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Association of Southeast Asian Nations + 3: The Chiang Mai Initiative Multilateralization

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Association of Southeast Asian Nations + 3: The Chiang Mai Initiative Multilateralization, 2010[1]

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Abstract

In 2010, following the Global Financial Crisis of 2007–2009, 13 Asian countries (including Hong Kong, China) introduced the Chiang Mai Initiative Multilateralization (CMIM) to significantly expand the ability of member countries to provide liquidity to each other to address potential liquidity or currency crises. The agreement created a USD 120 billion multilateral currency swap arrangement among the 10 member countries of the Association of Southeast Asian Nations (ASEAN), plus China, Japan, and South Korea. It replaced the network of bilateral swap agreements (BSAs) under the original Chiang Mai Initiative that the same 13 countries launched in 2000. The CMIM transformed the CMI's BSAs into a single multilateral agreement wherein each member pledged financial contributions, for a total pool of USD 120 billion; these resources can then be mobilized to extend US dollar swaps to CMIM members during a crisis. Participants' contributions vary, generally according to a country's size, with the three non-ASEAN countries providing 80% of the total. Member countries can request US dollar swaps up to a multiple of their contribution, with larger multiples assigned to smaller countries. Participants wishing to borrow more than 20% of their maximum allocation amount are required to participate in an International Monetary Fund (IMF) program. The member countries later expanded the pool to USD 240 billion and raised the non-IMF-linked amount to 40%. The CMIM has not been used as of mid-2023.

Keywords: AMRO, ASEAN, ASEAN Plus Three, Association of Southeast Asian Nations, Chiang Mai Initiative, CMI, CMIM, currency swap agreement

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Overview

Following the Global Financial Crisis of 2007–2009 (GFC), 13 Asian countries (and Hong Kong, China) introduced the Chiang Mai Initiative Multilateralization (CMIM) in 2010 to significantly expand the ability of member countries to provide liquidity to each other to address potential liquidity or currency crises. The agreement created a USD 120 billion multilateral currency swap arrangement among the 10 member countries of the Association of Southeast Asian Nations (ASEAN), plus China, Japan, and South Korea—collectively known as ASEAN Plus Three, or APT—and Hong Kong. The agreement was expanded to USD 240 billion in 2014 (AMRO n.d.a).

CMIM superseded the Chiang Mai Initiative (CMI) established by the same countries (excluding Hong Kong) in 2000, following the Asian Financial Crisis. The CMI consisted of a network of bilateral swap agreements (BSAs) between the ASEAN countries and the large "Plus Three" countries (China, Japan, and South Korea). Combined, these BSAs totaled USD 90 billion as of 2009. The CMI also covered an expansion of the ASEAN Swap Arrangement (ASA), an existing multilateral swap agreement among the ASEAN countries, established in 1977. When introduced, the CMIM replaced the BSAs under the CMI, with the expanded ASA remaining in place. See the Appendix for more information on the development of the CMI.

In 2005, APT members began the process of multilateralizing the CMI's BSAs, culminating in the CMIM. It was clear that members lacked confidence in the BSAs as an effective regional safety net, as countries continued to precautionarily stockpile reserves. Moreover, in a crisis, members would have to request swaps bilaterally, lacking a centralized arrangement to ensure the timely provision of liquidity. The GFC reinforced the need for a more robust financial safety net. No APT members drew on CMI swaps during the period to

Key Terms

Purpose: "(i) to address balance of payment and/or short-term liquidity difficulties in the ASEAN+3 region, and (ii) supplement the existing international financial arrangements" (AMRO n.d.a)

Participating Parties	Finance ministries and central banks of ASEAN Plus Three (the 10 ASEAN countries, China, Japan, and South Korea) and Hong Kong
Type of Swap	Multilateral commitment pool
Currencies Involved	US dollars and local currencies
Launch Date	Effective: March 24, 2010
End Date	N/A
Date of First Usage	Not yet used
Interest Rate and Fees	SOFR + 150 bps, which increases 50 bps for additional renewals up to a maximum premium of 300 bps
Amount Authorized	USD 240 billion commitment pool
Peak Usage Amount and Date	Not yet used
Downstream Use/Application of Swap Funds	Not applicable
Outcomes	Facility has not been used
Notable Features	Multilateral swap facility established through a single agreement

address their needs for liquidity (Han 2022). Other global financing arrangements, such as the US Federal Reserve's GFC swaps to Singapore and South Korea, proved more effective. These lessons from the GFC called into question the utility of the CMI. Thai Finance Minister Chalongphob Sussangkarn called the arrangement "more symbolic than truly effective" (Han 2022). APT members responded to these concerns by establishing the CMIM (Han 2022).

CMIM is not a standing fund of reserves but rather a pool of financial commitments by each participating central bank or monetary authority, backed by its country's foreign exchange reserves. The participants separately manage their committed US dollar reserves and their decisions to approve a swap draw from the facility (Ciorciari 2011).

Similar to the original CMI, the CMIM's purpose consists of two goals: "(i) to address balance of payment and short-term liquidity difficulties in the ASEAN+3 region, and (ii) supplement the existing international financial arrangements" (AMRO n.d.a). The second goal reflects the group's willingness to work alongside the International Monetary Fund (IMF) to create a regional safety net that supplements rather than replaces the IMF's efforts.

CMIM's commitment pool consists of commitment letters from the central banks of the 13 countries and Hong Kong. Eighty percent of contributions come from China (including Hong Kong), Japan, South Korea, and 20% from the ASEAN countries (Ciorciari 2011; Kawai 2015).

A participating country is eligible to draw on CMIM swaps up to a quota calculated as the country's commitment multiplied by its purchasing multiple, which varies by country. The CMIM agreement, which the group has not made public, also assigns countries voting power composed of basic votes—equal for all members except Hong Kong—plus weighted votes according to individual contribution levels (APT 2010). Figure 3 presents each country's contribution, purchasing multiple, and voting shares, after the doubling of the commitment pool's size in 2014 (with the distribution of members' commitments, purchasing multiples, and voting power remaining unchanged).

Swap draws have 90-day maturities but can be renewed up to seven times, allowing for a total duration of 720 days or roughly two years (APT 2010).

Participants wishing to borrow more than 20% of their eligible amount were required to participate in an IMF program (BSP 2022). In 2014, the IMF-delinked portion (IDLP) increased from 20% to 30% (APT 2012; Kawai 2015). The APT also separated the CMIM into two swap facilities: the CMIM Stability Facility (CMIM-SF) and the CMIM Precautionary Line (CMIM-PL) (APT 2012).

