

2023 WORK PRIORITIES

CHAPTER



D 18 61 18
S & THANASIA
จำหน่ายอาหารทะเล

MONSIEUR

ADVANCING CMIM AND ASEAN+3 REGIONAL FINANCING ARRANGEMENTS



SUPPORTING CMIM'S ENHANCEMENT AND OPERATIONAL READINESS

The [CMIM](#) is a multilateral currency swap arrangement that serves its members with two objectives: (i) address short-term liquidity difficulties in the region as a regional self-help mechanism; and (ii) complement existing international financial arrangements, including IMF lending. The arrangement includes two instruments—the Precautionary Line (PL), which is for crisis prevention; and Stability Facility (SF), which is for crisis resolution.

These facilities have the optional linkage to the IMF facilities—IDLP, which provides up to 40 percent of financing, and ILP, which provides up to 100 percent of financing access, subject to the IMF-CMIM coordination framework.

Ensuring the usability of the CMIM is paramount in safeguarding regional financial stability in the face of more complex global economic headwinds. Since its inception in 2010, ASEAN+3 members have continuously enhanced the CMIM to ensure its relevance to members' potential needs. Members continued to discuss ways to further advance the CMIM as ASEAN+3's preferred RFA amid an increasingly challenging global environment in 2023.

Providing technical and analytical support to improve the CMIM's accessibility and effectiveness is one of AMRO's core functions. In 2023, AMRO continued to support the implementation of the CMIM in the following areas:

- Completing a review of the CMIM margin structure;
- Advancing discussion on the future direction of the CMIM, particularly in the context of a second periodic review of the CMIM Agreement;
- Finalizing AMRO's report on LCY prior assessment;
- Facilitating the annual CMIM test run;
- Supporting the set-up of operational arrangements for the use of LCYs;
- Conducting a preparedness assessment for the Society for Worldwide Interbank Financial Telecommunication (SWIFT) standard transition; and
- Strengthening support to members.

Completing CMIM margin structure review

In accordance with the 2022 plan to review the CMIM margin structure, AMRO supported members in designing an appropriately calibrated CMIM margin structure. This was done by ensuring comparability to other similar facilities, such as IMF lending, and by balancing the burden between potential borrowers and lenders.

In 2023, AMRO facilitated members' discussions by proposing several options for the CMIM margin structure in line with best practices from peer RFAs and the IMF. At the end of 2023, members—supported by AMRO—completed a review of the CMIM margin structure to ensure that the facility remains attractive and useful as a regional safety net.

To ensure the overall CMIM pricing structure remains comparable with peer RFAs and IMF lending, AMRO will also support members' subsequent discussions in reviewing the CMIM reference rate.

Advancing discussion on the CMIM's future direction

A periodic review of the CMIM Agreement is conducted by ASEAN+3 members every five years. In 2020, with AMRO's support, the first periodic review of the CMIM Agreement concluded successfully with an amendment to the CMIM Agreement. In 2021, members adopted an indicative list of issues regarding the future direction of the CMIM for discussion to ensure CMIM's usability and attractiveness.

AMRO has supported members in discussing the future direction of the CMIM since 2022. With the aim of completing a second periodic review of the CMIM by 2024, AMRO assisted members in continuing relevant discussions, including further research on the IDLP.

Finalizing AMRO's report on LCY prior assessment

Since adopting a framework to assess a member's potential need for a specific LCY during peacetime in 2022, AMRO has supported members in collecting the relevant data necessary for conducting the assessment using a survey.

In 2023, AMRO developed a report to gauge member's potential short-term liquidity and/or balance of payment needs in LCY denominations based on current and capital account transactions.

Members acknowledged the final report of AMRO's assessment at the end of 2023. The methodology and framework to assess the potential need of LCYs will support the operationalization of LCY contribution in the CMIM.

Facilitating the annual CMIM test run

Members have conducted annual CMIM test runs with AMRO's support since 2013, using various modalities to highlight the latest developments of the CMIM, and to check members' operational readiness.

In 2023, a modality was chosen to test an actual fund transfer under the CMIM Stability Facility (CMIM-SF) IDLP using the new CMIM reference rate adopted in 2021 and which took effect in 2022—the six-month Secured Overnight Financing Rate (SOFR), which

replaced the previous CMIM reference rate using the London Interbank Offered Rate (LIBOR). It focused on how the newly adopted term SOFR is referenced in the transaction.

The latest test run allowed members to calibrate their internal operational procedures using the new reference rate, and to ensure consistency among their internal guidelines when activating the CMIM. This test was beneficial for members particularly since it has been a number of years since test runs using an actual fund transfer were carried out in 2019 and 2020. With AMRO's support, members successfully conducted the 14th CMIM Test Run, confirming that the CMIM is operationally ready for the provision of US dollars.

