

**Monthly Monitor of Global Responses to the
Financial Tsunami by Selected Economy
(16 Jan – 20 March 2009)**

(i) Key Points

Over the past two months,

1. In the US, President Barack Obama took the oath of office on 20 January to become the 44th president of the United States. A series of packages and plans were rolled out under the Obama's Administration. In less than a month, the American Recovery and Reinvestment Act 2009 was approved, signifying a massive stimulus package of US\$787 billion. The Treasury Secretary, on the other hand, announced the Financial Stability Plan to soak up US\$500 billion to US\$1 trillion in bad assets from struggling banks. The Homeowner Affordability and Stability Plan was also unveiled, with an aim to help families restructure their mortgages to avoid foreclosures. Additional measures to unlock credit for small businesses and the Auto Supplier Support Program were also set out.
2. In the mainland of China, Premier Wen Jiabao delivered the government work report at the Second Session of the 11th National People's Congress. While expressing confidence in achieving the economic growth target of about 8% in 2009, Premier Wen announced other measures, including a more proactive employment policy and allocating RMB 42 billion to tackle unemployment. Besides, measures will also be taken to accelerate the trial of RMB settlement of Mainland trade with Hong Kong and Macao, and further strengthening of cross-strait investment and industry cooperation with Taiwan. The Government also announced support measures for the ten key industries⁽¹⁾. At the regional level, Guangdong unveiled a list of 30 measures, with substantial fiscal support, for their industrial upgrading for Hong Kong-funded Mainland enterprises.
3. Elsewhere, both Singapore and Canada announced their Budgets for this fiscal year in a bid to boost the economies and preserve jobs. The UK

(1) The ten key industries include automobile, steel, textile, machinery-manufacturing, shipbuilding, electronics and information, light industry, petrochemical, nonferrous metal and logistics industries.

government put forward a second rescue package for the banks and also outlined a £2.3 billion bailout package for the automobile industry. While facing strike threats, France announced tax breaks and social benefits to help families cope with the economic crisis⁽²⁾. Malaysia announced its second ever largest stimulus package. Indonesia and Denmark also initiated a similar move.

4. Key interest rates in advanced economies move closer to zero after announcing further rates cuts. Central banks started to consider using quantitative easing. The Fed decided to purchase up to an additional US\$750 billion of agency mortgage-backed securities and US\$300 billion of longer-term Treasury securities. Bank of Japan would provide up to one trillion yen in subordinated loans to financial institutions as well as increase purchases of government bonds. The Bank of England, in the ever first instance, decided to finance £75 billion of asset purchases by the issuance of central bank reserves to revive lending.

(2) Unemployment rate rose to 8.3% (January) in France, 8.5% (February) in Germany, 6.5% (January) in UK and 8.1% (February) in US.

(ii) Details of Measures

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MAINLAND CHINA – NATIONAL POLICIES

At the Second Session of the Eleventh National People's Congress, Premier Wen Jiabao delivered the government work report on 5 March.

Premier Wen unveiled several key areas of work for 2009, including:

Actively Boosting Domestic Demand

- * Implement the **subsidy programmes of selling more household electric appliances, agricultural machinery, motor vehicles and motorcycles to rural residents**, and ensure good use of the subsidy fund of RMB 40 billion allocated by the Central Government.
- * **Invest a total of RMB 908 billion on livelihood projects** such as subsidized housing, education, health and cultural services, major infrastructure projects on energy conservation, environmental protection and ecological facilities, technological transformation and innovation, railway and expressways, agriculture and irrigation, as well as post-earthquake recovery and reconstruction works.
- * Propose to allocate **RMB 43 billion for subsidizing the construction of low-cost housing** for poor families living in subsidized houses.
- * Propose to **inject RMB 716.1 billion**, an increase of RMB 120.6 billion over last year, for **“three rural” issues**.
- * Propose to earmark **RMB 123 billion**, an increase of RMB 20 billion over last year, for **subsidising agriculture**.

Promote employment

- * Propose to **inject RMB 42 billion to promote employment** among high school graduates and peasants, town residents with employment difficulty, zero-employment families and workers in disaster areas to get employed, and support independent business start-ups and self-employment.

Foster cooperation between Guangdong, Hong Kong and Macao

- * **Expedite the pilot programmes for Hong Kong and Macao to use RMB as the settlement currency for trade in goods with the Mainland.**
- * Speed up infrastructure projects such as the construction of the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong-Shenzhen Airport Rail Link and the Guangzhou-Shenzhen-Hong Kong Express Rail Link.
- * Further open up the Mainland services sector to Hong Kong and Macao.
- * Adopt effective measures to support Hong Kong and Macao enterprises, particularly SMEs, in tapping the Mainland market.

	<p>Support economic cooperation</p> <ul style="list-style-type: none"> * Support the development of Taiwan-funded enterprises in the Mainland. Increase two-way cross-strait investment and industrial cooperation. Foster and intensify cross-strait agricultural cooperation. Push ahead the signing of an integrated economic cooperation agreement. Strengthen official cross-strait dealings and promote exchanges at the sectoral level. 												
<p>Industry Support Measures</p>													
<p>At the State Council Executive Meeting on 26 November 2008, Premier Wen Jiabao considered policy measures for supporting the development of 10 key industries. Details were announced in January and February 2009.</p>	<p>The dates for announcing the plans are as follows:</p> <table border="0"> <tr> <td>* Automobile and steel industries⁽³⁾</td> <td>14 January</td> </tr> <tr> <td>* Textile and machinery-manufacturing industries</td> <td>4 February</td> </tr> <tr> <td>* Shipbuilding industry</td> <td>11 February</td> </tr> <tr> <td>* Electronics and information industry</td> <td>18 February</td> </tr> <tr> <td>* Light industry and petrochemical industry</td> <td>19 February</td> </tr> <tr> <td>* Nonferrous metal and logistics industries</td> <td>25 February</td> </tr> </table> <p>Key measures include:</p> <p>(1) Textile industry:-</p> <ul style="list-style-type: none"> * Increase the rate of tax rebate rate for the textile and garment exports from 14% to 15%, with effect from 1 February⁽⁴⁾; * Allocate a special fund to focus on supporting the upgrade of technology such as spinning and weaving, printing and dyeing, and synthetic knitting; * Strengthen the support to small to medium-sized textile enterprises by encouraging guarantee agencies to provide credit guarantees and facilities to textile enterprises to ease their financial burden. 	* Automobile and steel industries ⁽³⁾	14 January	* Textile and machinery-manufacturing industries	4 February	* Shipbuilding industry	11 February	* Electronics and information industry	18 February	* Light industry and petrochemical industry	19 February	* Nonferrous metal and logistics industries	25 February
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(3) For details of key measures for the steel and auto industries, refer to TFEC-INFO-04.

(4) China has raised the rate of export tax rebate for textiles three times since last August. At the previous increase in November 2008, the rate went up from 13% to 14%.

(2) Machinery-manufacturing industry:-

- * Enterprises are encouraged to raise competitiveness through strengthening technological innovation. Merger and acquisition between backbone enterprises was encouraged.

(3) Shipbuilding industry:-

- * Encourage financial institutions to increase the credit support for ship buyers and extend the existing financial support policies for domestic sale of ocean-going ships until 2012;
- * Suspend the construction of new docks and the expansion of slipways of existing shipbuilding enterprises for the next three years;
- * Allocate a special fund for industry revitalization and technology upgrades, and support R&D of high-technology ships, maritime engineering equipment and key ancillary facilities.

(4) Electronics and information industry:-

- * Speed up the product upgrade of electronic components and device, and promote the digital transformation of the audio-visual industry;
- * Focus on fostering new development in areas such as communications equipment, information services and IT applications.