The CMIM-SF is a renamed version of the original 2010 CMIM facility (previously, called the Crisis Resolution Mechanism), intended to be used for the purpose of crisis resolution (APT 2012; BSP 2022). In a crisis, a member can request a temporary swap draw from the facility, approved by the Executive Level Decision Making Body (ELDMB)—composed of deputy-level representatives of APT central banks and finance ministries, and the Hong Kong Monetary Authority (HKMA) (AMRO n.d.a). Following the 2014 changes, the IMF-delinked drawings matured after six months, with three renewals, for a maximum duration of three years. Drawings on the IMF-linked portion (ILP) of the CMIM-SF matured after one year, with two renewals, for a maximum duration of three years (APT 2012).

The APT introduced the CMIM-PL as a new facility for crisis prevention purposes (Kawai 2015). The CMIM-PL is modeled after the IMF's precautionary facilities and requires greater ex ante qualification criteria—such as demonstrating sound macroeconomic policy—for approval of a swap line (Han 2022). With the CMIM-PL, a qualifying member can request a temporary swap line. However, unlike the CMIM-SF, once the ELDMB approves a precautionary line, the member can draw on the line without additional approval from the ELDMB. The CMIM-PL limits the duration of access—the temporary period in which a borrower can access the line—to six months, subject to renewals. CMIM-PL drawings have fixed maturities of six months for IMF-delinked portions and one year for IMF-linked portions, and had no renewals (AMRO n.d.a).

In 2018, the APT removed the limit on renewals for IMF-linked borrowings (for both CMIM-PL and CMIM-SF) to allow more flexibility in coordinating relief packages with the IMF (APT 2018).

In 2020, the APT agreed to increase the IMF-delinked portion from 30% to 40%, effective March 2021. Accompanying this change, the CMIM added the ability of members to request swaps denominated in other members' local currencies, the contributions of which are provided on a voluntary basis (AMRO n.d.a). The incorporation of local currencies into the CMIM framework lessens the pressure to fund swaps out of members' international reserves.

To date, no country has drawn on the CMIM (Negus 2020).

Summary Evaluation

ASEAN officials have long praised the CMI for providing a lasting foundation for financial cooperation in Asia. The transformation of the CMI from a diffuse web of bilateral swaps into a single contractual agreement, through the CMIM, according to the AMRO, "marked an important milestone, exemplifying the members' strong commitment to continuously improving and promoting financial stability in the region" (AMRO n.d.a). To date, the APT honors this commitment through an ongoing process of reviewing the CMIM, revising its terms, and ensuring its operational readiness through test runs, with the administrative support of AMRO (AMRO n.d.a). As such, the CMIM is an evolving arrangement, yet to be used but continually enhanced through the APT cooperation process.

Critiques of the CMIM generally point to the fact that, to date, the arrangement (and previously, the CMI) has never been utilized despite the several crises affecting APT countries (Kadogawa et al. 2018; Negus 2020). This was particularly striking during the COVID-19 pandemic, when ASEAN member countries sought other sources of dollar liquidity, including the Fed's Foreign and International Monetary Authorities (FIMA) Repo Facility, the Fed's dollar swap lines with other central banks (including Japan and South Korea), as well as the IMF's Short-term Liquidity Line and Flexible Credit Line (Negus 2020). Some of these facilities, particularly the Fed's dollar swaps, saw usage and in some cases from CMIM members. For instance, the Bank of Japan, Monetary Authority of Singapore, and the Bank of Korea borrowed dollar liquidity though their Fed swap lines in 2020 (Choi et al. 2022). The HKMA also received dollar liquidity from the Fed's FIMA Repo Facility (HKMA 2020a; HKMA 2020b).

One academic study says CMIM is simply "unusable" because of its pooling nature: "There is no fund but a series of promises. This is not a problem per se but becomes so when there are no rapid response procedures to handle a fast-developing financial emergency" (Menon and Hill 2014, 10). A 2018 working paper by several AMRO researchers identifies five explanations for the CMIM's absent use: stigma around the CMIM's IMF link, uncertainty around CMIM's operational readiness, lack of conditionality, and uncertainty over whether lending central banks would approve swaps (Kadogawa et al. 2018). A news article coauthored by Indonesia's former finance minister provides additional criticism, reiterating many of the aforementioned points: "The fund is yet untested and not yet fully operational. Its processes for approving resources are slow, cumbersome and politically complex, producing widespread skepticism in its ability to provide assistance" (Drysdale, Basri, and Triggs 2020).

The governor of the Bank of Korea, Chang Yong Rhee, also opines on the perceived uncertainty of CMIM relief during an August 2022 speech. Rhee notes that CMIM relies on the mutual trust that members, during a crisis, will honor their financial commitments and mobilize their foreign exchange reserves to fund a swap request. Such trust may break down when a crisis impacts the region at large, and thus lending dollar reserves comes with greater domestic political and economic costs (Rhee 2022). As a solution, Rhee proposes transforming the CMIM into a standing fund with paid-in capital to ensure the credibility of such regional financing (Rhee 2022).

Key Design Decisions

1. Purpose and Type: CMIM provides a means for Asian countries to address balance of payments and short-term liquidity problems through a multilateral currency swap agreement. It replaced a network of bilateral swap agreements under the original Chiang Mai Initiative.

The ASEAN Plus Three countries developed the CMIM to improve upon the earlier Chiang Mai Initiative, which APT leaders introduced in 2000 to provide a regional safety net to supplement existing international facilities. The May 6, 2000, joint statement gave the following purpose for establishing the CMI:

> In order to strengthen our self-help and support mechanisms in East Asia through the ASEAN+3 framework, we recognized a need to establish a regional financing arrangement to supplement the existing international facilities. As a start, we agreed to strengthen the existing cooperative frameworks among our monetary authorities through the "Chiang Mai Initiative." (MOF Japan 2000)

The CMI consisted of two parts: (a) an expansion of the ASEAN Swap Arrangement among ASEAN countries, and (b) a new series of bilateral swap agreements between ASEAN+3 countries (BSP 2022; MOF Japan 2000). The CMI would be a work in progress in expanding regional swap lines beyond the preexisting ASA, established in 1977 (Henning 2002, 13).

