ASEAN MINISTERS PUSH FOR FINANCIAL INTEGRATION BY 2025

The new timeline calls for a system to integrate bond market disclosures and a framework for government bonds; this is expected to be adopted by eight out of ten member states, with policy aims to increase government fundraising within the region.

The trial of “Qualified ASEAN Banks” (QABs) under the ASEAN Banking Integration Framework was officially adopted for broader implementation; a target of two QABs are to be qualified to do business in all member states within the next three years.

The ASEAN Trading Link connecting the stock exchanges of Singapore, Thailand, and Malaysia is targeting the addition of at least one other nation by 2025; furthermore, measures to develop less financially developed nations in ASEAN were deemed to be of paramount importance, but little to no specificity was included in the statement.

Finance ministers and central bank governors from ASEAN have agreed to make efforts toward realising financial integration in the region by 2025, according to their statement adopted at the Second ASEAN Finance Ministers’ and Central Bank Governors’ Meeting (2nd AFMGM).

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After failing to go through the House of Representatives, questions have been raised regarding the effectiveness and viability of Indonesia's Tax Amnesty Bill.

According to Indonesia’s finance minister Bambang Brodjonegoro, the scheme would likely raise between US$8 billion and US$15 billion in revenue if passed by the parliament; an estimated US$900 billion of funds is said to be stashed overseas by rich Indonesians, the target market which the bill hopes to address.

In 2015, only 27 million of the country’s 255 million people were registered for tax purposes, only garnering the government 82% of its tax collection targets; Indonesia’s tax to GDP ratio is around 10%, compared to the 14% average of its ASEAN neighbours.

Questions raised regarding the bill centre around two main issues; firstly, is Indonesia leaving more money on the table by offering a reduced tax rate for declarations made during the amnesty period, and secondly, if Indonesia is setting a precedent for tax collection with perverse incentives for individuals to continue to dodge taxes.

It should be noted that an OECD scheme known as the Common Reporting Standard (CRS) which will attempt to set up tax related information sharing between Singapore, Hong Kong, Switzerland and Mauritius is to be implemented in 2017, which may render Indonesia’s leniency premature.

Though Singapore’s industrial property prices fell at their steepest pace in over two years in the fourth quarter in 2015, analysts from UBS have predicted that further falls in the future.

An estimated 17 million square feet of Singaporean industrial property is set to hit the market over the next four years; this comes as Singapore’s manufacturing Purchasing Managers’ Index (PMI) remains below 50 for over nine months, singling a contraction in Singapore’s industrial markets.

A slowdown in oil and gas around the globe has continued to dampen prospects for Singapore’s industrial property market, whilst a supply glut cause by a shift in property investments in the past continues to affect the present; dampening measures in Singapore’s residential property market implemented by the government instigated a shift in property investors in the city state.

In the fourth quarter of last year, the price index for industrial space fell 1.5% on-quarter and the rental index for the segment fell 1.1% in the period, according to JTC, which is Singapore’s agency for planning industrial development.

Global debt-watcher Fitch Ratings on Friday affirmed the Philippines’ investment grade rating with a positive outlook.

A rating of “good credit quality” or “BBB-“ was maintained for the Philippines in regard to an assessment of the country as a borrower of long term foreign currency loans; this means there is a low risk that the nation will default on debt payments.

The rating agency did however note that future business and economic conditions are likely to curb the nation’s growth and stability; on the other hand, the nation’s external finances and current account surpluses will act as insulators against such issues.

A strengthening of the nation’s governance standards, as well as ample liquidity were also cited as reasons for maintaining a BBB- rating; policy continuity and government initiatives are set to drive the nation forward in achieving long term sustainability and the country’s economic gains.

CREDIT RATINGS FOR THE PHILIPPINES

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Source: tradingeconomics.com
**ISLAMIC PENSIONS TO BOOST ISLAMIC FINANCE**

Indonesia is set to allow Shariah-compliant pension funds, a boost to its waning Islamic finance industry as the nation’s population over 60 is forecast to triple by 2050.