(5) Light industry:-

- * Step up the implementation of the policy on “selling more household electric appliances to rural families”;
- * Remove processing trade restrictions on some labour-intensive, technology-intensive, energy-efficient and environment-friendly products and further raise export rebates for some light industrial products etc.

(6) Petrochemical industry:-

- * Cease to approve coal-chemical projects;
- * Accelerate the building of finished oil product reserves, better tax policies and more credit access for petrochemical enterprises.

(7) Nonferrous metal industry:-

- * Offer subsidised loans to support technical transformation of enterprises, and adjust the export tax rebate rate structure for nonferrous metal products;

	<ul style="list-style-type: none"> * Adjust the nonferrous metal product structure to meet the demand of energy, transportation, construction, mechanics, light industries, etc. <p>(8) Logistics industry:</p> <ul style="list-style-type: none"> * Boost the demand for the logistics industry, by promoting interactive development between the logistics and the production and commercial enterprises; * Speed up company merging and restructuring to nurture large and modern logistics companies with high standard of service and international competitiveness.
<p>Implementation Plan for Selling More Motor Vehicles and Motorcycles to Rural Families</p>	<p>With the approval of the State Council, seven departments, including the Ministry of Finance and the State Development and Reform Commission, jointly published the “Implementation Plan for Selling More Motor Vehicles and Motorcycles to Rural Families”. Farmers purchasing light trucks and mini vans powered by a 1.3-litre engine or less to replace their scrapped three-wheel motor vehicles and low-speed trucks will be given a one-off financial subsidy.</p>
<p>Employment</p>	
<p>“Notice of the State Council on Doing a Good Job in Promoting Employment under the Current Economic Situation” was issued on 10 February to increase employment by implementing measures to expand domestic consumption and boost economic growth.</p>	<p><u>Key measures:</u></p> <ul style="list-style-type: none"> * Require all enterprises’ job-cutting plan involving more than 20 workers or less than 20 workers but more than 10 percent of the entire staff, to file a report to the local trade union or notify all staff 30 days before the layoff and report the cutback to the local administration of the Ministry of Human Resources and Social Security after receiving feedbacks from the union or staff. * Continue to encourage laid-off workers to start their own business by offering tax exemptions and tax relief; * Flexible employees whose social insurance subsidy has expired and still fail to find a stable employment by the end of 2009 may enjoy a one-off extension of social insurance subsidy for a maximum of one year depending on actual situation. * Introduce specific vocational training to help more workers enhance their job skills.
<p>The General Office of the State Council issued a circular on 15 February on strengthening the work for promoting employment of</p>	<p>The relevant measures include:</p> <ul style="list-style-type: none"> * Enterprises will benefit from the relevant employment support policies if they employ college graduates meeting certain requirements. Small labour-intensive enterprises hiring the required proportion of college graduates registered as unemployed will get up to RMB 2 million of small guaranteed loans according to regulations.

<p>graduates from regular institutes of higher education.</p>	<ul style="list-style-type: none"> * In 2009, financially difficult enterprises meeting certain requirements will, according to the regulations, get up to six months of social insurance subsidies or work post subsidies, to be paid out of the unemployment insurance fund. * Encourage and support college graduates to start new businesses: College graduates going into private businesses and meeting certain requirements will be exempt from administrative fees. Various supportive policies will be implemented, including encouraging the disabled to seek employment, helping laid-off and jobless people to find new jobs, implementing preferential taxation policies to facilitate the development of small and medium enterprises and new hi-tech enterprises, and providing venues for business start-ups. * College graduates who have registered with local public employment service as unemployed are allowed to apply for small guaranteed loans of up to RMB 50,000 to start their own businesses if they cannot raise adequate funds. * A graduate trainee programme for one million unemployed college graduates will be launched in three years starting from 2009.
<p>Announcement Regarding the State's Policies on Facilitating the Employment of College Graduates</p>	<p>The Ministry of Education published the “Announcement Regarding the State’s Policies on Facilitating the Employment of College Graduates”, which formulated the policies on facilitating the employment of college graduates. The policies include:</p> <ul style="list-style-type: none"> * encouraging college graduates to work in grassroots units and in the Central and Western Region. * encouraging college graduates to be recruited for voluntary military service. * proactively recruiting outstanding college graduates to participate in major scientific research projects at the national and local levels. * encouraging college graduates to take up jobs in SMEs and start their own businesses by exempting them fees and charges.
<p>Others</p>	
<p>The People's Bank of China and the Hong Kong Monetary Authority signed the Currency Swap Agreement on 20 Januray.</p>	<p>With the establishment of a currency swap arrangement, short-term liquidity support can be provided to the Mainland operations of Hong Kong banks and the Hong Kong operations of Mainland banks in case of need. This will also help to promote the development of RMB-denominated trade transactions between Hong Kong and the Mainland. The currency swap agreement has a term of 3 years, which can be extended upon agreement by both parties. It can provide liquidity support up to RMB200 billion / HK\$227 billion.</p>
<p>The ministries of finance and civil affairs have distributed about</p>	<p>The unprecedented aid package, with one-off payments, will benefit more than 74 million people amid the financial crisis.</p>

<p>RMB 9.66 billion (US\$1.42 billion) to the needy to help them celebrate the Spring Festival.</p>	
<p>The China Insurance Regulatory Commission suggested making adjustments in four areas, so as to provide additional investment tools and investment channels for insurance funds.</p>	<p><u>Key measures:</u></p> <ul style="list-style-type: none"> * Enrich the categories of bond investment for insurance institutions; * Expand the pilot areas for investment in infrastructure construction, expand investment scale and raise the proportion of investment; * Allow qualified small and medium-sized insurance companies to invest directly in the stock market; * Launch pilot programmes for investing in not-yet-listed equities.
<p>The State Council has permitted local governments to issue bonds worth RMB 200 billion through public offering.</p>	<p>The three major considerations in determining the scale of bond issues by local governments are (1) the amount of supporting funds provided by local governments for the Central Government’s major investment projects; (2) local governments’ underwriting capacity for bond issues; and (3) the debt profile of the concerned local government in the past.</p>
<p>Increase the capital input for development of the low-rent housing system</p>	<p>At the Second Meeting of the Eleventh National People’s Congress, Deputy Minister of the Ministry of Housing and Urban-Rural Development said that this year the Central Government would increase the capital input for development of the low-rent housing system in areas with financial difficulties. The capital input for developing the low-rent housing system would amount to RMB 33 billion. Furthermore, the funds for the Central Government to issue treasury bonds on behalf of the local governments would be treated as local supporting funds, which would be used to subsidise the construction of low-rent housing and housing security projects.</p>

MAINLAND CHINA – REGIONAL POLICIES

Guangdong	
<p>The People’s Government of Guangdong Province announced the “Notice on the Measures of the Guangdong Province to Support Hong Kong, Macao and Taiwan-invested Enterprises to Respond to the Global Financial Crisis and Expedite Restructure and Upgrade” on 22 January.</p>	<p>The Notice sets out 30 measures in 9 areas, aiming at helping the Hong Kong, Macao and Taiwan-invested enterprises in the Pearl River Delta. The new policy is formulated on the request of Wang Yang, the Guangdong Party Secretary. Among these measures, the most important of all is the strengthening of financial support by the Guangdong Province for Hong Kong, Macao and Taiwan-invested processing trade enterprises to help them expedite restructuring and upgrading.</p> <p>Development and Reform Commission of the Guangdong Province indicated that the Guangdong Provincial Finance Bureau (“the Bureau”) has earmarked RMB 1 billion to support small and medium enterprises (“SMEs”) for technology upgrade and innovation. The Bureau will also inject RMB 1 billion into a guarantee agency to be established and provide RMB 200 million to help enterprises to boost their exports. Beginning from 2008, the Bureau in the next three years will allocate RMB 180 million per annum as the special SMEs development fund to guide and support the development of SMEs and private economy.</p>
<p>The Guangdong provincial government issued a “Directive on encouraging starting up businesses to boost employment” on 12 February, aiming at creating more jobs through government policies.</p>	<p>The measures include:</p> <ul style="list-style-type: none"> * Start-up companies founded by university graduates will be exempt from administrative fees for three years; * Small companies with low profit will pay profit tax at a reduced rate of 20%; * Veterans starting up individually-owned business would be exempt from administrative fees for three years; * No capital funding requirements for sole proprietorships registration; * Companies engaging local rural workforce can receive social insurance subsidy;
<p>Guangdong Province announced to lower company-contributed social insurance premiums by RMB 15 billion (US\$2.2 billion) this year to relieve corporate cost pressure amid the global financial crisis.</p>	<p>The provincial Bureau of Labor and Social Insurance said that the policy would help secure 1.9 million jobs in the province this year, which may otherwise face payroll cuts amid the current economic downturn.</p>
<p>The Guangdong Provincial</p>	<p>The authorities would also provide quality and efficient services to migrant workers returning to their hometowns to start their own businesses by</p>

