain extent  <u>Rationale:</u> to ensure the public debt safety as well as other macro balances</p>	<p><b><u>Loosened Macroprudential Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Debt rescheduling for credit institutions and foreign banks</li> <li>2. Maintaining debt group to support credit flow to consumers</li> </ol> <p><b><u>Loosened Monetary Policy Measures</u></b></p> <ol style="list-style-type: none"> <li>1. Exemptions and reductions of interest rates and fees</li> <li>2. Interest rate adjustments</li> </ol>



Monetary Authority  
of Singapore



## Agenda Item 8:

**Local Currencies Usage for Trade and Investment**

Presentation by Mr. Tommy Aditya, Bank Indonesia



Monetary Authority  
of Singapore



## Agenda Item 9:

Capacity-Building Initiatives on CAL by the ASEAN  
Member States

# Capacity Building Initiatives on CAL

SCCB framework presented at the 14<sup>th</sup> SCCB meeting held on 19 February 2018 in Brunei Darussalam

A. Courses in BCLMV countries	B. AFIF customized courses	C. Bilateral learning programs
Trainings/courses to be conducted in requesting BCLMV countries	SEACEN courses customized for BCLMV	Bilateral study visits and learning programs
c/o ASEAN WCs, SEACEN, ADB	c/o SEACEN, ABD	c/o ASEAN central banks, ADB



# Capacity-Building Requirements and List of CAL Experts

Consolidated topic	Requested training	LR Module	Requesting institutions	CB Experts
<b>1. Macro-surveillance</b>	Legal framework and governing law	L2-C01	BLM	No identified expert.
	Capital flow monitoring mechanism for macro and micro-surveillance	L2-C04	BCLMV	Available supply through CB programs. <ul style="list-style-type: none"> <li>Mr. Suchot Piamchol, Deputy Director, Financial Markets Department, BOT</li> <li>Ms. Thitima Chucherd, Assistant Director, Economic and Policy Department, BOT</li> </ul>
	Understanding capital flows and risks	L1-C01	BCLMV	<ul style="list-style-type: none"> <li>Ms. Cristeta B. Bagsic, Bank Officer V, BSP</li> <li>Mr. Justin Ray Angelo J. Fernandez, Bank Officer V, BSP</li> <li>Mr. Michael B. Bartolazo, Bank Officer V, BSP</li> </ul>
	Dealing with introduction of new financial products	L3-C03	BCLMV	<ul style="list-style-type: none"> <li>Ms. Faith Christian Q. Cacnio, Bank Officer V, BSP</li> <li>Ms. Agnes M. Yap, Bank Officer V, BSP</li> </ul>
<b>2. Capital flow and crisis management</b>	Monetary and macroprudential policy	L3-C01	CLM	<ul style="list-style-type: none"> <li>Ms. Hazel C. Parcon-Santos, Bank Officer V, BSP</li> <li>Ms. Faith Christian Q. Cacnio, Bank Officer V, BSP</li> <li>Mr. Suchot Piamchol, Deputy Director, Financial Markets Department, BOT</li> <li>Ms. Thitima Chucherd, Assistant Director, Economic and Policy Department, BOT</li> </ul> Available supply through CB and ADB programs.
	Managing capital flow: macroeconomic analysis and policies	L3-C01	CLM	Available supply through CB and ADB programs.
	Crisis management: country experiences	L3-C02	CLM	Available supply through CB and ADB programs.

# Other CAL Experts

Subject Matter	CB Expert
<b>A. Fundamentals of CAL</b>	
1. Freer Flow of Investment	<ul style="list-style-type: none"><li>Ms. Hazel C. Parcon-Santos, Bank Officer V, CMFP</li><li>Ms. Thitima Chucherd, Assistant Director, Economic and Policy Department, BOT</li></ul>
2. Pre-conditions and Sequencing for CAL	<ul style="list-style-type: none"><li>Ms. Thitima Chucherd, Assistant Director, Economic and Policy Department, BOT</li></ul>
<b>B. Supervision and Monitoring Framework</b>	
3. Fundamental Analytical Work to Support Monetary Policy	<ul style="list-style-type: none"><li>Ms. Cristeta B. Bagsic, Bank Officer V, BSP</li><li>Ms. Faith Christian Q. Cacnio, Bank Officer V, BSP</li><li>Mr. Suchot Piamchol, Deputy Director, Financial Markets Department, BOT</li></ul>


