

The amended Chiang Mai Initiative Multilateralisation (CMIM) Comes Into Effect on 23 June 2020

1. The amended Chiang Mai Initiative Multilateralisation (CMIM) Agreement, which is a regional financing arrangement among the Finance Ministers and Central Bank Governors of the ASEAN Members States, China, Japan and Korea (ASEAN+3) and the Monetary Authority of Hong Kong, China, came into effect on 23 June 2020. Together with the amended CMIM Agreement, the corresponding revision of the CMIM Operational Guidelines also came into effect on the same day.
2. Key points of the amendment to strengthen the CMIM are as follows.
 - To create more flexibilities for the financing period of the IMF Linked Portion of the CMIM to secure consistency with the IMF-supported programs and strengthen coordination mechanism with the IMF;
 - To introduce an overarching legal basis for conditionality in order for the CMIM to support members in addressing their risks and vulnerabilities through policy recommendations as well as financial support; and
 - To address other legal ambiguity issues.
3. This amendment will strengthen the CMIM, which stands at the center of the regional financial safety net of the ASEAN+3.

Key Points of the amendment of the CMIM Agreement and the Operational Guidelines

1. Flexibility on the Supporting Periods of CMIM IMF Linked Portion

The supporting period of the IMF Linked Portion of the CMIM has been made flexible by allowing renewals as many times as necessary to match the supporting period of the relevant IMF-supported programs. Adjustments of other financing terms such as disbursement date have also been made to secure consistency with the IMF-supported program in the case of co-financing.

2. Strengthened Coordination Mechanism with the IMF

In order to ensure consistency with the IMF, a coordination process in the form of Operational Guidelines has been established to create a shared view on economic and financial situations, financing needs, and policy recommendation for co-financing, and the modalities of early information-sharing has been aligned with this strengthened coordination process.

3. Enhanced Conditionality Framework

ASEAN+3 members introduced an overarching legal basis for conditionality that applies to both the CMIM-SF (a crisis resolution facility) and the CMIM-PL (a crisis prevention facility). Previously, the CMIM Agreement only regulated the conditionality for CMIM-PL. Also, in the case of co-financing with the IMF, it is required that the CMIM conditionality should be consistent with that of the relevant IMF-supported program.

4. Reinforced Review and Ex-post Monitoring

The program review and monitoring process are reinforced by clarifying the issues to be reviewed and monitored after a CMIM Arrangement is approved. In the case of co-financing with the IMF, it is required that the reviews and disbursements based on such a review by the CMIM and the IMF should be consistent with each other.

5. Upgrading Financing Terms and Conditions

A series of financing conditions have been upgraded to match the relevant IMF-supported program. For example, in the case of the IMF Linked Portion, flexibility will be applied to the schedule of disbursement, subject to the decision made by the Executive Level Decision Making Body (ELDMB).

6. Fine-tuning the Duty to Confidentiality Clause

Rules on confidentiality have been eased so that some CMIM-related information could be provided 1) for media coverage to bolster market confidence when the CMIM is activated, and 2) to third parties, including the IMF, subject to the decision made by the ELDMB.