<p>Administration for Industry and Commerce announced that the industry and commerce authorities would relax market access conditions and lower the business start-up threshold for migrant workers.</p>	<p>simplifying registration procedures and granting administrative fee concessions to support them in establishing different forms of enterprises.</p>
<p>The Guangdong Credit Re-guarantee for Small and Medium Enterprises Limited is formally established in Guangzhou on 18 February.</p>	<p>The company mainly provides financing and loan guarantee for SMEs to solve their cash flow problems. It has a registered capital of RMB 2 billion and has signed agreements on strategic cooperation with nine major banks and eight guarantee institutions in the Mainland.</p>
<p>The Guangzhou Municipal Government published the “Measures for the Declaration of Jobs in the Community Service and the Arrangement of Employment for Disadvantaged Groups in Guangzhou” on 18 February.</p>	<p>The measures would take effect on 1 May, aiming at creating more jobs in the community service (i.e. those service-related supernumerary posts funded by municipal or regional authorities of finance and managed by relevant government departments) in Guangzhou. Priorities in job placement would be given to disadvantaged groups such as the elderly unemployed persons, rural workers, disabled workers and unemployed high school graduates.</p>
<p>Shenzhen Municipality’s plan to boost domestic demand.</p>	<p>Shenzhen Municipality planned to raise RMB 30 billion through debt financing. At the same time, a provision of RMB 200 million has been made in Shenzhen’s budget this year for a special expenditure item to prevent and deal with financial risks, and another RMB 400 million set aside for export tax rebate adjustment.</p>
<p>The Shenzhen Municipal Government published the “Opinions on Better Promoting the Employment” to promote employment through a number of preferential policies such as granting position subsidies, training subsidies, trainee programme for young people, etc.</p>	<p>The Opinions unveiled 10 key policies, including granting tax concessions and employment subsidies as stipulated by the State to unemployed people starting their own businesses, strengthening training services for rural migrant workers, providing subsidies to young trainees and granting tax concessions, fee remissions and business start-up subsidies to college graduates for starting their own businesses.</p>

<p>Zhuhai will raise RMB 1 billion through financing to support the development of SMEs.</p>	<p>At the same time, it will actively seek an additional special fund of RMB 2.7 billion from the budget of the Guangdong Province. In addition, it will encourage banks to expand the scale of loans to SMEs and strengthen the risk compensation for the loan guarantees by credit guarantee institutions for SMEs.</p>
<p>Tianjin</p>	
<p>Tianjin Labour and Social Securities Department and Tianjin Finance Bureau budgeted RMB 1.7 billion yuan to help struggling firms ride out the economic slowdown.</p>	<p>Eight concrete measures were introduced, including five types of subsidies, for example, job, training, insurance and job search subsidies etc.</p>
<p>Shanghai</p>	
<p>Implementation of “Employment Assistance Special Scheme”</p>	<p>The Shanghai Municipal Human Resources and the Social Security Bureau announced the implementation of “Employment Assistance Special Scheme”, under which employment units would receive government subsidy if they recruit any of the seven types of people with employment difficulties, including elderly unemployed and “zero-employment families” in towns and rural low-income families etc.</p> <p>It is stipulated that those employment units having recruited the above-mentioned people with employment difficulties and entered into a labour contract with a period of over one year will receive a one-off subsidy. As regards the recruitment of registered unemployed people in towns, the subsidy level is RMB 10,000 per person each year. The subsidy period may last up to 2 years.</p>

INDUSTRIALISED ECONOMIES

<p>US</p>	
<p>Measures for Financial Sector and Enhancing Liquidity</p>	
<p>The Treasury Department, Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) have finalized the terms of the guarantee agreement with Citigroup on 16 January.</p>	<p>The agreement provides protection against the possibility of unusually large losses on an asset pool of approximately US\$301 billion of loans and securities backed by residential and commercial real estate and other such assets, which will remain on Citigroup’s balance sheet. No new money has been committed and no government funds have been transferred.</p>

<p>The U.S. government entered into an agreement on 16 January with Bank of America to provide a package of guarantees, liquidity access and capital as part of its commitment to support financial market stability.</p>	<p>Under the agreement, the Treasury and FDIC will provide protection against the possibility of unusually large losses on an asset pool of approximately \$118 billion of loans and securities backed by residential and commercial real estate, and other such assets, all of which have been marked to current market value. As a fee for this arrangement, Bank of America will issue preferred shares to the Treasury and FDIC.</p> <p>In addition, Treasury will invest \$20 billion in Bank of America from the Troubled Assets Relief Program (TARP) in exchange for preferred stock with an 8% dividend to the Treasury. Bank of America will comply with enhanced executive compensation restrictions and implement a mortgage loan modification program.</p>
<p>The Treasury Department announced investments of approximately US\$386 million in 23 banks across the nation as part of its Capital Purchase Program (CPP) on 27 January.</p>	<p>The program is a means to directly infuse capital into banks with the goal of increasing the flow of financing available to small businesses and consumers.</p>
<p>The President and Treasury Secretary took action on 4 February by imposing new restrictions on executive compensation at companies receiving “exceptional assistance” from the government.</p>	<p>Features in the new rules for these companies include a US\$500,000 cap on salaries for senior executives (compensation beyond that must be in restricted stocks).</p>
<p>Treasury Secretary Timothy Geithner announced the Financial Stability Plan on 10 February, unveiling the plan to soak up US\$500 billion to US\$1 trillion in bad assets from struggling banks and expand a Federal Reserve program to support up to US\$1 trillion in new loans.</p>	<p><u>Key elements of the Financial Stability Plan:</u></p> <ol style="list-style-type: none"> 1. Financial Stability Trust (including a Comprehensive Stress Test for Major Banks, increased Balance Sheet Transparency and Disclosure and Capital Assistance Program) <p>Treasury will move capital investments into a separate entity called the Financial Stability Trust. This will manage the government’s investments in US financial institutions.</p> <p>Banks receiving government funds will be subject to “stress test” to ensure that they are strong enough to continue lending and absorbing the potential losses that could result from a more severe decline in the economy than projected. All recipients of capital investments under the new initiatives announced will be required to commit to participate in mortgage foreclosure mitigation programs consistent with guidelines Treasury will release on</p>