The inclusion of Plus Three countries (China, Japan, and South Korea) provided for a much greater financing capacity under the BSAs than the existing ASA, which was limited to ASEAN countries. BSAs were, however, flawed in that they lacked a central institutional structure to coordinate relief to requesting members in a crisis (Han 2022). A requesting member would need to negotiate bilaterally with other countries if it wished to access swap funds, a potentially timely and uncertain process (Han 2022). Additionally, since BSAs were signed on a bilateral basis, not all ASEAN countries ended up establishing BSAs with Plus Three countries (BOJ 2009). Altogether, APT members lacked confidence in BSAs as a credible mechanism for crisis management, and in the intervening years before the GFC, members continued to precautionarily stockpile reserves. The GFC reinforced the need to enhance the BSAs as many members faced liquidity issues, but none utilized BSAs (Han 2022). APT members responded to these concerns by multilateralizing the BSAs into a single agreement through the CMIM, providing a better institutional basis for crisis-time financing through multilateral swaps.

Signed December 24, 2009, effective March 24, 2010, the CMIM agreement states its purpose to "(i) address balance of payment and/or short-term liquidity difficulties in the ASEAN+3 region, and (ii) supplement existing international financial arrangements" (AMRO n.d.a).

The CMIM is a multilateral currency swap agreement signed by the finance ministers and central bank governors of the 13 APT countries and the Hong Kong Monetary Authority. The agreement enables any member country, and the HKMA, to request a temporary USD swap against their own local currency; as of 2021, members can also request currency swaps denominated in other another member's currency (AMRO n.d.a; HKMA 2022).

2. Part of a Package: The CMIM agreement also established a new independent surveillance unit to support CMIM operations.

On May 2, 2010, in addition to announcing the ratification of the CMIM agreement, the APT finance ministers unveiled plans for the ASEAN+3 Macroeconomic Research Office (AMRO), the CMIM's new regional macroeconomic monitoring organization (APT 2010). Established in April 2011 and located in Singapore, AMRO serves as an independent macroeconomic surveillance unit of the CMIM to monitor regional economies and coordinate CMIM relief efforts (APT 2010; Grimes and Kring 2020). The primary responsibilities of AMRO include: macroeconomic surveillance (the majority of AMRO's operations), supporting/designing CMIM relief programs (swap draws), and providing technical assistance to member countries (AMRO n.d.b; Grimes and Kring 2020).

To expedite the start of its operations, AMRO was initially incorporated as a company limited by guarantee in Singapore pursuant to Singapore law (Grimes and Kring 2020). As the host country, Singapore was responsible for providing AMRO with budgetary and liquidity support, coordinating the hiring process, and protecting sensitive information of APT member countries (APT 2012).

In February 2016, APT members signed the AMRO Agreement, which is a treaty under international law, establishing AMRO as an international organization with independent legal standing (Grimes and Kring 2020). By 2018, AMRO had established memoranda of understanding with the IMF, European Stability Mechanism (ESM), and Asian Development Bank (ADB) to further international cooperation (APT 2017; APT 2018).

Although the CMIM has not been used, in the future, CMIM financing may be deployed as part of a package with other financial safety nets, such as the IMF facilities. See Key Design Decision No. 15(B), Other Options, for other sources of foreign currency liquidity available to APT members.

3. Legal Authority: The CMIM is a single multilateral agreement signed by the central bank governors and finance ministers of the participating countries and Hong Kong.

The CMIM is not a standing fund or institution but rather a multilateral swap arrangement created through a private contractual agreement among the 26 finance ministers and central bank governors, in addition to the head of the Hong Kong Monetary Authority (APT 2010; Ciorciari 2011). The CMIM agreement does not necessarily hold the status of a law in each member country's domestic legal system (Han 2022). As part of the agreement, APT central banks and the HKMA pledge financial commitments, the proceeds of which are transferred only when funding a CMIM swap requests, subject to certain opt-out rights (Ciorciari 2011). To opt out of such contributions, a CMIM country must receive approval from the Executive Level Decision Making Body of the CMIM (APT 2010). The CMIM agreement allows countries to opt out of contributions without obtaining the ELDMB's approval under exceptional circumstances, broadly defined as "an extraordinary event or instance of force majours and domestic legal limitations" (APT 2010, annex).

4. **Governance: The CMIM is governed by the central bank governors and finance ministers of the APT and HKMA.**

The CMIM agreement, which went into effect March 24, 2010, was signed by 26 central bank governors and finance ministers from the 13 APT countries and the head of the HKMA (APT 2010). The CMIM agreement established the Ministerial Level Decision Making Body (MLDMB)—initially made up of only the APT finance ministers—as the body responsible for voting on CMIM governance decisions (for example, total size and contribution amounts) through consensus approval (AMRO n.d.a; APT 2010). Since the APT finance ministers established the CMI in 2000, the finance ministers headed negotiations over fundamental governance decisions related to the CMI. In 2011, APT finance ministers agreed to invite the APT central bank governors to their meetings; with the first amendments to the CMIM, effective July 2014, the MLDMB expanded to include the APT central bank governors (Han 2022).

Fundamental CMIM negotiations take place at the annual APT Finance Ministers Process meetings, which are cochaired on a rotating annual basis by an ASEAN member and a Plus Three member, represented by both a finance minister and central bank governor (ARIC n.d.; Ciorciari 2011). These cochairs also facilitate the negotiations of the swap activation process for the CMIM, the terms and conditions of which are voted on by the ELDMB (Ciorciari 2011).

5. **Administration: In the CMIM, deputy-level officials of APT finance ministries and central banks and the HKMA vote on administrative decisions, the approval of which requires a two-thirds majority.**

Administrative Body

The CMIM agreement created the Executive Level Decision Making Body, which votes on administrative decisions (for example, approval and execution of swap draws, renewals, and default situations) according to a two-third majority vote (APT 2010; Kawai 2015). The ELDMB consists of the deputy-level representatives of APT finance ministries and central banks (and the HKMA) (APT 2010). The ELDMB is also responsible for overseeing the operations and direction of the regional surveillance unit, AMRO (Ciorciari 2011).

The APT also appoints two coordinating countries—the cochairs of the APT Finance Ministers Process (one from Plus Three and one from ASEAN)—who facilitate CMIM discussions and the swap activation process (APT 2010). The cochairs serve annual terms, rotating alphabetically among the APT countries (AMRO n.d.a).

Financial Architecture

The financial commitments pledged by the APT central banks and the HKMA constitute the collective funding capacity of the CMIM agreement. We refer to this overall funding capacity, currently set at USD 240 billion, as the CMIM's *commitment pool*, though not to be confused with a standing fund (Ciorciari 2011). APT central banks and the HKMA issue commitment letters for their individual contributions, managing their committed reserves independently until a swap activation wherein funds are transferred to the borrowing country, following ELDMB approval (BSP 2022).