- Indonesia currently has just US$16 billion in private pension fund assets, which represents an untapped financial market; for comparison Malaysia, an economy less than half the size of Indonesia’s, has a retirement plan (the Employees Provident Fund) valued at US$172 billion.
- Indonesia’s population over 60 is forecast to triple by 2050, creating an unprecedented market for Islamic finance in the world’s most populous Muslim nation; Islamic finance has however, slowed from a 49% growth rate in 2011 to a 4% one in 2015.
- Insurers and asset managers will be permitted to market retirement plans that comply with the Koran’s tenets and will have the option of converting existing funds into Shariah vehicles, according to a proposal released last month by the Financial Services Authority that didn’t give an implementation date.

**PROTON GETS BAILOUT PACKAGE**

A USD384 million bailout package has been approved by the Malaysian Government to help its national car maker Proton finance its debt amidst poor sales and heavy losses.

- The decision to bailout the company was based on the fact that some 60,000 workers directly rely on Proton’s future, with the bailout package acting as a loan to help Proton make payments to vendors for components which will allow the company to continue to do business.
- Stipulations in the deal also include a mandate for Proton to expand internationally, and to obtain notable foreign partners to aid in research and development.

**MALAYSIA'S CAR COMPANY “PERUSAHAAN OTOMOBIL NASIONAL”**

- Founded in 1983 by Mahathir Mohamad as part of a national industrialisation plan.
- A distribution agreement with a UK dealer in 1989 yielded the first exports of Proton.
- Proton acquired Lotus technologies in 1996.
- In 2012, Proton was taken over by DRB-HICOM.
- Proton’s first car model, the Proton Saga was launched in 1985 after a partnership with Mitsubishi.
- Between 1992 and 1996, Proton launched 4 new car models, whilst expanding into 31 countries globally.
- A partnership with Volkswagen in 2004 fell through in 2006.

**VIETNAM DEMANDS REMOVAL OF CHINESE OIL RIG**

Vietnam demanded that China remove an oil exploration rig from an area of the South China Sea where their border is still being demarcated, and said Beijing’s unilateral actions were complicating the situation.

- The oil rig, which was first set up by China in 2014 near the Parcel islands, faces competing claims of a territorial nature, with Vietnam claiming the rig is within its exclusive economic zone, whilst China recognises the locale as part of its own national boundaries.
- The incident, which has already sparked deadly riots in Vietnam, was further escalated when China began operations of a new lighthouse on one of the seven artificial island it has recently constructed in the South China Sea.
- China has relocated its oil rig into an area in the Gulf of Tonkin where the countries continue to negotiate the demarcation of their sea borders.
THAILAND TO RE-AUCTION 4G SPECTRUM LICENCE

Thailand’s Military Government has announced that it will bring forward the re-auction of a 4G mobile license to mid May.

- The re-auction is occurring due to previous winner Jasmine International’s forfeiture of its license due to a failure to make payment following operations; the company won the previous bid at a price of US$2.15 billion
- The starting price for the re-auction is slated to begin at US$2.15 billion, and will exclude the True Group, Thailand’s third-largest mobile operator, from participating as the company already has two 4G licenses
- Prime Minister Prayuth Chan-ocha said the junta was ready to step in and resolve the 4G mobile license dispute after market leader Advanced Info Service (AIS) asked the regulator to award it the 900-MHz licence without hosting another auction

VIETNAM SHINES IN THE RANKING OF ASEAN’S TOP 100 BANKS

Vietnam’s lenders posted the second highest growth in banking assets by country in the Top 100 ASEAN banks ranking.

- The largest increase in the ranking belongs to Cambodia, which grew by 30.4%, although it has only one lender, ACLEDA Bank, in the ranking; Vietnam, on the other hand grew its assets by 15.66%
- Whilst asset growth remains promising, the profitability of Vietnamese banks is still a cause for concern; with a return on capital of 12.9%, Vietnam is ranked one of the lowest in terms of banking returns amongst ASEAN nations; Indonesia, on the other hand, boasts a return on capital of 25.31%
- Another notable growth story comes from the Philippines, which showed the largest asset growth in last year’s ranking; local balance sheets grew by an impressive 13.59%, the highest after Vietnam and Cambodia
- Rankings for banks are based on capital, asset, and profitability growth.

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