	<p>industry standard best practices. Treasury investments going forward will be made in the form of preferred shares that can be converted to common equity if needed to preserve lending.</p> <p>2. Public-Private Investment Fund (US\$500 Billion - US\$1 Trillion)</p> <p>Geithner outlined a public-private investment fund that would aim to take US\$500 billion in distressed assets off banks' books. This could be expanded to as much as US\$1 trillion, and will be run in conjunction with the Federal Deposit Insurance Corp. and the Fed. Technical details are yet to be announced.</p> <p>3. Consumer and Business Lending Initiative (Up to US\$1 trillion)</p> <p>This joint initiative with the Federal Reserve broadens and expands the resources of the previously announced but not yet implemented Term Asset-Backed Securities Loan Facility (TALF). The Consumer and Business Lending Initiative will support the purchase of AAA-rated, asset-backed securities collateralized by auto, student, credit card and small business loans to try to free up credit. Initially, Treasury intended to use US\$20 billion to leverage US\$200 billion of lending from the Federal Reserve. But the Financial Stability Plan will now dramatically increase the size by using US\$100 billion to leverage up to US\$1 trillion and kick start lending by focusing on new loans. The expanded program will also support commercial mortgage-backed securities, and mortgage-backed securities and assets collateralized by corporate debt.</p> <p>4. Transparency and Accountability Agenda – including restrictions on dividends, stock repurchases and acquisitions, and executive compensation for firms receiving exceptional assistance.</p> <p>5. Affordable Housing Support and Foreclosure Prevention Plan</p> <p>The Treasury said US\$50 billion of the remaining bailout funds would be set aside to prevent foreclosures, aimed at owner-occupied “middle class” homes by helping to reduce monthly payments. Banks that receive capital injections from the government will be required to participate in mortgage foreclosure mitigation efforts outlined by the Treasury.</p> <p>6. A Small Business and Community Lending Initiative</p> <p>This effort will seek to arrest the precipitous decline in securities-backed asset (SBA) lending – down 57% last quarter from the same quarter a year earlier – using the Consumer and Business Lending Initiative to finance the purchase of AAA-rated SBA loans to unfreeze secondary markets for small business loans. The Administration also seeks to pass in the American Recovery and Reinvestment Act an increase in the guarantee of SBA loans from as low as 75% to as high as 90%.</p>
<p>Treasury further released the terms and conditions of the Capital Assistance</p>	<p>* Under CAP, federal banking supervisors will conduct forward-looking assessments to evaluate the capital needs of the major U.S. banking institutions. Should that assessment indicate that an additional capital buffer is warranted, banks will have an opportunity to turn first to</p>

<p>Program (CAP) under the Financial Stability Plan on 25 February.</p>	<p>private sources of capital. The Treasury is making government capital available immediately through the CAP to eligible banking institutions to provide this buffer.</p> <ul style="list-style-type: none"> * Eligible U.S. banking institutions with assets in excess of US\$100 billion on a consolidated basis are required to participate in the coordinated supervisory assessments, and may access the CAP immediately as a means to establish any necessary additional buffer. Those with consolidated assets below US\$100 billion may also obtain capital from the CAP. * Capital provided under the CAP will be in the form of a preferred security that is convertible into common equity at a 10 percent discount to the price prevailing prior to February 9th. CAP securities will carry a 9 percent dividend yield and convertible at the issuer's option (subject to the approval of their regulator).
<p>The U.S. Treasury Department and the Federal Reserve Board announced the AIG Restructuring Plan⁽⁵⁾ on 2 March.</p>	<p>The restructuring components of the government's assistance begin to separate the major non-core businesses of AIG, as well as strengthen the company's finances.</p> <p>Key steps of the restructuring plan include:</p> <p>Preferred Equity: The U.S. Treasury will exchange its existing US\$40 billion cumulative perpetual preferred shares for new preferred shares with revised terms that resemble more closely common equity.</p> <p>Equity Capital Commitment: The Treasury Department will create a new equity capital facility, which allows AIG to draw down up to US\$30 billion as needed over time in exchange for non-cumulative preferred stock to the U.S. Treasury.</p> <p>Federal Reserve Revolving Credit Facility: The Federal Reserve will also take several actions relating to the \$60 billion Revolving Credit Facility for AIG established by the Federal Reserve Bank of New York (New York Fed) in September 2008.</p>
<p>The Department of the Treasury and the Federal Reserve Board announced the launch of the Term Asset-Backed Securities Loan Facility (TALF) on 3 March, a</p>	<p>The TALF has the potential to generate up to US\$1 trillion of lending for businesses and households. This is also designed to catalyze the securitization markets by providing financing to investors to support their purchases of certain AAA-rated asset-backed securities.</p> <p>Under TALF, the New York Fed will lend up to US\$200 billion to eligible owners of certain AAA-rated ABS backed by newly and recently originated auto</p>

(5) According to the Treasury Department, AIG provides insurance protection to more than 100,000 entities, including small businesses, municipalities, 401(k) plans, and Fortune 500 companies who together employ over 100 million Americans. AIG has over 30 million policyholders in the U.S. and is a major source of retirement insurance for, among others, teachers and non-profit organizations. The company is also a significant counterparty to a number of major financial institutions.

component of the Consumer and Business Lending Initiative.	loans, credit card loans, student loans, and SBA-guaranteed small business loans.
The Treasury released additional measures⁽⁶⁾ to unlock credit for small businesses on 16 March.	<p>As another part of the Consumer and Business Lending Initiative, the Treasury Department will, by the end of March, begin making direct purchases of securities backed by U.S. Small Business Administration (SBA) loans. These purchases, combined with higher loan guarantees and reduced fees, will help provide lenders with the confidence that they need to extend credit.</p> <p><u>Key measures:</u></p> <ol style="list-style-type: none"> 1. Purchase Up to US\$15 Billion in Securities <ul style="list-style-type: none"> * Direct purchases of securities backed by loans from SBA's 7(a) Program⁽⁷⁾: Treasury stands ready to purchase securities backed by 7(a) loans packaged since last July and to purchase new 7(a) securities packaged between the date of this announcement and the end of 2009, assuring the community banks and other lenders that they can sell the new 7(a) loans they make and providing them with cash which they can use to extend more credit. * Direct Purchases for SBA's 504 Community Development Loan Program⁽⁸⁾: Treasury stands ready to purchase securities packaged from 504 first-lien mortgages, no later than May. It also prepares to buy 504 First-Lien Mortgage Securities that receive new SBA guarantees, upon the development of a secondary market guarantee program for securities issued from pooled 504 first mortgage loans, as part of the Recovery Act. 2. Temporarily Raise Guarantees to Up to 90% in SBA's 7(a) Loan Program <ul style="list-style-type: none"> * Any lender who participates in the 7(a) program can request a guarantee from the SBA of up to 90% for each eligible loan.

(6) Amongst the various measures to support small business, the American Recovery and Reinvestment Act signed by the President provides increased guarantees and reduced fees for certain SBA loans, as well as several tax cuts. In February, the Treasury Department made an extra effort under the Consumer and Business Lending Initiative to improve terms for securities backed by SBA loans in the TALF.

(7) Traditionally, SBA lending has been supported by a secondary market, as community banks and other lenders sell the government-guaranteed portion of their loans, providing them with new capital to make additional loans.

(8) The SBA's 504 program combines government-backed loans with mortgage loans from private lenders to provide long-term financing of up to US\$10 million that directly supports economic development within a community. First-lien mortgage loans made by private-sector lenders – which account for 50 percent of the financing for 504 projects, and are not SBA guaranteed – were often traded in the past on a secondary market.

