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01 ASEAN

ASEAN MINISTERS PUSH FOR FINANCIAL INTEGRATION BY 2025

ASEAN'S FINANCIAL INTEGRATION PLANS

ROADMAP FOR MONETARY AND FINANCIAL INTEGRATION OF ASEAN

- Capital Market Development
- Financial Services
- Capital Account Liberalisation

STRENGTHENING ASEAN FINANCE COOPERATION AND INTEGRATION

- Enhance Regional Surveillance
- Infrastructure Financing
- Cooperation on Customs Matters
- Cooperation on Taxation
- Cooperation on Insurance
- Financial Inclusion



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).

- ▶ 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

bangkokpost.com (05 April 2016)

ISSUES WITH INDONESIAN TAX AMNESTY

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

economist.com (09 April 2016)

SINGAPORE INDUSTRIAL PROPERTY PRICES FALL

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 caused 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

cnbc.com (07 April 2016)

FITCH AFFIRMS PHILIPPINES RATING

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

Standard and Poor's : BBB
Moody's : BAA2
Fitch : BBB-

S&P	Moody's	Fitch	
AAA	Aaa	AAA	Prime
AA+	Aa1	AA+	High grade
AA	Aa2	AA	
AA-	Aa3	AA-	
A+	A1	A+	Upper medium grade
A	A2	A	
A-	A3	A-	
BBB+	Baa1	BBB+	Lower medium grade
BBB	Baa2	BBB	
BBB-	Baa3	BBB-	
BB+	Ba1	BB+	Non-investment grade speculative
BB	Ba2	BB	
BB-	Ba3	BB-	
B+	B1	B+	High speculative
B	B2	B	
B-	B3	B-	
CCC+	Caa1	CCC	Substantial risks
CCC	Caa2		Extremely speculative
CCC-	Caa3		In default with little prospect for recovery
CC	Ca		
C	C		
D	/	DDD	In default
	/	DD	
		D	

gmanetwork.com (08 April 2016)

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 given an implementation date

bloomberg.com (07 April 2016)

PROTON GETS BAILOUT PACKAGE

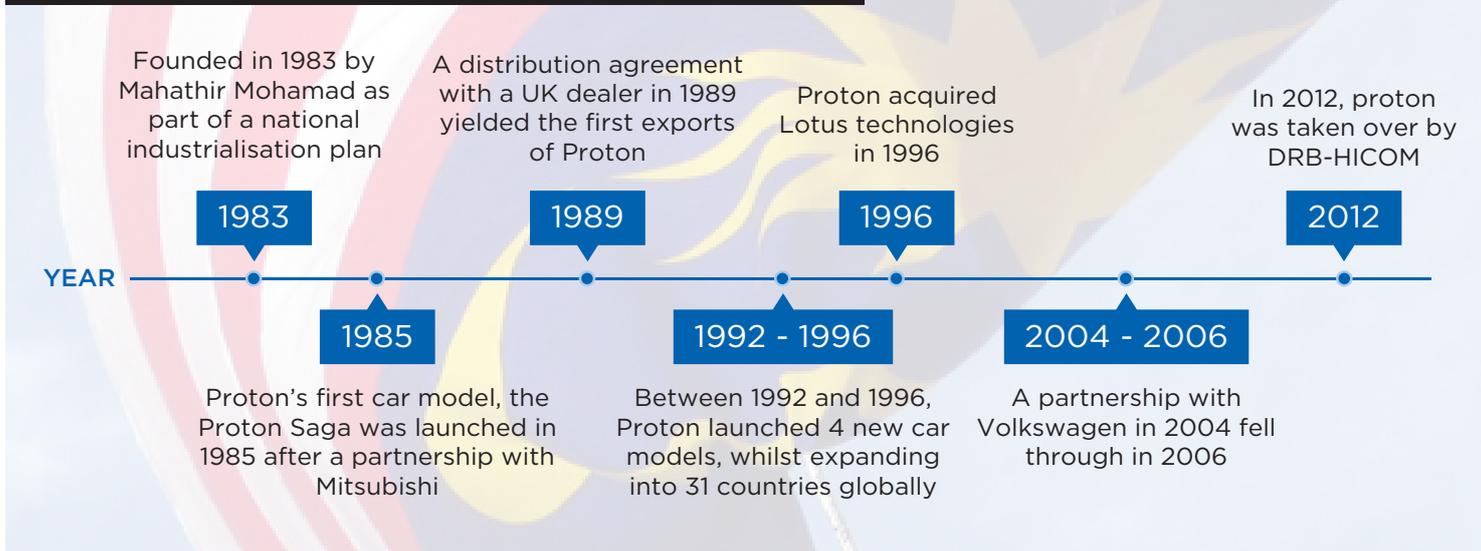
A USD384 million bailout package has been approved by the Malaysian Government to help its national car maker Proton finance its debt amidst poor sales and heavy losses.