# CAL Learning Roadmap

Compiled from AMS's Capacity Building Requests



## Layer 3: Managing Volatile Capital Flows and Related Issues

L3-C01	L3-C02	L3-C03 	L3-C04	L3-C05	L3-C06	L3-C07
<p>Monetary and Macro-Prudential Policy Formulation under Volatile Capital Flows</p> <p>- Urgent: Cambodia, Lao PDR, Myanmar, Philippines, Vietnam</p>	<p>Crisis Management: Sharing Countries' Experiences</p> <p>- Urgent: Cambodia, Lao PDR, Myanmar, Vietnam</p>	<p>Dealing with the Introduction of New Financial Products</p> <p>- Urgent: Myanmar, Philippines, Vietnam</p> <p>- High: Cambodia, Lao PDR,</p>	<p>Macro-Prudential Policies and Safeguard Measures in Capital Flow Management: IMF and Countries' Experiences</p> <p>- Urgent: Vietnam</p>	<p>Contingency Planning for Crises</p> <p>- High: Philippines</p>	<p>Macroeconomic Shocks and Financial Stress</p> <p>- High: Philippines</p>	<p>Technical assistance on Capital Flow Liberalization and Foreign Exchange Market Development</p> <p>- High: Philippines</p>

## Layer 2: Supervision and Monitoring Framework

L2-C01 	L2-C02 	L2-C03	L2-C04	L2-C05 	L2-C06	L2-C07
<p>Robust Legal Framework and Governing Law</p> <p>- Urgent: Myanmar, Philippines, Vietnam</p> <p>- High: Lao PDR</p>	<p>Fundamental Analytical Work to Support Monetary Policy</p> <p>- Urgent: Lao PDR, Myanmar, Vietnam</p> <p>- High: Brunei, Cambodia</p>	<p>Framework for Financial Market Development and Monitoring</p> <p>- Urgent: Vietnam</p> <p>- Medium: Philippines</p>	<p>Capital Flow Monitoring Mechanism for Macro and Micro-Surveillance</p> <p>- Urgent: Cambodia, Lao PDR, Myanmar, Philippines</p> <p>- High: Brunei</p> <p>- Medium: Vietnam</p>	<p>Enhancing Financial Sector Development and Financial Safety Net</p> <p>- Urgent: Cambodia, Philippines, Vietnam</p> <p>- High: Lao PDR</p>	<p>Cross-Country Analysis of Liberalization on Both Current and Capital Accounts</p> <p>- High: Philippines</p>	<p>International Market Access</p> <p>- High: Philippines</p>

## Layer 1: Fundamentals of CAL

L1-C01	L1-C02 	L1-C03 	L1-C04	L1-C05   06   07	L1-C08
<p>Understanding of Capital Flows and Risks</p> <p>- Urgent: Cambodia, Myanmar, Vietnam</p> <p>- High: Brunei, Lao PDR</p> <p>- Medium: Philippines</p>	<p>Freer Flow of Investment: Country Experience</p> <p>- Urgent: Myanmar, Philippines, Vietnam</p> <p>- High: Cambodia, Lao PDR</p>	<p>Pre-Conditions and Sequencing for CAL</p> <p>- Urgent: Cambodia, Myanmar, Vietnam</p>	<p>Macro-Financial Stability Policies on Capital Flows</p> <p>- Urgent: Vietnam</p>	<p>Macro-Prudential Policy   Capital Account Liberalization   Private Debt Restructuring Frameworks</p> <p>- High: Philippines</p>	<p>Sharing of Foreign Exchange Administration (FEA) rules (BNM)</p> <p>- High: Malaysia</p>



Monetary Authority  
of Singapore



## Agenda Item 10:

### Other Matters

- Proposal to WC-CAL members on further engagement with IFIs based on issues raised in the Capital Account Safeguard Measures in the ASEAN Context (Feb 2019)



Monetary Authority  
of Singapore



THANK YOU