	<p>3. Temporarily Eliminate SBA Loan Fees to Reduce the Cost of Capital</p> <ul style="list-style-type: none"> * SBA will temporarily eliminate the Certified Development Company (CDC) processing fees charged to borrowers and the third-party participation fees charged to lenders. For any new eligible 7(a) loan, the SBA will temporarily eliminate the up-front fees that lenders pass along to borrowers. <p>4. New Reporting Requirements on Bank Lending to Small Businesses</p> <ul style="list-style-type: none"> * Require the 21 largest banks receiving Financial Stability Plan assistance to report their Small business lending every month. Quarterly reports of small business lending by all banks were also called for. <p>5. Issue Guidance for An Expanded Carryback Provision and Tax Incentives Under the American Recovery and Reinvestment Act</p> <ul style="list-style-type: none"> * Establish a 5-Year carryback provision to increase tax refunds for small businesses. This allows businesses with gross receipts of up to US\$15 million to "carry back" their losses for up to five years, effectively allowing them a rebate on taxes paid in previous years. * Allow small businesses to immediately write off up to US\$250,000 of qualified investment in 2009, providing an immediate tax incentive to invest and create jobs. * Allow small businesses to reduce their estimated payments to 90% of the previous year's taxes, helping to boost their liquidity. * Extend through 2009 bonus depreciation, allowing businesses to take a larger tax deduction within the first year of a property's purchase. * Exclude from taxation 75% of the capital gains for investors in small businesses who hold their investments for five years. In his budget, the President further proposed to eliminate all capital gains taxes on small businesses and make this measure permanent.
<p>The Fed decided to purchase US\$750 billion mortgage-backed securities and US\$300 billion of long-term Treasury securities.</p>	<p>The Federal Open Market Committee decided to increase the size of the Federal Reserve's balance sheet further by purchasing up to an additional US\$750 billion of agency mortgage-backed securities, bringing the total purchases of these securities to up to US\$1.25 trillion this year, and to increase its purchases of agency debt this year by up to US\$100 billion to a total of up to \$200 billion.</p> <p>Moreover, the Committee decided to purchase up to US\$300 billion of longer-term Treasury securities over the next six months.</p> <p>The Term Asset-Backed Securities Loan Facility (TALF), facilitating the extension of credit to households and small businesses, is likely to be expanded to include other financial assets.</p>

<p>Legislation approved to heavily tax employee bonuses.</p>	<p>The House of Representatives approved legislation that would heavily tax employee bonuses handed out by companies receiving government bailout funds. The measure was urgently crafted amid ongoing anger over bonuses paid by AIG.</p> <p>The legislation would recover money by imposing a 90% tax on corporate employees who got payouts from companies that received at least US\$5 billion from TARP. Targeted are highly-paid employees with annual family incomes exceeding \$250,000.</p>
<p>Stimulus Package</p>	
<p>The House of Representatives and Senate approved the conference report for the American Recovery and Reinvestment Act of 2009 on 13 February, amounting up to US\$787 billion.</p>	<p>The Act will create 3 to 4 million jobs over the next two years, 90% of these will be in the private sector. It will also provide more than US\$150 billion of assistance to the low-income and vulnerable households.</p> <p><u>Distribution of funding:</u></p> <ul style="list-style-type: none"> • Tax Relief⁽⁹⁾: US\$288 billion • State and Local Fiscal Relief⁽¹⁰⁾: US\$144 billion • Infrastructure and Science: US\$111 billion • Protecting the Vulnerable: US\$81 billion • Health Care: US\$59 billion • Education and Training: US\$ 53 billion • Energy: \$43 billion • Others: \$8 billion <p><u>Key measures:</u></p> <ul style="list-style-type: none"> • Computerizing the health records; • Revive the renewable energy industry and provide the capital over the next three years; • Undertake the largest weatherization program by modernizing 75% of federal building space and more than one million homes;

(9) Tax Relief - includes US\$15 Bn for Infrastructure and Science, US\$61 Bn for Protecting the Vulnerable, US\$25 Bn for Education and Training and US\$22 Bn for Energy, so total funds are US\$126 Bn for Infrastructure and Science, US\$142 Bn for Protecting the Vulnerable, US\$78 Bn for Education and Training, and US\$65 Bn for Energy.

(10) State and Local Fiscal Relief - Prevents state and local cuts to health and education programs and state and local tax increases.

	<ul style="list-style-type: none"> • Increase college affordability for seven million students by funding the shortfall, increasing the maximum award level by US\$500, and providing a new higher education tax cut to nearly four million students; • As part of the US\$150 billion investment in new infrastructure, enact the largest increase in funding of the roads, bridges, and mass transit systems; • Provide an US\$800 Making Work Pay tax credit for 129 million working households, and cut taxes for the families of millions of children through an expansion of the Child Tax Credit.
<p>President Barack Obama released an outline of his first budget for fiscal year 2010 on 26 February.</p>	<p>The announcement is a summary version of the more detailed proposal President Obama will release in April.</p> <p>The forecasted budget deficit amounted up to US\$1.75 trillion in the current fiscal year 2009, equivalent to 12.3% of GDP, making it the largest deficit since World War II. The deficit totalled US\$455 billion in 2008, which was an all-time high in dollar terms. The budget projected the deficit to hit \$1.17 trillion in 2010 and the President has set a goal of reducing the deficit to US\$533 billion, or 3% of GDP, by 2013.</p> <p><u>Proposed measures:</u></p> <p>(i) Taxes</p> <ul style="list-style-type: none"> * Obama proposed an increase in taxes on the rich, raising tax collection from about 16% of the economy this year to 19% in 2013. He would also allow some of the 2001 and 2003 tax cuts enacted under his predecessor to expire on schedule for those making more than US\$250,000 a year. This would include allowing the highest U.S. income tax bracket to rise from 35% to more than 39%. <p>(ii) Spending</p> <ul style="list-style-type: none"> * The budget would assume a decline in spending from about 26% of the economy to 22% in 2013. The savings would likely come from winding down the war in Iraq and finding efficiencies in government programs. <p>(iii) Financial Rescue</p> <ul style="list-style-type: none"> * The budget sets out the possibility that an additional US\$250 billion may be required to help fix the troubled financial system. Any additional request to Congress would come on top of the US\$700 billion TARP enacted last year. <p>(iv) Health Care</p> <ul style="list-style-type: none"> * The budget includes a 10-year, US\$634 billion reserve fund to help pay for his proposed healthcare reforms. Half the reserve would be paid for with new revenues and the other half would be funded by making the current system more efficient, for example by

	<p>requiring competitive bidding in some areas of the Medicare health insurance program for the elderly.</p> <p>(v) Climate Change</p> <p>* The President proposed to help fight climate change by capping emissions of greenhouse gases from big industries and allowing them to trade rights to pollute, i.e. the "cap and trade" system. The revenue from the cap and trade system would be used to fund the development of clean energy technologies and help individuals and business pay for the transition to such technologies.</p>
Measures for Homeowners	
<p>The Treasury unveiled the Homeowner Affordability and Stability Plan on 18 February.</p>	<p>The Treasury announced that the plan will help up to 7 to 9 million families restructure or refinance their mortgages to avoid foreclosure. The Plan introduces a comprehensive US\$75 billion Homeowner Stability Initiative, helps refinancing for responsible homeowners suffering from falling home prices and supports low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac.</p> <p><u>Key components:</u></p> <p>(i) Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners: The Initiative operates through a shared partnership to temporarily help those who commit to make reasonable monthly mortgage payments to stay in their homes. Treasury will partner with financial institutions to reduce homeowners' monthly mortgage payments. The lender will have to reduce interest rates on mortgages to a specified affordability level. Next, the initiative will match further reductions in interest payments dollar-for-dollar with the lender, down to a 31% debt-to-income ratio for the borrower. To ensure long-term affordability, lenders will keep the modified payments in place for five years.</p> <p>(ii) "Pay for Success" Incentives to Servicers: Servicers will receive an up-front fee of US\$1,000 for each eligible modification meeting guidelines established under this initiative. Servicers will also receive "pay for success" fees – awarded monthly as long as the borrower stays current on the loan – of up to US\$1,000 each year for three years. The plan will include an incentive payment of US\$1,500 to mortgage holders and US\$500 for servicers for modifications made while a borrower at risk of imminent default is still current.</p> <p>(iii) Developed an innovative partial guarantee initiative: The insurance fund – to be created by the Treasury Department at a size of up to US\$10 billion – will be designed to discourage lenders from opting to foreclose on mortgages.</p> <p>(iv) Developing Clear and Consistent Guidelines for Loan Modifications: The guidelines will include detailed protocols for loss mitigation for identifying borrowers at risk of default; the Government expects to announce these guidelines by 4.3.2009.</p>

