

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 (collectively, the CMIM Parties and each a CMIM Party) that is governed by a single contractual agreement for the purpose of providing financial support in United States Dollars (USD) through currency swap transactions among them. The initial size of the CMIM Arrangement was US\$120 billion comprised of contributions from the CMIM Parties. At the 15th ASEAN+3 Finance Ministers and Central Bank Governors Meeting (AFMGM+3) held in Manila on 3 May 2012, the CMIM features were enhanced including the doubling of its size to US\$240 billion and the introduction of a crisis prevention facility.

The 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 aims to: (a) address potential and actual balance of payments (BOP) and USD short-term liquidity difficulties in the region; and (b) supplement existing international arrangements.

3. When did the CMIM take effect?

The CMIM Agreement that is currently in force is the enhanced version that took effect on 17 July 2014. Recently, pursuant to Article 17 of the CMIM Agreement, a periodic review of the same was undertaken from 2016 to 2018. The resulting proposed amendments were approved by the Finance Ministers and Central Bank Governors on 2 May 2019 in Nadi, Fiji. Said amendments include, among others, provisions on CMIM-IMF coordination, particularly on financing assurance, multiple renewals and phasing of disbursement; legal basis for conditionality; and those that will address legal ambiguity such as waiver of maintenance of market financing and media coverage/confidentiality. The amended agreement will take effect upon completion of domestic approval processes and signing of all CMIM Parties. The original CMIM was signed on 24 December 2009 and entered into force on 24 March 2010.

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. Furthermore, the existing ASA which was renewed on 17 November 2019 remains in effect until 16 November 2021.

³ A BSA provides financial assistance in the form of swaps to any ASEAN+3 country participating in the CMI in need of 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.

4. What is the effect of the CMIM on the other swap arrangements under the CMI?

The CMIM replaces the existing network of BSAs among ASEAN+3 member countries. ASEAN+3 member countries, however, are not precluded from entering into separate bilateral currency swap arrangements if the parties consider it necessary to supplement the CMIM. In fact, the BSP has an existing BSA with the Bank of Japan. Meanwhile, the ASA has remained in effect even after the operationalization of the CMIM.

5. What distinguishes CMIM from the CMI?

CMIM is a multilateral currency swap arrangement with the total size of US\$240 billion, governed by a single contractual agreement, while the CMI is a network of bilateral swap arrangements among the “Plus Three” and ASEAN-5 countries⁴ authorities. In addition, an independent regional surveillance unit called the ASEAN+3 Macroeconomic Research Office (AMRO) was established as a company limited by guarantee in Singapore in April 2011 to monitor and analyze regional economies and support the CMIM decision-making process.

6. What are the types of facilities available to CMIM members? How long are the maturity and the supporting periods?

The CMIM offers two facilities: the CMIM Precautionary Line (CMIM-PL) which, as a crisis prevention facility, may be tapped for potential crisis or liquidity difficulties and the CMIM Stability Facility (CMIM-SF) which may be availed for crisis resolution. Under both facilities, 30 percent of the maximum drawable amount by any member may be quickly disbursed called the IMF de-linked portion (IDL). Meanwhile, the so-called IMF linked portion (ILP) refers to the maximum amount that may be drawn in circumstances where an IMF-Supported Program exists or is expected to come into existence in the very near future.

The maturity period applicable for both the CMIM-PL and CMIM-SF under the IDL is six (6) months renewable up to three times for a maximum supporting period of two (2) years; while under the ILP, the maturity period is one (1) year renewable up to two times for a maximum supporting period of three (3) years.

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

With the total size of US\$240 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\$48 billion, while China, Japan, Korea and Hong Kong will collectively contribute US\$192 billion.

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

⁴ Indonesia, Malaysia, Philippines, Singapore, and Thailand

The Philippines, through the BSP, has a contribution commitment of US\$9.104 billion to the CMIM. The Philippines may be able to borrow up to 2.5 times its contribution commitment to the CMIM, i.e., US\$22.76 billion.

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

No. The contribution commitment to the CMIM does not involve outright transfer of the committed amount. The central banks/monetary authority of ASEAN+3 countries as well as Hong Kong Monetary Authority issues a commitment letter 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.

10. What is the importance of the CMIM for: (a) the Philippines; and (b) regional stability?

The CMIM is important to the Philippines in two ways: (a) as a contributor to the multilateral swap facility, the Philippines will be able to provide liquidity assistance to another CMIM member who is experiencing liquidity difficulty; and (b) as a recipient, the Philippines may be able to borrow up to US\$22.76 billion from the facility to help avert an impending or actual BOP problem. From the regional standpoint, the CMIM is a testament to the strong cooperative spirit among ASEAN member states, China, Japan and Korea. Aside from the US dollar swaps that can be tapped by its members should the need arises, CMIM also resulted in the establishment of the AMRO which serves as an independent regional surveillance organization that will ensure timely monitoring and analysis of the ASEAN+3 economies. This surveillance mechanism will in turn aid in the early detection of risks, swift implementation of remedial actions, and effective decision-making of the CMIM, which is expected to help promote stability in the region.

11. 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 and the relevant swap requesting party, in accordance with the terms and pro rata allocation provided in the CMIM

⁵ Refer 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.

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.

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

As mentioned in item no. 5, AMRO was established in 2011 but became an international organization (IO) in February 2016 mandated to conduct regional macroeconomic surveillance in order to contribute to securing macroeconomic and financial stability in the ASEAN+3 region. AMRO's vision is to be an independent, credible and professional regional organization acting as a trusted policy advisor to its members. As an IO, AMRO's status was elevated and brought it to a position where it could pursue more independent analytical work; hire high-quality professional staff; and forge partnerships with other IOs and international financial institutions.

The establishment of AMRO ensures 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.

Governance of AMRO is being exercised by the Executive Committee (EC) composed of ASEAN+3 finance and central bank deputies. AMRO operations are headed by the AMRO Director, Chief Economist and two (2) Deputy Directors. An Advisory Panel (AP), comprised of six distinguished members, provides timely strategic, technical and professional input to AMRO's macroeconomic assessments. The incumbent Director is Mr. Toshinori Doi of Japan. AMRO's office is located at the Monetary Authority of Singapore complex in Singapore.

In terms of its role under CMIM, during peace time, AMRO will conduct annual consultations with individual member economies and on this basis, prepare consolidated reports focusing on the macroeconomic assessment of the ASEAN+3 region and individual member countries. On the other hand, 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.