- ▶ The bailout includes mandates for the company to formulate a plan to turnaround dismal performance; furthermore, a task force led by Pemandu chief executive Idris Jala comprising officials from the government and the private sector is expected to be set up to monitor the car manufacturer's transformation

- ▶ 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

thejakartapost.com (08 April 2016)

MALAYSIA'S CAR COMPANY "PERUSAHAAN OTOMOBIL NASIONAL"



Source: corporate.proton.com

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

abcnews.go.com (08 April 2016)

NATIONAL

- An earthquake of a magnitude 6.9 hit northern Myanmar on 13 April at a depth of 135km, nearly 400km north of Myanmar's capital, Naypyidaw. The quake was also felt in parts of eastern India and Bangladesh. There were no immediate reports of injuries or damages, according to the government.

[Aljazeera \(13 April 2016\)](#)

POLITICS

- A total of 113 political prisoners in Myanmar were freed on 9 April under an amnesty ordered by the country's new de facto leader, Aung San Suu Kyi, as her first official act. The move was praised by human rights advocates, but a jarring note was struck when two peace activists were each sentenced on 8 April to two years with hard labour for activities in relations to an armed ethnic group.

[The Wall Street Journal \(9 April 2016\)](#)

ECONOMY

- Chinese state-controlled commodity trader Guangdong Zhenrong Energy Co has won approval from the Myanmar Investment Committee (MIC) to build a long-planned US\$3 billion refinery in southeast coastal city of Dawei. The project, which also includes an oil terminal, storage and distribution facilities, would be one of the largest foreign investments in decades in Myanmar. The approval was rushed through by the outgoing government, before the new NLD government took power at the end of March.

[Reuters \(5 April 2016\)](#)

- Myanmar's garment exports is expected to be worth US\$12 billion and employ 1.5 million people by 2020, according to a state media report, which attributed the ambitious figures to an unnamed source. Garment exports were expected to recover to about US\$2 billion last year and the sector now employs about 250 thousand people, according to the Myanmar Garment Manufacturers Association.

[The Irrawaddy \(9 April 2016\)](#)

FOREIGN AFFAIRS

- US President Obama congratulated his Myanmar counterpart, President Htin Kyaw, in a phone call on 6 April and applauded the National League for Democracy (NLD) leadership for reaching a historic milestone in democratic reform. Obama said the US is willing to provide future assistance and asked to remain informed of Myanmar's future plans. Obama also spoke with Aung San Suu Kyi and commended her efforts over many years to achieve a peaceful transfer of power and advance national reconciliation

[The Irrawaddy \(7 April 2016\)](#)

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 licence dispute after market leader Advanced Info Service (AIS) asked the regulator to award it the 900-MHz licence without hosting another auction

[reuters.com \(08 April 2016\)](#)

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.

[asia.nikkei.com \(07 April 2016\)](#)

TOP 15 ASEAN BANKS

RANK		BANK	COUNTRY	TIER 1 CAPITAL (in millions of dollars)	TOTAL ASSETS (in millions of dollars)	PRETAX PROFITS (in millions of dollars)
2015	2014					
1	1	DBS Bank	Singapore	26,270.25	333,585.16	3,707.80
2	2	Overseas-Chinese Banking Corp. (OCBC)	Singapore	19,666.16	303,729.01	3,605.76
3	3	United Overseas Bank	Singapore	18,847.09	232,199.96	2,895.43
4	4	Malayan Banking (Maybank)	Malaysia	13,672.78	183,204.57	2,607.03
5	5	Bangkok Bank	Thailand	9,216.70	83,726.91	1,367.71
6	6	Public Bank	Malaysia	7,994.80	98,919.01	1,663.59
7	7	Siam Commercial Bank	Thailand	7,399.78	81,901.01	2,027.34
8	8	Bank Mandiri	Indonesia	6,786.40	68,733.09	2,090.68
9	10	Kasikornbank	Thailand	6,639.32	72,479.34	1,911.04
10	11	Bank Rakyat Indonesia	Indonesia	6,600.38	64,465.84	2,480.63
11	12	CIMB Group Holdings	Malaysia	6,408.42	118,499.67	1,223.58
12	9	Krung Thai Bank	Thailand	6,354.19	83,104.27	1,211.15
13	13	Bank Central Asia (BCA)	Indonesia	5,174.45	44,407.07	1,667.29
14	16	Hong Leong Bank	Malaysia	4,153.80	53,052.26	813.83
15	15	RHB Bank	Malaysia	4,037.49	58,551.37	702.45

Source: [asia.nikkei.com](#)

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