CMIM members can access swap funds through the CMIM's two facilities: the CMIM Stability Facility and the CMIM Precautionary Line. The CMIM-SF (renamed in 2012) functions as the CMIM's crisis resolution facility and enables members to request temporary swaps of their local currency for USD or another member's currency in the event of a crisis (for example, balance of payments and short-term liquidity problems). The CMIM-PL, introduced in 2014, allows a member to request the establishment of temporary swap lines for USD or another member's currency secured by its local currency as a preventative measure for any potential balance of payments and liquidity issues (AMRO n.d.a). Once established, these swap lines can be drawn upon without ELDMB approval. The approval process for the CMIM-PL, however, requires members to submit to the ELDMB, which flexibly applies five criteria for ex ante qualification and ex post conditionality. The criteria include: external position and market access, fiscal policy, monetary policy, financial sector soundness and supervision, and data adequacy (AMRO n.d.a). See Key Design Decision No. 9, Process for Utilizing the Swap Agreement, for information on the administrative mechanics of CMIM activation for each facility. Although the CMIM swaps have never been activated, AMRO, as one of its core responsibilities, is expected to play an administrative, advisory role in swap draws. In so doing, AMRO would help design the terms of swap draws (such as size of draws) through recommendations to the ELDMB (Grimes and Kring 2020).

6. **Communication: Although the CMIM agreement is not publicly available, the APT releases information about terms and changes to the CMIM at the annual APT meetings.**

The APT provides consistent communication about amendments to the CMIM, plans for future changes to the agreement, and other related developments at the annual meeting of APT finance ministers and central bank governors. Although the CMIM's agreement has not been publicized, the APT summarizes many of the terms and conditions in press releases from annual APT meetings (APT 2010; APT 2012). On an individual basis, APT central banks also communicate CMIM developments in their own annual reports (Bank Negara Malaysia 2021; BOT 2020).

The CMIM agreement contains a confidentiality clause, which the APT amended in 2020 to give the ELDMB more flexibility in disclosing CMIM information for two purposes: (1) for media coverage of a swap drawing to enhance market confidence and (2) to share information with third parties such as the IMF (AMRO 2020).

7. Eligible Institutions: The CMI included central banks and finance ministries of 13 Asian countries, with the CMIM including the HKMA as well.

The CMI's two-part agreement included the ASA among the 10 ASEAN countries as well as the bilateral swap arrangements among 13 APT countries (ASEAN countries plus China, Japan, and South Korea) (AMRO n.d.a).

The signatories of the CMIM agreement are the finance ministers and central bank governors of the APT member countries and the HKMA. ASEAN countries include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. "Plus Three" includes China, Japan, and South Korea (BSP 2022).

8. Size: When introduced in 2010, the CMIM commitment pool amounted to USD 120 billion, which increased to USD 240 billion in 2014.

In the CMI's initial announcement in May 2000, APT leaders did not provide a specific size for the expansion of the ASA or formation of BSAs (APT 2000). In November 2000, ASEAN leaders agreed to expand the ASA size to USD 1 billion (from the original USD 200 million size) before doubling the size to USD 2 billion in 2005 (APT 2005; Henning 2002, 14).[3]

With the inclusion of the larger Plus Three countries in the original CMI, BSAs were considerably larger in their cumulative size, growing from USD 17 billion in 2002 to USD 90 billion by April 2009 (APT 2002; Kawai 2015).

Effective March 24, 2010, the CMIM supplanted the BSAs with a multilateral swap arrangement of USD 120 billion (APT 2010). APT leaders announced a doubling of this commitment pool to USD 240 billion in 2012, taking effect in 2014 (APT 2012; BSP 2022).

The CMIM also varies individual contributions, generally reflecting a country's size, with the Plus Three countries and Hong Kong accounting for 80% of the total USD 250 billion size (Kawai 2015). The CMIM sets purchasing (drawing) multiples for each country, which when multiplied by a country's contribution, determines the country's maximum allocation for a swap drawing (APT 2010). Purchasing multiples for each country are inversely related to their contribution sizes, enabling smaller countries to borrow higher multiples of their contributions than larger countries. For example, Japan (with a purchasing multiple of 0.5) can draw at most half of its USD 76.8 billion contribution (USD 38.4 billion), whereas Vietnam (with a purchasing multiple of 5.0) can draw five times its USD 2 billion contribution (USD 10 billion) (Kawai 2015). See Figure 1.

[3] When established in 1977, the ASA had a total size of USD 100 million before doubling to USD 200 million in 1978 (Henning 2002, 14).

Figure 1: CMIM Contributions, Maximum Draws, and Voting Power, 2023

Members	Financial Contributions ($ billions)	Financial Contributions (%)	Purchasing Multiple	Maximum Swap Amount ($ billions)	Voting Powers: Basic Votes	Votes Based on Contributions	Total Voting ($ billions)	Total Voting (%)
Plus Three	192.00	80.00	--	119.40	9.60	192.00	201.60	71.59
China total	76.80	32.00	--	40.50	3.20	76.80	80.00	28.41
China	68.40	28.50	0.5	34.20	3.20	68.40	71.60	25.43
Hong Kong, China	8.40	3.50	2.5	8.40	0.00	8.40	8.40	2.98
Japan	76.80	32.00	0.5	38.40	3.20	76.80	80.00	28.41
South Korea	38.40	16.00	1.0	38.40	3.20	38.40	41.60	14.77
ASEAN	48.00	20.00	--	126.20	32.00	48.00	80.00	28.41
Indonesia	9.10	3.79	2.5	22.76	3.20	9.10	12.30	4.37
Malaysia	9.10	3.79	2.5	22.76	3.20	9.10	12.30	4.37
Philippines	9.10	3.79	2.5	22.76	3.20	9.10	12.30	4.37
Singapore	9.10	3.79	2.5	22.76	3.20	9.10	12.30	4.37
Thailand	9.10	3.79	2.5	22.76	3.20	9.10	12.30	4.37
Vietnam	2.00	0.83	5.0	10.00	3.20	2.00	5.20	1.85
Cambodia	0.24	0.10	5.0	1.20	3.20	0.24	3.44	1.22
Myanmar	0.12	0.05	5.0	0.60	3.20	0.12	3.32	1.18
Laos	0.06	0.03	5.0	0.30	3.20	0.06	3.26	1.16
Brunei	0.06	0.03	5.0	0.30	3.20	0.06	3.26	1.16
ASEAN+3	240.00	100.00	--	245.60	41.60	240.00	281.60	100.00

Sources: AMRO n.d.a; Kawai 2015.

