

1. What is the Chiang Mai Initiative Multilateralization?

The Chiang Mai Initiative Multilateralization or the CMIM is a multilateral arrangement among the finance ministries and central banks of the ASEAN+3 member countries¹ and the Hong Kong Monetary Authority that is governed by a single contractual agreement for the purpose of providing financial support in United States Dollars through currency swap transactions among them. The total size of the CMIM Arrangement is US\$120 billion comprised of contributions from the CMIM Parties.

CMIM evolved from the Chiang Mai Initiative (CMI), the first regional currency swap arrangement launched by the ASEAN+3 countries in May 2000. CMI is composed of: (a) the ASEAN Swap Arrangement (ASA)² among ASEAN countries; and (b) a network of bilateral swap arrangements (BSAs)³ among the ASEAN+3 countries.

2. What are the objectives of the CMIM?

The CMIM is designed to enhance the effectiveness of the CMI by establishing an advanced framework of the CMI as regional liquidity support arrangement. In particular, the CMIM aims to: (a) address BOP and short-term liquidity difficulties in the region; and (b) supplement the existing international arrangement.

3. When did the CMIM take effect? What is the effect of the CMIM on the other swap arrangements under the CMI?

The CMIM was signed on 24 December 2009 and entered into force on 24 March 2010. The CMIM replaces the existing network of BSAs among ASEAN+3 member countries. ASEAN+3 member countries, however, are not precluded to enter into separate bilateral currency swap arrangements if the parties consider it necessary to supplement the CMIM. Meanwhile, the ASA has remained in effect even after the operationalization of the CMIM.

4. What distinguishes CMIM from the CMI?

CMIM is a multilateral currency swap arrangement with the total size of US\$120 billion, governed by a single contractual agreement, while the CMI is a network of bilateral

¹ Include the ASEAN countries (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and the Plus Three countries (China, Japan, and Korea)

² The ASA, which involves a total amount of US\$2 billion, allows member banks to swap their local currencies with major international currencies, i.e., US Dollar, Japanese Yen and Euro, for an amount up to twice their committed amount under the facility. The ASA was first established on 5 August 1977 by the five founding members of the ASEAN, namely Indonesia, Malaysia, the Philippines, Thailand and Singapore. The Philippines committed to contribute up to US\$300 million and could request swap of up to US\$600 million worth of Philippine peso.

³ A BSA provides financial assistance in the form of swaps to any ASEAN+3 country participating in the CMI in need of balance of payments (BOP) support or short-term liquidity support. The BSA is intended to complement existing international financial facilities, including those provided by the International Monetary Fund (IMF) and the expanded ASA.

swap arrangements among the “Plus Three” and ASEAN-5⁴ countries’ authorities. In addition, an independent regional surveillance unit called the ASEAN+3 Macroeconomic Research Office (AMRO) will be established to monitor and analyze regional economies and support the CMIM decision-making process.

5. *What is the level of CMIM contribution of the ASEAN and the Plus Three countries as regional groupings?*

With the total size of US\$120 billion, the contribution proportion between ASEAN and the Plus Three countries (with Hong Kong) is at 20:80, i.e., the ten (10) ASEAN member states will collectively contribute US\$24 billion, while China, Japan, Korea and Hong Kong will collectively contribute US\$96 billion.

6. *How much will the Philippines contribute to the CMIM? How much can it borrow from the CMIM?*

The Philippines, through the BSP contributed US\$4.552 billion to the CMIM. The Philippines may be able to borrow up to 2.5 times its contribution to the CMIM, i.e., US\$11.38 billion.

7. *Does the contribution to the CMIM involve outright transfer of the committed amount?*

No. The contribution to the CMIM does not involve outright transfer of the committed amount but is instead in the form of a commitment letter, whereby the central banks/monetary authority of ASEAN+3 countries as well as Hong Kong Monetary Authority issues a promissory note in the amount equivalent to their committed contribution. Under this arrangement, the management and custody of committed reserves remain with the central banks until a swap request has been approved. The amount to be provided by each CMIM Party will only be proportionate to its respective contribution to the CMIM.

8. *What is the activation process under the CMIM?*

Activation of swap transactions under the CMIM may be initiated by any CMIM Party by submitting to the CMIM Coordinating Countries⁵ a request for the purchase of US dollars under the CMIM arrangement with its local currency. The Coordinating Countries, in turn, will deliver the swap request notice and other relevant information to the Executive Level Decision Making Body (ELDMB)⁶ and convene a meeting to decide on the swap request. Upon approval, CMIM Parties will proceed with the activation of bilateral swap transactions between each of the swap providing parties

⁴ Indonesia, Malaysia, Philippines, Singapore and Thailand

⁵ Refers to the two Chairs of the ASEAN+3 Finance and Central Bank Deputies’ Meeting (one from the ASEAN Member States and one from the Plus Three countries)

⁶ ELDMB is composed of the Deputy-level representatives of the ASEAN+3 Finance Ministries and Central Banks and the Hong Kong Monetary Authority.

and the relevant swap requesting party, in accordance with the terms and pro rata allocation provided in the CMIM Agreement. In any event, determinations required in response to a swap request should be completed within two weeks following the delivery of the swap request notice to the members of the ELDMB.

9. *What is the AMRO and what will be its role under the CMIM?*

AMRO will serve as the independent regional surveillance unit of the CMIM. The establishment of AMRO will ensure timely monitoring and analysis of the ASEAN+3 economies, which will in turn aid in the early detection of risks, swift implementation of remedial actions, and effective decision-making of the CMIM.

In particular, the AMRO will, during peace time, conduct annual consultations with individual member economies and on this basis, prepare quarterly consolidated reports on the macroeconomic assessment of the ASEAN+3 region and individual member countries. On the other hand, the AMRO will, during crisis time, prepare recommendations on any swap request based on its macroeconomic analysis of the swap requesting member and monitor the use and impact of funds once any swap request is approved.

AMRO was officially incorporated as a company limited by guarantee in Singapore on 20 April 2011 and its office is located at the Monetary Authority of Singapore complex in Singapore. Governance of AMRO is being exercised by the Executive Committee (EC) and its operational direction by the Advisory Panel (AP). AMRO is currently headed by Mr. Wei Benhua of China, who assumed office as its first Director on 27 May 2011.