

2016 Work Priorities

Supporting CMIM Developments



ASEAN+3 Finance and Central Bank Deputies' Meeting in Vientiane, Lao PDR, April 2-3, 2016.

In 2016, AMRO supported members in conducting a test run on the CMIM-IMF linked portion of the CMIM in collaboration with the IMF. AMRO also contributed to upgrading the CMIM OG to provide clarity for the establishment and activation procedures of the CMIM arrangements as well as proposed a more comprehensive ERPD Matrix framework for assessing a member's eligibility to access the CMIM-PL.

Overview of the CMIM



The CMIM is a multilateral currency swap arrangement among ASEAN+3 members, that came into effect on March 24, 2010. Its core objectives are (a) to address balance of payment and short-term liquidity difficulties in the ASEAN+3 region, and (b) to supplement the existing international financial arrangements. The contracting parties to the CMIM Agreement comprise 13 finance ministries and 14 central banks of ASEAN+3.

In 2000, in the wake of the Asian Financial Crisis, ASEAN+3 financial authorities decided to strengthen their financial cooperation through the establishment of *Chiang Mai Initiative (CMI)*, comprising a network of bilateral swap agreements among members. In 2010, the CMI was multilateralized into a single contractual agreement called the *CMIM Agreement* and the total size of the CMIM facility was expanded and established at USD 120 billion. The evolution of the CMI into the CMIM marked an important milestone, exemplifying the members' strong commitment to continuously improve and promote financial stability in the region. The CMIM was further strengthened in 2014 by doubling the size to USD 240 billion, increasing the CMIM-IMF de-linked portion to 30%, and extending the maturity and

supporting periods. A crisis prevention facility, CMIM-PL, was also introduced, in addition to the existing CMIM-SF for crisis resolution function.

Coordination with the IMF and RFAs

Against the backdrop of the international financial architecture reform following the Global Financial Crisis, with the aim of strengthening the GFSN with the IMF at its center, ASEAN+3 members sought to better integrate the CMIM into the GFSN. To this end, a test run on the IMF linked portion of the CMIM was conducted in collaboration with the IMF in 2016. AMRO was involved in providing an assessment of the IMF financial program, assisting the test-run country in preparing the country report, rendering administrative support to the Co-Chairs of CMIM, and furnishing an evaluation report of the test run.

Periodic Review of the CMIM

To ensure that the CMIM Arrangement and the CMIM Agreement remain up-to-date and appropriately reflect members' respective circumstances as well as global economic and financial conditions, ASEAN+3 members are required to conduct a periodic review of the facility. The first periodic review is expected to be completed in 2018.

AMRO's Support for the CMIM

According to AMRO Agreement (Article 3), AMRO is mandated to support CMIM members in the implementation of the CMIM Agreement. On that basis, AMRO supported the CMIM Co-Chairs in organizing the test runs, reviewing the peacetime checklist, and preparing the OG manual, so as to ensure that the CMIM is operationally ready and strengthened as part of the GFSN. Since 2012, AMRO has been playing an important role in developing qualification criteria for the CMIM-PL, namely the ERPD matrix. In addition, since 2013, ASEAN+3 members have been regularly conducting test runs under various scenarios and different CMIM facilities. The peacetime checklist has also been reviewed regularly to reaffirm that the member authorities' preparation for CMIM activation is in accordance with the CMIM Agreement and OG.