9. **Process for Utilizing the Swap Agreement: To draw on CMIM swaps, a participant sends a request to the two APT coordinating countries that facilitate ELDMB meetings; the ELDMB puts the decision to a vote requiring two-thirds majority approval.**

In contrast to the CMI, which relied on bilateral negotiations to activate individual BSAs, the CMIM provides for a more centralized process to coordinate relief. For the CMIM-SF, the process for drawing on a CMIM swap begins with a CMIM party submitting a swap request (for either USD or another member's currency) to the CMIM *coordinating countries*—the two cochairs of the APT Finance Ministers Process. The coordinating countries then deliver the request to the ELDMB, which sets up a meeting to vote on the request (BSP 2022). Before the ELDMB votes on the request (requiring a two-thirds majority vote), the requesting country must meet certain conditions, including: "completion of review of the economic and financial situation and no events of default" and must comply "with covenants such as submission of the periodic surveillance report and participation in the ASEAN+3 Economic Review and Policy Dialogue" (APT 2010).

Until the approval of a swap request, CMIM parties manage their committed dollar reserves on their own (Ciorciari 2011). Once the ELDMB approves the request and swap size, CMIM parties are expected to provide dollar resources in proportion to their CMIM contribution (BSP 2022).

To receive a precautionary swap line through the CMIM-PL, a member must meet certain ex ante qualification criteria not required under the CMIM-SF (Han 2022). The ELDMB flexibly applies the following five ex ante qualification criteria for a requesting member: external position and market access, fiscal policy, monetary policy, financial sector soundness and supervision, and data adequacy (AMRO n.d.a) Once approved, the member can draw on the line without additional approval from the ELDMB.

10. Downstream Use of Borrowed Funds: The CMIM has never been used.

At the time of writing, the CMIM has not been used (Negus 2020). Aside from the stated purpose of the swaps, to address temporary balance of payments and liquidity issues, research has not found stipulations about how borrowers use swap proceeds.

11. Duration of Swap Draws: The maximum duration for CMIM swaps differs between IMF-delinked and -linked portions.

The CMIM agreement initially fixed the maximum maturities for swap draws at 90 days. A draw could then be renewed up to seven times, thereby providing a maximum duration of 720 days (or around two years) (APT 2010).

The 2014 amendments to the CMIM created separate maturity schedules for the IMF-delinked portion (IDLP) and IMF-linked portion (ILP) of draws. Maturities for the ILPs were extended from 90 days to one year; maturities for ILDPs were extended from 90 days to six months.

The 2014 amendments also created a new CMIM Precautionary Line (CMIM-PL) that stands alongside the existing facility, which was renamed the CMIM Stability Facility (CMIM-SF). Draws on the precautionary line could not be renewed. Draws on the stability facility could be renewed up to two times (IMF-linked) or three times (delinked) (APT 2012).

In May 2018, following a review of the CMIM, the APT removed the limit to the maximum number of renewals for IMF-linked portions. The change extended the maximum duration of IMF-linked draws beyond three years with no set limit, providing the CMIM with flexibility for financial assurances and joint financing operations with IMF programs (APT 2018). See Figure 2 for maturity schedules of the CMIM's two facilities.

Figure 2: CMIM-PL and CMIM-SF Maturity Schedules, 2022

Facility		Drawing duration		Line duration	
		Maturity	*Number of Renewals*	*Duration of Access*	*Number of Renewals*
CMIM-PL	IDLP	6 months	none	6 months	3
	ILP	1 year	none	6 months	multiple: determined by ELDMB for consistency with related IMF program
CMIM-SF	IDLP	6 months	3	N/A	N/A
	ILP	1 year	multiple: determined by ELDMB for consistency with related IMF program	N/A	N/A

Sources: AMRO n.d.a; BSP 2022.

12. Rates and Fees: Interest on CMIM swaps carry an interest rate based on the six-month term Secured Overnight Financing Rate (SOFR) plus an initial premium of 150 basis points (bps); 50 bps is added to the premium for additional renewals, with the maximum premium capped at 300 bps.

The CMIM's interest rate formula for swap draws includes a reference rate and a premium. Per AMRO sources, the current reference rate is the six-month term Secured Overnight Financing Rate plus a spread adjustment of 0.428%; the State Bank of Vietnam refers to this reference rate simply as the six-month F-SOFR or forward-looking SOFR (SBV 2022). On top of this reference rate, the CMIM charges a 150-bp initial premium, which increases by 50 bps for additional renewals; the maximum premium is capped at 300 bps. Prior to March 2022, the CMIM used the London Interbank Offered Rate (LIBOR) as the reference rate, with a similar premium initiating at 150 bps and increasing by 50 bps every 180 days up to a maximum of 300 bps (Ciorciari 2011; SBV 2022). The CMIM borrowed this rate convention from the CMI's BSAs. Ciorciari explains that the relatively high rate set for CMI swaps was a "signal to lenders and Western observers that the CMI would not be a vehicle for easy money" (Ciorciari 2011, 931).

13. Balance Sheet Protection: No additional balance sheet protection measures apply.

Research has not identified balance sheet protection information.

14. Other Restrictions: The CMIM includes an IMF linkage, which requires borrowers to have an IMF program in place to access drawings in excess of 40% of their eligible swap quota.

The CMIM incorporates an IMF linkage scheme, adopted from the CMI's BSAs. Although the CMI's BSAs were negotiated bilaterally, APT members agreed to certain common principles, one of which was the IMF linkage. Under the initial terms of the BSAs, a requesting country was eligible for only 10% of the maximum amount of a swap if it did not have an IMF program in place; this portion, absent an IMF program, is known as the IMF-delinked portion, with the IMF-linked portion being the remaining 90% of the swap amount (Ciorciari 2011). The motivation for an IMF linkage is also reflected in the second of the CMI's (and CMIM's) two core objectives: to supplement existing international financial arrangements (such as those with the IMF). Since the CMI did not have a central institutional structure or surveillance organization, an IMF link assuaged lending APT members (for example, Plus Three countries) of moral hazard and repayment concerns by relying on IMF conditionality. The negotiations over the size of the IMF link continued, as ASEAN countries lobbied to increase the IDLP. In 2005, the delinked portion increased to 20% (Han 2022).

The CMIM first adopted the BSAs' existing IMF link structure with the delinked portion initially set at 20%. In 2014, APT members increased the delinked portion to 30% before increasing it to 40% in 2021 (Han 2022). Under the CMIM's quota system, the IMF-delinked portion applies to the maximum swap amount (a member's financial contribution multiplied by its purchasing multiple).

