

EMPOWERING FINANCIAL SECURITY: SUPPORTING AND ADVANCING ASEAN+3 FINANCING ARRANGEMENTS

The ASEAN+3 region's interconnectedness with the rest of the world through trade and financial flows makes it more susceptible to external shocks. This was particularly evident during the Asian financial crisis (AFC), leading ASEAN+3 members to establish the Chiang Mai Initiative (CMI) which evolved into today's [CMIM, the region's RFA](#). With a financing power of US\$240 billion, the CMIM—a multilateral currency swap arrangement—pledges multilateral financial support to help member economies address urgent short-term liquidity shocks and balance of payments difficulties.

As global uncertainties and regional risks grow, there is greater urgency for a more robust global and regional financial safety net to support economies during severe economic downturns or unexpected crises such as the COVID-19 pandemic. Recognizing this need, ASEAN+3 members stepped up efforts to strengthen the CMIM in 2024 with AMRO's support.

ENHANCING LIQUIDITY AMID GLOBAL DISRUPTIONS

The economic and financial impact of the COVID-19 pandemic on regional economies led ASEAN+3 members to develop a quick-response mechanism to provide support to those members which are in need of financial support in future crises, agreeing on and finalizing the [establishment of the RFF](#) with the incorporation of eligible FUCs as a new facility under the CMIM in 2024, with AMRO's support.

Establishing the RFF is part of ASEAN+3 members' wider efforts to shape the future direction of the region's RFA, by providing a broader range of financial facilities and adopting a proactive crisis management approach.

In 2024, ASEAN+3 members also discussed a paid-in capital structure for the RFA and a policy framework to safeguard against credit risks. Over the past year, AMRO supported ASEAN+3 members to engage international financial institutions and peer organizations to share their views on issues related to lending policies, financial structures, and governance. These insights, along with an analysis of the benefits, costs, and challenges of various financial models, will help shape the discussions of the possible future direction of the ASEAN+3 RFA.



How does the CMIM-RFF benefit ASEAN+3 economies?

The RFF, incorporating eligible FUCs, enables member economies to quickly address actual and urgent balance-of-payment difficulties stemming from sudden exogenous shocks such as pandemics or natural disasters.

The use of eligible FUCs, which are the US dollar, Japanese yen and the Chinese renminbi, expands the financial resources the RFF could mobilize, highlights regional characteristics of the CMIM and promotes adaptability to evolving economic challenges, benefiting the region.

MEETING MEMBER ECONOMIES' EVOLVING NEEDS

With an ever-changing global economic climate, it is vital to regularly review and enhance the CMIM to ensure it keeps pace with the needs of member economies. In 2024, AMRO supported ASEAN+3 members in the second periodic review of the CMIM, examining whether it was up to date and reflecting the circumstances of each member economy, as well as global economic and financial conditions.

As part of this review, ASEAN+3 members agreed to allow renewals of drawings from the CMIM-Precautionary Line (PL). The CMIM-PL now allows members to withdraw and hold US dollars or local currency from the swap lines for an extended period when a potential shock materializes into an actual crisis.

AMRO also supported ASEAN+3 members in reviewing the IMF de-linked portion (IDL). The IDLP has been increased at various junctures, in response to members' assessments of AMRO's growing surveillance capacity and the changing global economic conditions—i.e., from 20 percent to 30 percent of each member's swap quota in 2014, to 40 percent in 2020. During the review in 2024, ASEAN+3 members agreed on a set of indicators, which will be used to conduct a survey in early 2025 to determine if there is a need to review the current IDLP ratio.

Other discussions to enhance the CMIM in 2024 include making borrowing more accessible to member economies, by exploring the introduction of a local

currency (LCY) margin schedule for providing CMIM liquidity support in local currency; and continuing using the Chicago Mercantile Exchange's Term Secured Overnight Financing Rate (Term SOFR) as the CMIM USD reference rate and maintaining the current spread adjustment in the near term. ASEAN+3 members will continue these discussions in 2025, supported by AMRO.

ENSURING RFA'S OPERATIONAL READINESS

Since 2013, ASEAN+3 members regularly conduct test runs under various scenarios to ensure the CMIM's procedures and processes are fully functional before the activation of swap transactions during a financial crisis. AMRO provides support to ASEAN+3 members by developing, implementing, and refining test run exercises.

In 2024, ASEAN+3 members trialed the CMIM decision-making process involving the request for a mixture of local currency and US dollar with AMRO's support, following ASEAN+3 members' agreement to make contributions in local currencies.

Central bank members also began opening the relevant LCY-P accounts (LCY-Ps) with AMRO's assistance. This exercise, which will continue into 2025, will ensure the essential infrastructure for utilizing LCY-Ps is operationally ready for ASEAN+3 members to provide local currencies, together with US dollar, for the CMIM arrangement when it is activated.



4th ASEAN+3 Task Force Meeting in Vientiane, Lao PDR