	<p>(v) Applying Guidelines Across Government and the Private Sector: Treasury will develop uniform guidance for loan modification. The Guidelines – to be posted online – will be used for the Government’s new foreclosure prevention plan. Moreover, all financial institutions receiving financial assistance under the Financial Stability Plan will be required to implement loan modification plans consistent with Treasury guidance. Fannie Mae and Freddie Mac will use these guidelines for loans that they own or guarantee.</p> <p>(vi) Neighbourhood Stabilization Program: The Department of Housing and Urban Development will award US\$2 billion in competitive Neighbourhood Stabilization Program grants for innovative programs that reduce foreclosure. Additionally, the recovery plan includes an additional US\$1.5 billion to provide renter assistance, reducing homelessness and avoiding entry into shelters.</p> <p>(vii) Strengthening Confidence in Fannie Mae and Freddie Mae: Using funds already authorized in 2008 by the Congress, the Treasury Department increases its funding commitment to Fannie Mae and Freddie Mac to ensure strength and security of the mortgage market and to help maintain mortgage affordability. Also, it increases its Preferred Stock Purchase Agreements to US\$200 billion each from their original level of US\$100 billion each. The US\$200 billion in funding commitments are being made under the Housing and Economic Recovery Act and do not have to use any money from the Financial Stability Plan or Emergency Economic Stabilization Act/TARP. In addition, the Treasury Department will continue to purchase Fannie Mae and Freddie Mac mortgage-backed securities to promote stability and liquidity in this market.</p> <p>The guidelines for the "Making Home Affordable" Loan Modification Program were separately announced on 4 March.</p>
<p>Treasury Department unveiled details on expanding tax credit for first-time homebuyers on 25 February.</p>	<p>The announced details, under the American Recovery and Reinvestment Act of 2009, will make up to US\$8,000 (or US\$4,000 for married individuals filing separately) available to qualifying taxpayers who buy homes this year.</p>
<p>Others</p>	
<p>The Treasury announced the Auto Supplier Support Program on 19 March to help stabilize the auto supply base and restore credit flows in a critical sector of the economy.</p>	<p>The Program will provide up to US\$5 billion in financing, giving suppliers the confidence they need to continue shipping parts, pay their employees and continue their operations.</p> <p><u>Key measures:</u></p> <ul style="list-style-type: none"> * The program will provide suppliers with access to government-backed protection that money owed to them for the products they ship will be paid no matter what happens to the recipient car company. * Participating suppliers will also be able to sell their receivables into the program at a modest discount. This will provide suppliers with

	<p>desperately needed funding to operate their businesses and help unlock credit more broadly in the supplier industry.</p> <ul style="list-style-type: none"> * The program will be run through American auto companies that agree to participate in the program. Suppliers to those companies that agree to maintain qualifying commercial terms will have the opportunity to request this government backed protection. If granted, the supplier will pay a small fee for the right to participate in the program. * The Treasury Department has made available up to \$5 billion in financing under this program.
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UK	
Measures for Financial Sector and Enhancing Financial Stability	
<p>The Government announced a second package of measures on 19 January to encourage banks to lend to individuals and businesses.</p>	<p>Key measures:</p> <ul style="list-style-type: none"> * Banks will be able to take up government insurance against their expected bad debts. * The Bank of England will be able to buy up to £50bn worth of assets in companies in all sectors of the economy. * Northern Rock has been given extra time to repay its loans from the government. * The government is increasing its stake in RBS to nearly 70% from 58%.
<p>The new Banking Act 2009 came into effect on 21 February.</p>	<p>The Banking Act builds on the tripartite framework to enhance the Authorities' (the Bank of England, the Financial Services Authority and the Treasury) ability to deal with crises in the banking system, to protect depositors and to maintain financial stability. The centrepiece is a permanent special resolution regime (SRR), providing the Authorities with a range of tools to deal with banks in financial difficulties.</p> <p>The Act also contains a range of other measures: to improve the legal framework and increase the efficiency of the Financial Services Compensation Scheme; to enhance the operation of regulatory frameworks for preventing firms from failing; to protect consumers; and to strengthen the Bank of England; and powers for the Treasury to lay regulations to deal with Investment Bank insolvency.</p>
<p>The Government announced on 23 February that Northern Rock would increase mortgage lending by up to £14 billion over the next two years.</p>	<p>This new business strategy has been agreed that will see around £5 billion of new mortgage lending for 2009 and between £3 and £9 billion from 2010 onwards, subject to market demand. This announcement followed the statement made on 19 January in which a series of measures designed to reinforce the stability of the financial system unveiled.</p>

<p>The Government unveiled details of 2 measures to further enhance financial stability and support increased lending to homeowners and businesses on 26 February.</p>	<p>(i) <u>Asset Protection Scheme (the Scheme)</u></p> <ul style="list-style-type: none"> * The Government announced its intention to introduce the Scheme as part of a comprehensive package of measures on 19.1.2009. The Scheme aims at restoring confidence in the UK's biggest banks by providing protection against future losses on their riskiest assets. * Banks will receive protection for a proportion of their balance sheets so that the healthier core of their commercial business can continue to lend to creditworthy businesses and households. A 'first loss', incurred on future loss events in relation to protected assets, will remain with the banks and the protection provided by the government will cover 90% of the remaining loss. The balance of the remaining loss will remain with the institutions as an additional incentive to prudent management. In return for access to the Scheme, banks will be required to pay a fee and enter into legally binding agreements to increase the amount of lending they provide to homeowners and businesses. * In addition to the requirements on remuneration imposed as part of the recapitalisation last October, participating banks will have to develop a sustainable long-term remuneration policy, requiring them to review remuneration policy and implement a policy consistent with the detailed principles in the Financial Services Authority's (FSA) Code of practice on remuneration policies. <p>(ii) <u>An agreement in principle with the Royal Bank of Scotland (RBS) to participate in the Scheme</u></p> <ul style="list-style-type: none"> * RBS intends to participate in the Scheme in respect of £325 billion of assets. The agreement would see RBS bear a first loss of up to £19.5 billion, and make 2009 lending commitments totalling £25 billion - £9 billion of mortgage lending and £16 billion of business lending. The Government also committed to make a capital injection of £13 billion into RBS and subscribe for an additional £6 billion at RBS' option.
<p>The Bank of England decided on 5 March to finance, in the first instance, £75 billion of asset purchases by the issuance of central bank reserves.</p>	<p>The Bank reckoned that it might take up to three months to carry out this programme of purchases. Part of that sum would finance the Bank's programme of private sector asset purchases through the Asset Purchase Facility, intended to improve the functioning of corporate credit markets. In addition, the Bank would also buy medium- and long-maturity conventional gilts (government securities) in the secondary market.</p>
<p>Industry Support Measures</p>	
<p>The Government has outlined a package of support for the car industry potentially worth up to £2.3bn on 27.1.2009.</p>	<p>The package includes a guarantee scheme to unlock loans of up to £1.3 bn from the European Investment Bank (EIB). The government would also guarantee up to £1bn of further loans, to cover worthwhile investments not eligible for EIB support or which will bring special value to Britain.</p> <p>Separately, a £50 million Economic Challenge Investment Fund being announced on the same day by the Higher Education Funding Council also creates new</p>

	opportunities for automotive employers looking to tap into the academia for experts to help improving business performance.
The Prime Minister pledged more support for British exporters to help expansion into new foreign markets during the downturn.	A £3.5 million programme 'Gateway to Global Growth' will start from April helping SMEs to access foreign markets where they see potential for their business. The Government also plans to provide specialist and tailored financial and legal advice to over 1,200 businesses in the coming year.
Others	
Increased extra visa fees for migrants and students	Migrants and students from outside the EU are to be charged an extra £50 for UK visas to support communities struggling to cope with migration. The £70m raised by the scheme, to be announced by Communities Secretary Hazel Blears, will go towards providing more teachers, police and translators.