15. Other Options (A): The CMI and CMIM agreements both followed discussions that would have involved a more permanent funds.

At a Group of 7–IMF meeting in September 1997, prior to the first meeting of APT member countries, Japanese authorities proposed an Asian Monetary Fund (AMF). The idea was to create a USD 100 billion fund with 10 members: China, Hong Kong, Japan, South Korea, Australia, Indonesia, Malaysia, Singapore, Thailand, and the Philippines (Lipscy 2003). Japan would provide USD 50 billion, with the remainder coming from the other large regional economies such as China, Singapore, and Hong Kong. The major regional economies (China, Japan, Singapore, Hong Kong) benefited from large foreign exchange reserves—close to USD 800 billion in total—and balance of payments. During a crisis, an Asian Monetary Fund would be able to channel some of these resources to finance debt of afflicted Asian economies (Narine 2003). While most APT countries supported the AMF, the US Treasury and IMF quickly and definitively rejected the proposal (Henning 2002, 2; Lipscy 2003). In rejecting the AMF, the US Treasury noted two problems: the AMF would create a moral hazard for Asian countries to avoid policy adjustments and would be duplicative given the IMF's established role in the region (Lipscy 2003). In contrast, the CMI, with its complementarity with the IMF, received approval from the US Treasury and the IMF (Henning 2002, 13).

When multilateralizing the CMI's BSAs, APT members discussed three options for structuring the CMIM's funding arrangement: (1) a pledging system like the ASA where central banks made commitments to fund future swap draws but managed their reserves independently; (2) a virtual fund where central banks transferred the legal ownership of a portion of their reserves to a separate legal entity in exchange for a claim on the fund, while being able to self-manage reserves; and (3) a centrally managed, funded reserve pool. In 2007, APT members initially adopted the virtual fund model but dropped the plan in 2009 as some members' legal codes did not allow for central banks to transfer reserve ownership in this manner (Han 2022). Instead, APT members settled on the first option, the commitment letter model, for the CMIM.

Other Options (B): In addition to CMIM financing, APT members have other options for accessing foreign liquidity such as through bilateral swap agreements and IMF facilities.

APT members facing balance of payment and liquidity issues have access to other foreign currency financing including bilateral swap agreements (outside of the CMIM) and IMF funding. An AMRO working paper from 2018 compares the sizes of these other funding options to the CMIM and APT members' individual foreign exchange reserves. Generally, the total funding available under the CMIM (USD 240 billion) is roughly equivalent to the cumulative size of bilateral swaps between APT countries (USD 290 billion). Most of these swaps, however, are denominated in local currencies and may serve different purposes, such as promoting cross-border trade (Kadogawa et al. 2018). See Figure 3, dated 2018, which does not include recent changes in the CMIM (for example, increasing the IDLP from 30% to 40%) and other financing sources, including the addition of the IMF's COVID-19 lending facility, the Short-term Liquidity Line (SLL).

Figure 3: Comparison of Financing Sources for ASEAN Plus Three Members, 2018 (USD billions)

Member	FX Reserves	BSA			CMIM		IMF				ADB
		ASEAN+3 (BoP)	ASEAN+3 (Trade and financial stability)	Other	IMF Delinked Portion (30 percent)	Total (100 percent)	Stand-By Arrange-ment (435 percent)	Precautio-nary and Liquidity Line (500 percent)	SCF and ECF: Access per year (75 percent)	SCF and ECF: Total credit (225 percent)	Asia Pacific Disaster Response Fund (per event)
China	3,235.4		212.0	290.8	10.2	34.2	188.8	217.1			0.003
Hong Kong	431.4		60.2		1.9						0.003
Japan	1,264.1	43.8 1/	9.7 2/	64.2	11.5	38.4	190.9	219.5			0.003
Korea	389.2		67.8	7.8+unlimited local currency with BoC	11.5	38.4	53.17	61.1			0.003
+3	**5,320.1**				**35.2**	**117.3**	**432.9**	**497.6**			
Indonesia	130.2	22.8 1/	109.3	7.4	6.8	22.8	28.8	33.1			0.003
Malaysia	102.4	3.0 1/	31.5		6.8	22.8	22.5	25.9			0.003
Philippines	81.6	12.0 1/			6.8	22.8	12.7	14.5			0.003
Singapore	279.9	3.0 1/	54.8		6.8	22.8	24.1	27.7			0.003
Thailand	202.6	3.0 1/	10.5		6.8	22.8	19.9	22.9			0.003
Vietnam	43.9				3.0	10.0	7.2	8.2	0.9	2.6	0.003
Cambodia	12.2				0.4	1.2	1.1	1.2	0.1	0.4	0.003
Myanmar	5.2				0.2	0.6	3.2	3.7	0.4	1.2	0.003
Brunei	3.3				0.1	0.3	1.9	2.1			0.003
Lao PDR	1.3				0.1	0.3	0.7	0.8	0.1	0.2	0.003
ASEAN	**862.9**				**37.9**	**126.2**	**121.9**	**140.1**			
Total	**6,183.1**	**43.8**	**235.4**	**370.2**	**73.1**	**243.5**	**554.9**	**637.8**			

Notes:

(i) Exchange rate: USD 1 = SDR 0.7022 as of 29 December 2017.

(ii) Data on FX reserves are as of December 2017, except for Brunei (latest September 2017), and Vietnam (latest November 2017).

(iii) There is no cap on access to the IMF Flexible Credit Line (FCL) facility and a case-by-case modality is adopted. The IMF ECF/SCF facility is targeted at low-income countries.

(iv) Besides IMF and CMIM resources, there is an ASEAN swap arrangement that amounts to USD 2 billion among ASEAN countries.

(v) The amounts that ASEAN+3 members could request from the CMIM Precautionary Line (PL) facility are the same as those from the CMIM Stability Facility (SF). Members cannot apply for both the CMIM-PL and the CMIMSF at the same time.

(vi) For BSAs, the Japan's Ministry of Finance (JMoF) signed agreements with ASEAN-5 countries and India to provide U.S. dollar liquidity. The rest of the BSAs are denominated in local currencies in order to facilitate bilateral trade and maintain financial stability. The most recent one is the agreement in local currency between the Bank of Korea (BoK) and the Bank of Canada (BoC) in November 2017. The BoJ has standing liquidity facilities with the U.S. Board of Governors of the Federal Reserve (Fed), European Central Bank, Bank of England, BoC and Swiss National Bank. In May 2017, the JMoF proposed establishing a new type of BSA totaling up to JPY 4 trillion to address short-term liquidity problems in ASEAN countries.