Supporting the establishment of operational arrangements for the use of LCYs

After [amending the CMIM Agreement in 2021](#), members could request for the LCYs of any ASEAN+3 members on a voluntary and demand-driven principle, in addition to US dollar liquidity support. Based on this principle, members can provide their own LCY or third-party LCYs that a member has issued for CMIM liquidity support.

In 2022, AMRO enabled members to revise the CMIM OG, which laid out the detailed procedures to allow for the use of third-party LCYs in the CMIM. The revised OG incorporated special provisions to ensure prudent use of third-party LCYs, while keeping CMIM operations streamlined. In 2023, AMRO supported members in continuing discussions on the remaining procedural arrangements for the use of LCYs.





Conducting SWIFT standard transition preparedness assessment

As part of its migration to ISO 2022, SWIFT shifted from the Message Type (MT) messaging standard to the Message Type Cross-border (MX) messaging standard in 2022. Both standards will coexist until 2025.

As CMIM transactions use SWIFT as the main means for communicating, this migration has potential implications for the CMIM arrangement. In anticipation of the migration, AMRO conducted a survey in 2023 to learn how each member would approach the SWIFT transition from the MT to MX standard. The survey assessed whether member authorities were prepared for the upcoming transition and ensured that the CMIM remains operationally ready.

Strengthening support to members

AMRO continued to support members in 2023, strengthening the CMIM's modalities and enhancing the CMIM's usability as the RFA for precautionary and crisis resolution purposes.

The various ways of support included circulating to members five CMIM bulletins containing topics relating to the CMIM as the RFSN and the Global Financial Safety Net (GFSN)¹, as well as staff discussion notes (SDNs) on these topics, including *The Updated Overview of RFAs and Financial Operations*; *A Study of the IMF De-linked Portion: History of Discussions and Going Forward*; and *AMRO's 2023 Prior Assessment on LCY Needs*.

AMRO will continue supporting members to assess and identify any gaps in the CMIM settings and propose appropriate enhancements. This is essential to ensuring the CMIM remains the facility of choice to address members' financing needs, in relation to other RFAs and the IMF as the center of the GFSN.

¹ (i) The IFIs' Policy Update on CFM/MPMs; (ii) The Central Bank's Swap Treatment of Members' FX Reserves Reporting based on the Updated IMF BPM 6 Manual; (iii) the IMF 16th General Quota Review; (iv) Paid-in Capital Structure and its Implication on Central Bank's FX Reserves Reporting; and (v) The Argentina's Case of Bridge Loan via Bilateral Swap Arrangement (BSA).

SUPPORTING THE FUTURE DIRECTION OF RFA IN ASEAN+3

In 2022, ASEAN+3 Deputies endorsed AMRO's [SD2030](#), which laid out AMRO's support for the long-term development of the [ASEAN+3 RFA](#). ASEAN+3 members' discussion on the future direction of the ASEAN+3 RFA was initiated with support from AMRO in 2023, following the endorsement. The discussion was aimed at enhancing the effectiveness and efficiency of the CMIM, as well as exploring new facilities, and more robust and reliable financing structures that could effectively mitigate, prevent and resolve future crises.

In 2023, AMRO facilitated members' discussions in exploring new lending facilities and financing structures for the ASEAN+3 RFA, with the aim of further developing the RFA to augment the CMIM. Furthermore, AMRO published several SDNs, including *A Study of GFSN Mandates and Financing Objectives*; *New Financing Structure for the Future ASEAN+3 Regional Financing Arrangement*; *Why Does the ASEAN+3 Need an Enhanced RFA?*; *Revamping the ASEAN+3 RFA—Consideration of the Lending Framework*; and *2023 Review of ASEAN+3 RFA*.

With AMRO's support, ASEAN+3 Deputies agreed on the establishment of a new lending facility—the RFF as a new facility under the CMIM and in principle its modalities for endorsement by the Ministers and Governors in May 2024. The Deputies further agreed to discuss concomitantly ways to incorporate FUCs for the RFF. This proposed new facility will enable members to access emergency financing during periods of urgent balance of payments needs, possibly arising from sudden exogenous shocks including pandemics and natural disasters. Moreover, members also developed a roadmap to further develop the lending framework and financing structures, including discussing the possibility of paid-in capital to enhance the RFA's credibility and effectiveness. Given the ever-changing macroeconomic landscape, it is pivotal for members to ensure that the future RFA will better address members' evolving financing needs, which in turn will bolster the region's financial stability and resilience.

AMRO will continue to support these discussions and contribute to advancing the process to institutionalize the RFF under the CMIM. It will also study the new RFA financing structures to achieve attainable modalities by 2025.



AMRO CMIM Support Group and Policy and Review Group