Japan	
The second supplementary budget of fiscal 2008, amounting to 27 trillion yen, was passed on 27 January.	This supplementary budget is intended to respond boldly to counter difficulties in people's daily lives. Together with the budget for fiscal 2009 (about 37 trillion yen), the "three-stage rocket" economic countermeasures cost approximately 75 trillion yen.
The Bank of Japan (BOJ) pledged to buy US\$11 billion in stocks held by Japanese banks.	The measure would help stabilise the country's financial system. Under the scheme, BOJ will buy up to 1 trillion yen (US\$11 billion) worth of listed shares held by Japanese banks until April 2010.
Provided 1 trillion yen subordinated loans	The Bank of Japan announced that it would provide up to one trillion yen (US\$10.2 billion) in subordinated loans to financial institutions in an effort to bolster banks' capital ratios and ease strains in Japan's financial system.
BOJ increased outright purchases of government bonds	At the Monetary Policy Meeting held on 18 March, the Bank of Japan judged that continued provision of substantial liquidity is required to ensure stability in financial markets. As a result, it decided to increase its outright purchases of Japanese government bonds (JGBs), thereby facilitating smooth money market operations. The amount of outright purchases of JGBs will be increased by 4.8 trillion yen to 21.6 trillion yen per year (1.8 trillion yen per month) from 16.8 trillion yen per year (1.4 trillion yen per month), effective from this month.
Japan has provided the IMF with an additional US\$100 billion to bolster the Fund's lendable resources	The IMF said the additional funds will bolster its capacity to provide timely and effective balance of payments assistance to its 185 member governments.

<p>during the current global economic and financial crisis.</p>	
<p>Australia</p>	
<p>The Government announced an A\$42 billion Nation Building and Jobs Plan on 3 February to support jobs and invest in future long term economic growth.</p>	<p>Treasury estimates that the Plan will support up to 90,000 jobs in 2008-09 and 2009-10. The initiatives in the Plan will provide a boost to economic growth of around 0.5% of GDP in 2008-09 and around 0.75% to 1% of GDP in 2009-10. It was reported that the budget deficit is forecast to swell to A\$35.5 billion in the fiscal year ending June 2010, or 2.9% of GDP.</p> <p><u>Key measures include:</u></p> <ul style="list-style-type: none"> * Installing ceiling insulation in 2.7 million Australian homes for free which will cut around A\$200 per year off the energy bills of these households; * Build or upgrade a building in every one of Australia's 9,540 schools; * Build more than 20,000 new social and defence homes; * \$950 one off cash payments to eligible families, single workers, students, drought effected farmers and others; * A temporary business investment tax break for small and general businesses buying eligible assets; and * Significantly increase funding for local community infrastructure and local road projects.
<p>Cut skilled migrants allowed</p>	<p>In a bid to protect Australian jobs, the number of skilled migrants allowed was cut. The skilled migration program, under which foreign workers are recruited to fill the gaps in the labor market, will be reduced from 133,500 to 115,000 next year -- a reduction of 14%.</p> <p>It is the first time in a decade that the intake has been reduced. The decision to cut the number of immigrants comes as pressure mounts on the Australian government after last week's jump in unemployment to 5.2%.</p>
<p>Announced reforms aimed at curbing excessive "golden handshakes"</p>	<p>The Treasurer and the Minister for Superannuation and Corporate Law announced reforms aimed at curbing excessive "golden handshakes" - or termination payments - paid to company executives.</p> <p>Currently a director with seven years' service and an annual average remuneration package over the last three years of A\$2 million a year would be entitled to receive a termination payment of up to A\$14 million without seeking shareholder approval. However under the Government's reform, approval will now be required for any termination payment exceeding one year's base salary.</p>

New Zealand	
The Prime Minister announced to raise the minimum wage from NZ\$12.00 to NZ\$12.50 an hour from 1 April.	The youth training and new entrant wage would also increase from \$9.60 to \$10.00 an hour. The officials advised that the increase would have negligible effect on employment.
The Prime Minister said that an almost NZ\$500 million (US\$265 million) worth of publicly-funded building projects would be accelerated in a series of initiatives to stimulate the economy.	<p>The projects, spanning the housing, transport and education sectors and spread widely around regions. Amongst others, education spending of NZ\$216.7 million will be used to build five new schools, refurbish existing ones and improve broadband access. In transport, NZ\$142.5 million will be spent on five large state highway projects and a range of smaller, regional projects.</p> <p>This announcement followed a NZ\$480 million support of tax and regulatory assistance for small and medium businesses earlier.</p>

France	
Faced with strike threats, the President unveiled proposals for tax breaks and social benefits worth up to €2.65 billion (US\$3.3 billion) on 18 February to help families to cope with the economic crisis.	Other measures included a one-off allowance of €400 to €500 for the unemployed and expanding a voucher scheme to pay for child care, domestic help and home studies. The President also offered tax relief for up to four million low-income households, increased benefits for workers temporarily laid off and a string of special allowances for families and jobless youth.
The Government pledged new loans for struggling car makers PSA Peugeot Citroën and Renault.	In return, the two companies had promised to safeguard French jobs. The Government offered the car makers €6 billion in five years, 6% interest rate loans to fund investment into less environmentally damaging vehicle technologies.
The government provided US\$13.6 billion (€10.5 billion) to banks on 22 January.	The decision was based on the fact that top executives' bonuses would be withheld.

Canada	
The Canadian Budget 2009 was announced on 27 January.	The Government said that Economic Action Plan will provide almost C\$30 billion in support to the economy, or 1.9% of GDP and will create or maintain close to 190,000 jobs.

Denmark	
The Government announced plans to cut the top tax rate by 8 percentage points as part of a Dkr12bn (US\$2.1billion) economic stimulus to encourage domestic consumption.	The tax package, which will be submitted to parliament soon, represents about 1% of GDP.

Spain	
The Prime Minister announced that the country will make more unemployed workers eligible for benefits, in an attempt to reduce suffering from joblessness.	<p>The government has announced around €70 billion in fiscal spending plans earlier and now expects the budget deficit to reach about 6% of GDP this year. In an attempt to reduce the deterioration of the public accounts, the Prime Minister said that the government will cut non-financial spending in other areas by €1.5 billion (US\$1.94 billion) this year.</p> <p>Meanwhile, ratings agency Standard & Poor's slashed Spain's credit rating to AA+ from AAA in January, because of its increasing debt needs.</p>

ASIAN ECONOMIES

Singapore	
The Singaporean budget 2009 was announced on 22 January, with a Resilience Package totaling S\$20.5 billion in the midst of grave economic crisis.	<p>Amongst others, the Government will spend S\$5.1 billion to preserve jobs, extending S\$5.8 billion to stimulate bank lending and implementing various tax concessions and measures costing S\$2.6 billion to ease business cash-flow. Imparting a large fiscal boost to the economy, the Basic Balance (excluding the transfers to endowment funds as well as the contributions from Net Investment Returns) is a deficit of S\$14.9 billion or 6.0% of GDP.</p>

South Korea	
An Emergency Credit Guarantee Program has been set up by the South Korea's Financial Services Commission to provide support to SMEs.	<p>The Government announced that the Program will be operated actively until the end of 2009. Under the Programme, in principle, 100% guarantee will be provided to core industries in exports, "green growth industries," high technology companies, new entrepreneurs, and small business owners. Export-related contracts such as letters of credit will be guaranteed without limit.</p>