Source: Kadogawa et al. 2018.

16. Exit Strategy: As a standing arrangement, the CMIM does not have an expiration date.

The CMIM Agreement, effective March 24, 2010, replaced the CMI's BSA network (APT 2010; BSP 2022). The CMIM is a standing arrangement with no set expiration. On the other hand, the ASA, which was coexistent with the BSAs and the CMIM, expired on November 16, 2021, and has yet to be renewed (BSP 2022). To date, the CMIM has not been used.

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Appendix

The Asian Financial Crisis (AFC) came to a head in July 1997 as Thailand abandoned its currency peg and succumbed to a crisis, requiring external assistance. The process for securing such aid for Thailand (and eventually other distressed East Asian economies) revealed the limitations of the existing international financial safety nets, namely, the absence of US support and the International Monetary Fund (IMF) quota limitations, slow disbursements, and conditionalities. Japan assumed a leadership role and coordinated a rescue package with other Asian and Oceanic countries to Thailand, supplementing the IMF assistance (Asami 2005; Ciorciari 2011). Meanwhile, Japanese officials worked on a proposal for a regional financing arrangement as an alternative to the IMF (Ciorciari 2011).

During a Group of 7–IMF meeting in September 1997, Japan's Ministry of Finance proposed the creation of an Asian Monetary Fund (AMF). The AMF would consist of a USD 100 billion fund of regional reserves to administer regional economic relief (Amyx 2002; Ciorciari 2011). Though the proposal received support from many of the Asian countries, officials from the United States and IMF strongly objected to the AMF's creation, citing issues of moral hazard (Henning 2002, 2; Lipscy 2003). China and Singapore expressed neutrality to the proposal, and the AMF proposal never took off (Amyx 2002).

Nevertheless, discussions around a regional financing arrangement continued, and in November 1997, leaders from the Association of Southeast Asian Nations (ASEAN)[4] met with leaders from China, Japan, and South Korea, later forming the group: ASEAN Plus Three (APT) (Henning 2002, 1; MOF Japan 1997). APT provides another framework for cooperation, like ASEAN, that brings together leaders of ASEAN countries and the large neighboring Asian countries—China, Japan, and South Korea. Learning from the recent crisis, the member countries of the APT discussed proposals for new measures on regional financial cooperation, including exchange rate regimes, common currency unions, and financial support mechanisms (APT n.d.; Henning 2002, 1–2).

On May 6, 2000, the finance ministers of the APT countries met in Chiang Mai, Thailand, and unveiled the Chiang Mai Initiative (CMI), an effort to strengthen "self-help and support mechanisms" born out of a need to "establish a regional financing arrangement to supplement the existing international facilities" (APT 2000).[5] The CMI was an agreement to pursue (1) an expansion the ASEAN Swap Arrangement (ASA), a preexisting swap network among five ASEAN countries,[6] and (2) the development of new bilateral swap agreements (BSAs) between the APT countries (APT 2000).

[4] ASEAN is an intergovernmental organization used to facilitate economic and political cooperation among the leaders from its 10 member countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam (ASEAN n.d.)

[5] The joint ministerial statement announcing the CMI also discussed enhancing regional economic surveillance, monitoring capital flows, and establishing networks of research and training institutions to enhance policy dialogue (APT 2000; Henning 2002, 13).

[6] The initial five ASA countries were Indonesia, Malaysia, Singapore, Thailand, and the Philippines (ASEAN 1977; Henning 2002, 14).

ASEAN Swap Arrangement

On August 5, 1977, the central banks and monetary authorities of the then five ASEAN member countries (Indonesia, Malaysia, Singapore, Thailand, and the Philippines) established the ASA as a multilateral currency swap agreement (ASEAN 1977; Henning 2002, 14). The purpose of the ASA was to provide US dollars against local currency to member countries facing temporary international liquidity pressures (ASEAN 1977). Each of the five member countries initially pledged financial commitments of USD 20 million (USD 100 million total), before doubling these commitments in 1978 to USD 40 million each (USD 200 million total). Prior to its expansion under the CMI, the ASA was used five times, with no usage during the Asian Financial Crisis in 1997–1998; this is thought by one scholar to be due to the facility's relatively small size (Henning 2002, 14).

Under the CMI, the total size of the ASA increased to USD 1 billion, and participation expanded to include all 10 ASEAN member countries, effective November 17, 2000 (APT 2001). ASEAN members agreed to double the size to USD 2 billion in 2005 while keeping the distribution of financial commitments the same (APT 2005; ASEAN 2005). The ASA fixed contributions along two groups according to each member's ability to pay, with six members contributing USD 300 million each, and the other four contributing smaller portions, as listed in Figure 4 (Rana 2002). Each ASEAN member was eligible to borrow up to twice its contributions for periods of one, two, three, or six months. The ASA permitted renewals so long as the maximum duration of the swap (inclusive of renewals) did not exceed six months and provided that the facility had sufficient resources to accommodate other requests (ASEAN 2005; Rana 2002). In addition to US dollars, countries could also borrow Japanese yen and euro (Rana 2002). The ASA charged rates on swap drawings based on the offered rate for US dollars, Japanese yen, or euros (depending on the requested currency) in the London interbank market plus a premium of 25 bps (ASEAN 2005).

Figure 4: Contributions to ASA, 2005–2021

Members	Financial Contributions ($ millions)	Purchasing Multiple	Maximum Swap Amount ($ millions)
Indonesia	300	2	600
Malaysia	300	2	600
Philippines	300	2	600
Singapore	300	2	600
Thailand	300	2	600
Brunei	300	2	600
Vietnam	120	2	240
Myanmar	40	2	80
Cambodia	30	2	60
Laos	10	2	20
Total	**2,000**		

Source: ASEAN 2005.

The ASA expired on November 16, 2021, and has yet to be renewed (BSP 2022; Negus 2020). See separate case, *Association of Southeast Asian Nations: ASEAN Swap Arrangement, 1977,* by Hoffner (2023) for a study of the ASA from 1977 through 2021.

