



CHAPTER 2

SUPPORTING CMIM OPERATIONS AND REGIONAL FINANCIAL ARRANGEMENTS



One of AMRO's main functions is to improve the effectiveness and reliability of the CMIM by providing technical and analytical inputs.

The CMIM is a multilateral currency swap arrangement that has two objectives. The first is to act as a regional self-help mechanism for members facing potential or actual short-term liquidity challenges, in relation to their balance of payments. The second is to supplement existing international financial arrangements, including IMF lending.

The CMIM facility includes two instruments, one for crisis prevention (Precautionary Line), and another for crisis resolution (Stability Facility). The facility includes an IMF De-linked Portion (IDL) and an IMF Linked Portion (ILP), with the latter subject to oversight by the IMF.

In enhancing the CMIM's effectiveness, members have sought to balance the risk of moral hazard with the need for a strong, regional self-help mechanism. Even though the CMIM's two objectives have been adequately achieved, there is room for improvement, particularly as new macroeconomic challenges emerge.

AMRO remains committed to supporting member authorities with respect to CMIM operations, enhancing its effectiveness and usability during peace and crisis times. The work that AMRO performs every year in this area has been part of a decades-long journey in the growth and evolution of the CMIM. In 2022, AMRO supported its members in the following areas:

- Using third-party LCYs for the CMIM (continuing its work from 2021);
- Assessing each member's potential need for LCY during peacetime (AMRO prior assessment);
- Reviewing the CMIM margin (after adopting a six-month F-SOFR as the new CMIM reference rate in 2021);
- Facilitating the annual CMIM test run (conducted jointly with the IMF in 2022);
- Revamping the usage of the CMIM-PL; and
- Strengthening intellectual support to members.

USING THIRD-PARTY LCYs FOR THE CMIM

The [amended CMIM Agreement](#) came into effect on March 31, 2021, allowing members to request any of the ASEAN+3 members' LCYs on a voluntary and demand-driven basis, in addition to US dollar liquidity support. Detailed procedures to execute this option were laid out in a set of OG.

The OG, which came into effect on January 1, 2022, allows any member to provide its own LCY for CMIM liquidity support following the voluntary and demand-driven principle. That same year, members added procedural arrangements in the OG stating that any member can provide third-party LCY that a third member has issued for CMIM liquidity support. The revised OG incorporated special provisions to ensure prudent use of third-party LCYs, while keeping the CMIM operation as streamlined and simple as possible without delaying the overall process.



AMRO remains committed to supporting member authorities with respect to CMIM operations, enhancing its effectiveness and usability during peace and crisis times.

AMRO will continue to support members in refining the operational arrangements that enable the use of LCYs. This includes clearly defining accounts that are used for receiving LCYs (for liquidity support), and developing a reasonable margin structure for LCY lending.

ASSESSING EACH MEMBER'S POTENTIAL NEED FOR LCY DURING PEACETIME

In 2022, AMRO supported members in designing a framework for AMRO to assess a member's potential need for a specific LCY during peacetime—specifically, how much may be required to address short-term liquidity difficulties and/or balance of payments difficulties.

In addition, AMRO supported members in selecting a proper methodology to collect relevant data.

To complement the survey, members were open to using results from other sources, such as the Bank for International Settlements (BIS) Triennial Survey and SWIFT data.

REVIEWING THE CMIM MARGIN

Since 2020, AMRO has supported members in determining the appropriate level of the CMIM margin, so as to make the CMIM swap cost reasonable and resources sustainable.

In 2022, members adopted the plan for the CMIM margin discussion and agreed to maintain the current time-based margin structure.

AMRO will continue to support the discussion and contribute to making the CMIM accessible and operational.

FACILITATING THE ANNUAL CMIM TEST RUN

To ensure the CMIM's operational readiness, members have conducted test runs annually since 2013, with AMRO's support. The 2022 test run was conducted with the IMF. This was to ensure that both institutions understand a target country's economic situation through the agreed information-sharing process and that the related procedures of crisis financing are aligned for smooth co-financing.

The test run focused on the application of the conditionality framework for the CMIM-Stability Facility (SF), with regards to both the IDLP and ILP, including transition procedures from the IDLP to ILP. It was also the first time that members tested the Escape Procedure in the CMIM decision-making process.

The test run familiarized members with the handling of an escape request at the Executive Level Decision-Making Body (ELDMB) meeting, and its relevant procedures. Moreover, the test run provided members with a clearer picture of the conditionality setting and relevant transition procedures, ensuring that arrangements between the CMIM and the IMF are consistent.

The test run also allowed AMRO and the IMF to work closely and enhance their ability to facilitate joint financing.



REVAMPING THE USAGE OF THE CMIM-PRECAUTIONARY LINE

To enhance the CMIM’s usability, members adopted an indicative wish list regarding the future direction of the CMIM. The issue of revamping the usage of the CMIM-PL was one of them. This aims to make the CMIM more accessible, reliable and attractive to members.

In 2022, AMRO supported members in their discussions about how to revamp and upgrade the CMIM-PL, so that it is consistent with the IMF’s precautionary arrangements and more accessible to members.

Members focused on the issue of renewability, agreeing to renew a drawn portion from the CMIM-PL, and to streamline the transition process of the CMIM PL-to the CMIM-SF.

STRENGTHENING INTELLECTUAL SUPPORT TO MEMBERS

As in previous years, AMRO extended intellectual support to members in 2022, strengthening the CMIM’s modalities and enhancing the CMIM’s usability both for precautionary and crisis resolution purposes. AMRO achieved this, among other ways, by circulating to members six CMIM bulletins—on topics relating to the CMIM as RFA and the GFSN¹—and three staff discussion notes on these topics:

- An IMF-supported program for Argentina and lessons for the CMIM;
- A prior assessment framework for LCYs in the CMIM; and
- An assessment of the CMIM and the way forward.

AMRO will continue to assess and identify any gaps in the CMIM settings and propose relevant enhancements to members. This is to ensure the CMIM’s continued ability to address members’ financing needs, including in relation to other RFAs and the IMF, which sits at the center of the GFSN.

¹i) The IMF-supported program for Argentina and lessons for the CMIM, ii) the CMIM flexible purchasing multiple, iii) A Brief Overview of the Sri Lanka Crisis, iv) Global view updates on CFM/MPM, v) RMB Liquidity Arrangement (RMBLA) and vi) Response to Suggestions for Access to Precautionary Facilities in East Asia