<p>The Presidential Crisis Management Committee decided to revive the reverse mortgage loan on 18 February.</p>	<p>To encourage eligible borrowers to take advantage of the Reverse Mortgage Loan, the government has also offered tax exemptions (Taxes on Interest Bearing Assets and Property Tax). The Loan was first introduced in July 2007 in the era of aging society amidst business downturns as a way to generate cash income for the elderly homeowners. At present, the Government has decided to lower the current minimum age limit of 65 to 60 to be eligible for the reverse mortgage loan. The maximum loan amount is also increased from 300 million to 500 million won.</p>
<p>The government approved a "low carbon and green growth bill" on 25 February.</p>	<p>The Bill aims at providing a legal and institutional framework for the government to press ahead with eco-friendly strategies in an efficient and systematic manner. The plan includes:</p> <ul style="list-style-type: none"> * green growth made by industries and organizations; * development of eco-friendly industries and a green financial market, which involves, for example, carbon financing or related insurance products; * plans to deal with climate change, manage energy resources, and prepare for the emerging carbon finance market; * increase in private investment into green industries by raising green funds.
<p>The Government planned to spend 6.03 trillion won (US\$4.05 billion) to help low income earners and unemployed workers cope with the current economic crisis.</p>	<p>The comprehensive emergency relief package calls for assistance to people who have been laid off and senior citizens and direct cash subsidies to buy food and pay for education and medicines. According to the plan, the government will give cash and coupons worth 830,000 won every month for six months to 860,000 people that have been laid off or forced to close shops and small-sized businesses in recent months. A total of 1.1 million senior citizens and physically disabled people will be given 200,000 won each month for a six-month period.</p>
<p>The Government would spend US\$3.5 billion to create 550,000 jobs as the economy heads into its first recession in more than a decade.</p>	<p>Of the total, 4.9 trillion won will be allocated for employment support measures. . The government also plans to spend 2.7 trillion won to create mainly temporary jobs, and the budget for jobless claims will also be expanded by 1.6 trillion won in response to rising unemployment.</p> <p>It will also bolster financial support to domestic companies that try to avoid layoffs to 365.3 billion won from 58.3 billion won.</p>

<p>Indonesia</p>	
<p>The parliament approved a stimulus package worth 73.3 trillion rupiah (US\$6.15 billion) on 24 February.</p>	<p>The stimulus which will take effect from March consists of 56.3 trillion rupiah of tax incentives and 17 trillion in additional government spending and subsidies designed to boost demand, production and jobs. It is estimated that it could absorb three million workers.</p> <p>The package is also expected to raise the 2009 state budget deficit from 51.3 trillion rupiah to 139.5 trillion, equivalent to 1% of GDP to 2.5%. The government also plans to issue a net 54.7 trillion of various types of bonds this year to help funding the deficit.</p>

The Government required state banks to aggressively cut lending interest rates.	The requirement for the state banks was taken during a restricted Cabinet meeting as most banks have widely defied calls to adjust their rates in line with the central bank's policy to ease lending costs in a bid to boost the economy.
Malaysia	
Malaysia announced its second stimulus package, amounted to RM\$60 billion (US\$16.3 billion) on 10 March.	<p>The announcement was made in less than six months after the first package of RM 7 billion unveiled in last November. The present package, larger than expected and the biggest stimulus initiatives ever taken, accounts for nearly 9% of Malaysia's GDP and drives the fiscal deficit to 7.6% this year.</p> <p>The two-year package puts RM\$41 billion towards poverty and unemployment reduction, job creation and small business loan guarantees. The remaining funds will be used for infrastructure investment.</p>

Taiwan	
Taiwan proposed to launch a NT\$715 billion (US\$21 billion) economic stimulus to create 150,000 new jobs in an effort to reduce unemployment below 4.5% this year.	About NT\$320 billion is to be spent on the program in 2009. The government funding will be directed toward infrastructure projects such as urban renewal, underground sewage systems, and a mass rapid transit system linking Taipei and Taoyuan international airport.
The Government will offer tax breaks, subsidized loans and rent reductions on land to lure local investors back from China.	The government aims to attract NT\$35 billion (\$1 billion) this year from the return of Taiwanese businessmen currently operating in China, thereby creating 11,000 jobs from those investments.

Thailand	
The Thai cabinet has agreed to the plan to borrow up to 270 billion baht to boost liquidity in state enterprises and pay for infrastructure works.	Of the 270 billion baht approved, 200 billion would be in short-term loans raised from local banks to help ease liquidity problems at 58 state enterprises this year, while 70 billion baht would come in borrowings from abroad for additional economic stimulus programmes and to finance infrastructure development.

MULTILATERAL COOPERATION

World Bank	The World Bank called for US\$2 trillion in economic stimulus projects in low-income countries to be funded by loans from the United States and other countries such as China and the Middle East oil producing countries.
G7	The final declaration issued by the G7 group's Finance Ministers and Central Bank Governors , who met in Rome on 13 and 14 February, stated that the member countries' priority is to stabilise the global economy, the money markets and savings. The member countries reiterated their wish to create a broader range of tools to support growth and employment and to strengthen the financial sector. In addition to the goals, there are also certain categorical imperatives including the need to avoid protectionistic measures, which would inevitably aggravate the crisis.
ASEAN	ASEAN Leaders have agreed to ease monetary policy and resist protectionism as shown in the draft statement after the ASEAN 14th Summit ended on 1 March. They also vowed to work with the G-20 on reforming international financial institutions.
G20	The G20 Finance Ministers and Central Bank Governors held their meeting in England on 14 March. The communiqué stated that they agreed further action to restore global growth and support lending, and reforms to strengthen the global financial system . G20 central banks will also maintain expansionary policies as long as needed. With regard to strengthening international cooperation to prevent and resolve crises, the launch of an IMF/Financial Stability Forum (FSF) Early Warning Exercise was proposed.

[Disclaimer: The Monthly Monitor of country responses to the global financial crisis is prepared for indicative purposes only. The information in the Monitor may be based on the published information obtained from national government news releases and media reports as available. The Monitor may not be exhaustive, comprehensive, accurate, or representative of the views of the Government of the HKSAR or of any other government, person or institution.]

**TFEC Secretariat
30 March 2009**

OVERVIEW OF GLOBAL KEY MONETARY POLICY (for 14 January to 20 March 2009)

Economy	Announcement Date		Change	Latest
<u>Key Economies</u>				
China: one-year lending rate	n.a.		n.a.	5.31
United States: federal funds rate	n.a.		n.a.	0.25
United Kingdom: official bank rate paid on commercial bank reserves	5.2.2009	↓	-0.5	1
	5.3.2009	↓	-0.5	0.5
European Central Bank: interest rates on the marginal lending facility	11.3.2009	↓	-0.5	2.5
Australia: cash rate	4.2.2009	↓	-1.0	3.25
Canada: overnight rate	20.1.2009	↓	-0.5	1
	3.3.2009	↓	-0.5	0.5
Japan: uncollateralized overnight call rate	n.a.		n.a.	0.1
<u>Asia</u>				
Thailand: one-day repo/repurchases rate	14.1.2009	↓	-0.75	2
	25.2.2009	↓	-0.5	1.5
South Korea: base rate	12.2.2009	↓	-0.5	2
Taiwan: rediscount rate	19.2.2009	↓	-0.25	1.25
Indonesia: Benchmark Interest Rate	4.2.2009	↓	-0.5	8.25
	4.3.2009	↓	-0.5	7.75
Philippine: overnight borrowing or reverse repurchase (RRP)	29.1.2009	↓	-0.5	5
	5.3.2009	↓	-0.25	4.75
Malaysia: overnight policy rate	21.1.2009	↓	-0.75	2.5
	24.2.2009	↓	-0.5	2
<u>Others</u>				
New Zealand: official cash rate	29.1.2009	↓	-1.5	3.5
	12.3.2009	↓	-0.5	3.0
Sweden: repo rate	18.2.2009	↓	1	1
Switzerland: 3-month LIBOR target range	12.3.2009	↓	-0.25	-0.75