Bilateral Swap Agreements

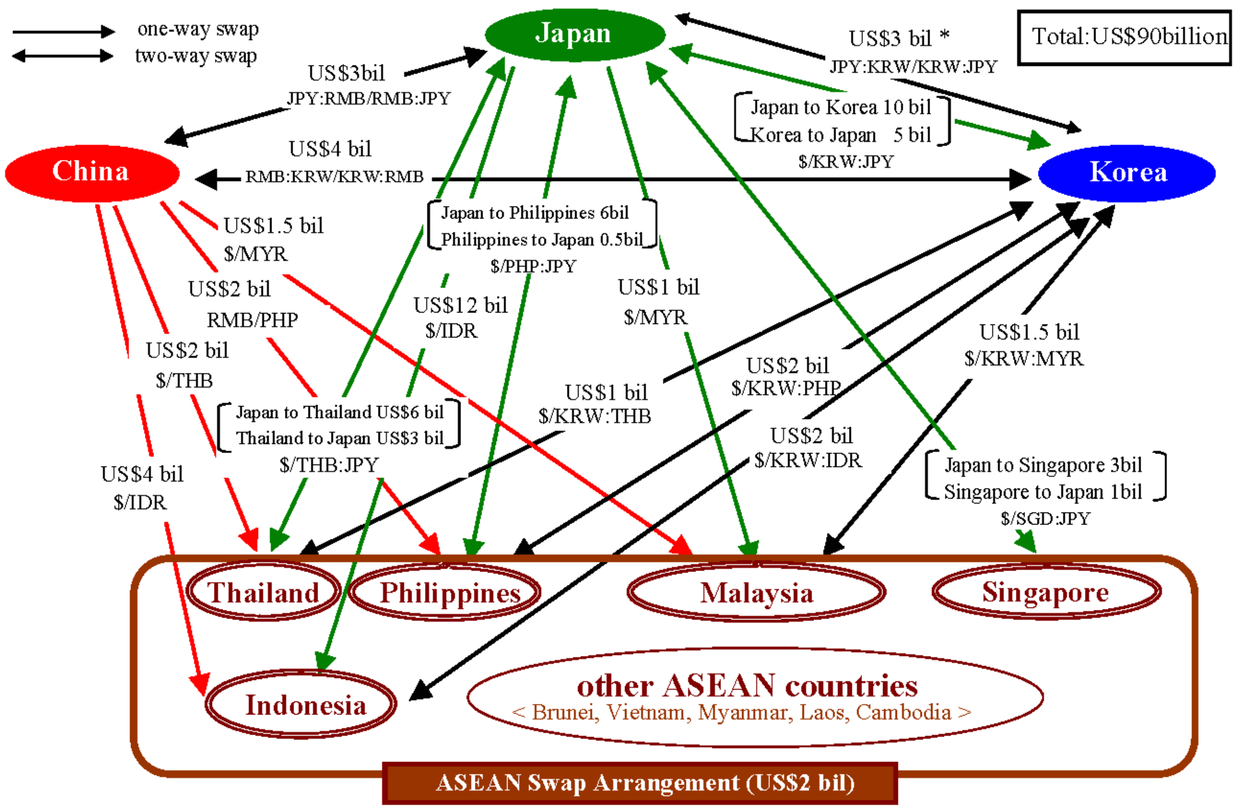
The CMI also provided for the establishment of new bilateral swap lines, through BSAs, between the Plus Three members of APT (China, Japan, and South Korea) and the 10 ASEAN countries (APT 2001). While the BSAs shared several features, the agreements—in contrast to the ASA—were negotiated bilaterally between a Plus Three country and an ASEAN country, with Plus Three countries also establishing BSAs amongst themselves (Chandrasekhar 2021; Henning 2002, 17). Unlike the swaps under the ASA, which followed uniform terms as specified by an overarching multilateral agreement, the terms of BSAs could vary by agreement, although most were reciprocal swap arrangements, providing US dollars against local currencies (BOJ 2006). In general, a participant could borrow under a BSA for 90 days and could renew a draw up to seven times for a total period of 720 days. The interest rate on the initial BSA drawing and first renewal was LIBOR plus a 150–basis point (bp) premium. Every two renewals, the interest rate premium would increase by an additional 50 bps, up to a maximum premium of 300 bps (Rana 2002).[7]

Another key feature of BSAs was the linkage to IMF programs. Swap draws under a BSA comprised two components: the IMF-linked portion (ILP) and IMF-delinked portion (IDLP). The IMF-delinked portion (initially set at 10% and increased to 20% in 2005) allowed borrowers to draw on a smaller portion of the swap without requiring the borrower to have an IMF program in place (APT 2005; Rana 2002). This IMF-delinked portion constituted emergency, short-term liquidity assistance that could be renewed only once for a total maximum duration of six months (Henning 2002, 17). The IMF-linked portions, on the other hand, required a borrower to participate in an IMF adjustment program to be eligible for the full amount of a swap. The few BSAs that were denominated exclusively in local currencies were not intended for crisis use and thus did not include an IMF link (Kawai 2015).

By 2002, six APT members had signed six BSAs (Japan–South Korea, Japan-Thailand, Japan–the Philippines, Japan-Malaysia, China-Thailand, and China-Japan), totaling USD 17 billion (APT 2002). By April 2009, the number of agreements had increased to 16 between eight countries, totaling USD 90 billion (Kawai 2015). Out of the BSAs, some common themes emerge. By 2009, each of the Plus Three countries had established BSAs with at least four of the ASEAN members. The ASEAN members with BSAs with Plus Three countries were among the largest ASEAN countries; none of the smaller countries received BSAs. Each of the Plus Three countries had BSAs with each other. Japan and South Korea typically signed reciprocal BSAs with the ASEAN countries, while China established only unidirectional swaps with the ASEAN countries (BOJ 2009). See Figure 5 for a diagram of the swap arrangements under the CMI, circa April 2009.

[7] Many of these design features come from a framework paper approved by APT deputies in November 2000. Due to the confidentiality of individual agreements, certain features may have varied across BSAs (Rana 2002).

Figure 5: Diagram of the ASA and BSAs under the CMI as of April 6, 2009



Note: The USD 90 billion total amount includes swaps under negotiation for renewal but does not include the ASEAN swap arrangement.

* The maximum amount of the bilateral JPY/KRW swap arrangement was increased as a temporary measure effective until October 30, 2009, from USD 3 billion equivalent to USD 20 billion equivalent.

Source: BOJ 2009.

Though individual BSAs were negotiated bilaterally with ASEAN and Plus Three countries, the agreements were intended to be part of a coordinated arrangement. That is, in cases where an ASEAN country sought to borrow funds, the requested amount was in theory funded by borrowing pro rata amounts from all Plus Three countries that it had a BSA with. However, the Plus Three countries had discretion over approving swap draws and could choose to opt out of participating in a draw request (Henning 2002, 18).