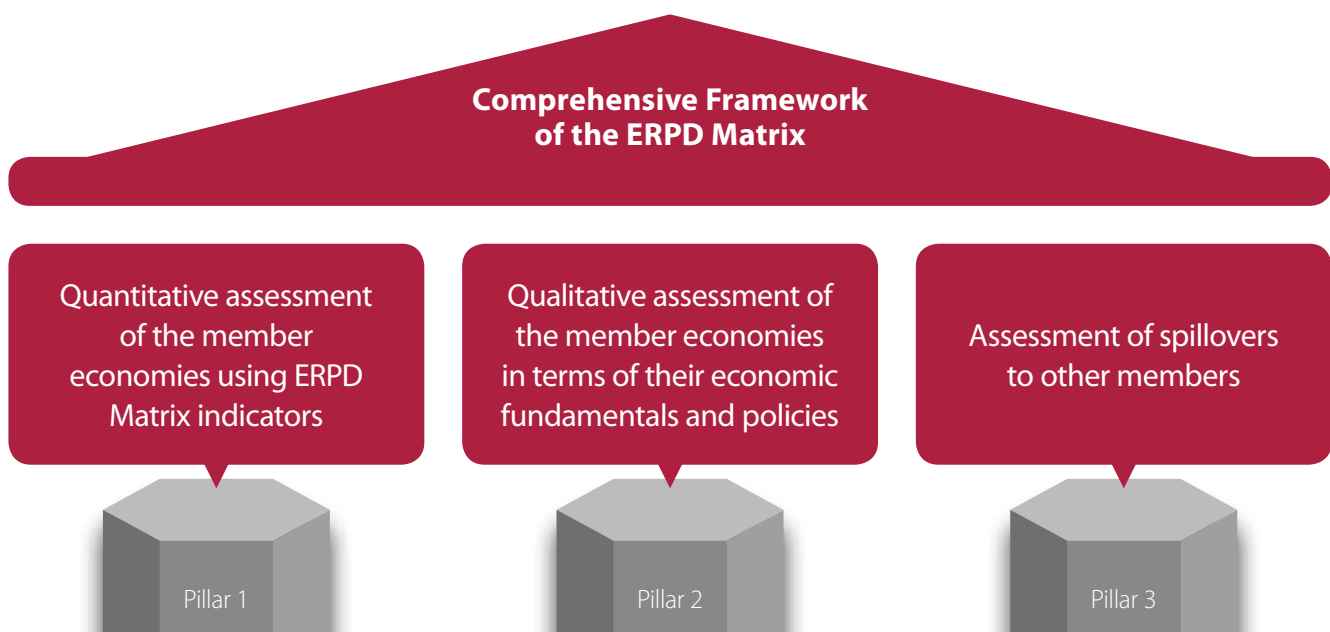
Operational Guidelines

A comprehensive set of CMIM OG was drafted to specify relevant activation procedures. In 2016, AMRO supported CMIM members in further upgrading and revising the CMIM OG to provide clarity for the establishment and activation procedures of the CMIM arrangements. The revision was based on the issues identified during previous test runs, such as the calculation method for the contribution amount and voting power, and the objectives and activation process of the CMIM-IMF de-linked portion.

ERPD Matrix

AMRO has been providing analytical support to CMIM members in developing qualification criteria for the CMIM-PL under the ERPD⁵ Matrix since 2012. The ERPD Matrix was established on the basis of five criteria comprising (a) external position and market access, (b) fiscal policy, (c) monetary policy, (d) financial sector soundness and supervision, and (e) data adequacy.

The first set of ERPD Matrix framework with indicators was proposed and endorsed by the Deputies at the AFCDM+3 in Nay Pyi Taw, Myanmar, in April 2014. At the AFCDM+3 in Guiyang, China, in December 2016, AMRO proposed a more comprehensive ERPD Matrix framework for assessing a member's eligibility to access the facility, comprising (a) quantitative assessment of the member economies using ERPD Matrix indicators, (b) qualitative assessment of the member economies in terms of their economic fundamentals and policies, and (c) assessment of spillovers to other members. The comprehensive framework was endorsed by the Deputies at the AFCDM+3 in Guiyang, China, in December 2016, along with an expanded set of indicators (11 primary and 26 supplementary) as a "working assumption" and a pilot project for peacetime procedure with regards to the ERPD Matrix.



⁵ The ERPD was introduced in May 2000 as a peer review and policy dialogue process to support regional economic surveillance that would promote macroeconomic and financial stability in the region.

CMIM Peacetime Preparation

AMRO supports the CMIM in its peacetime preparation to ensure the operational readiness of the CMIM facilities. In 2016, AMRO's contribution to the members focused on facilitating CMIM members in ensuring their compliance with legal requirement of the CMIM as well as in preparing communication and transaction infrastructures.

CMIM Test Run

Given the complexity of the multilateral swap facility, several CMIM test runs have been conducted since 2013 to ensure the operability of CMIM OG, identify further room for improvements in the OG and CMIM arrangements, and familiarize members with the activation procedures. In 2016,

the seventh test run was conducted with participation of the IMF to test the activation of the CMIM-IMF-linked portion of the CMIM-SF. In this CMIM-IMF joint test run, AMRO provided an assessment of the financial program and legal advice, drafted and submitted its report to the CMIM decision-making body, and supported the coordinating countries in developing the relevant documents for conducting the test run.

The test run in 2016 marked a milestone in advancing cooperation between the CMIM and the IMF, which is not only important for the CMIM given the IMF linked portion facilities, but also in line with the global initiative to strengthen the GFSN through enhanced cooperation between the CMIM and the IMF.



The comprehensive ERPD Matrix framework was endorsed by the Deputies at the AFCDM+3 in Guiyang, China, in December 2016.