

Regional Financial Cooperation in Asia

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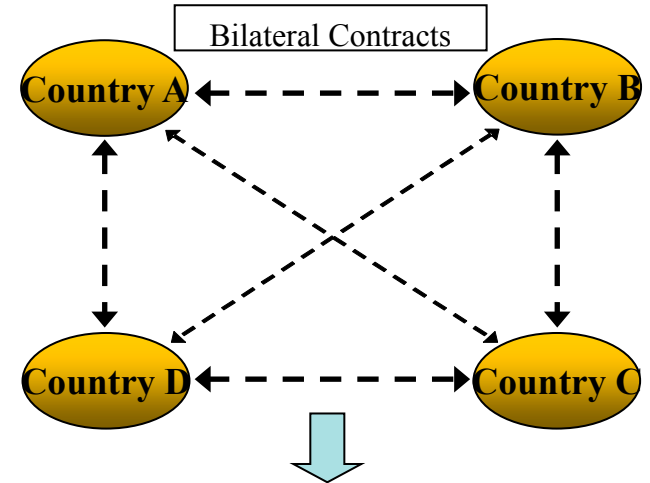
1. CMIM : Chiang Mai Initiative Multilateralisation

Purpose and Framework

- Learning from the lessons in Asian Financial Crisis, the main purpose of the CMI is to deter contagion and expansion of the crisis, by providing short-term liquidity to the countries which face external payment difficulty due to sharp capital outflow.
 - A network of bilateral currency swap and repurchase agreement facilities among ASEAN countries, China, Japan and Korea (ASEAN+3) upon request from a swap requesting party.
 - To make CMI more efficient, the ASEAN+3 finance ministers agreed in March 2010 to convert it as single contract (Chiang Mai Initiative Multilateralisation (CMIM)).
 - In the ASEAN+3 meeting in May 2012, Ministers and Governors agreed at strengthening of the CMIM.
 - ① to double the total size from US\$120bn to US\$240bn
 - ② to introduce a crisis prevention facility
 - ③ to increase the IMF de-linked portion
- ※ The de-linked portion is currently 20% and plans to increase to 30% after signing the amended CMIM agreement. It will increase to 40% in 2014 subject to review should conditions warrant.

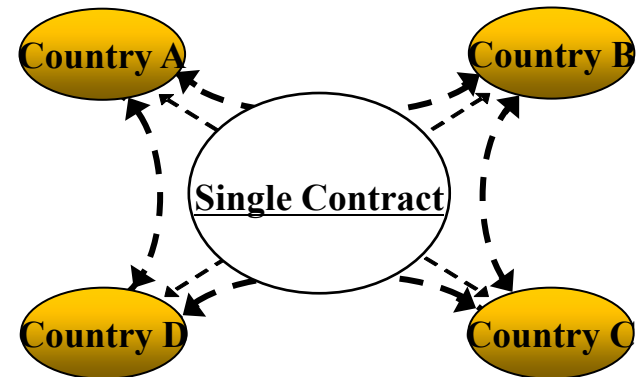
【CMI】

- Bilateral contracts (8 countries, 16 arrangements)
- Bilateral swap arrangements between Swap Providing Countries and Swap Requesting Countries



【CMIM】 (24 March 2010~)

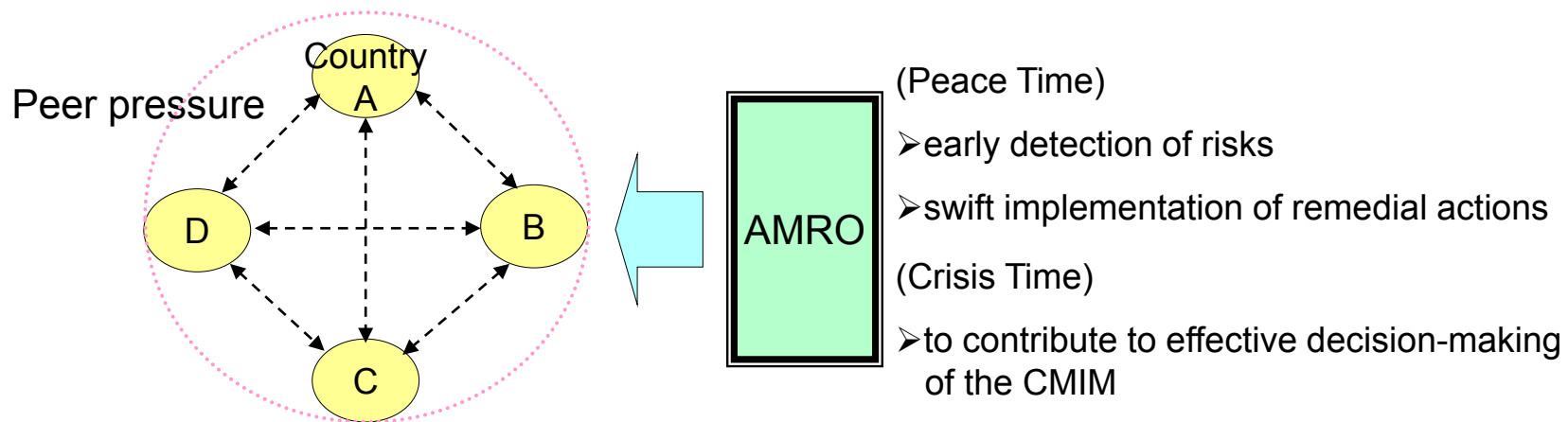
- Single contract (13 countries, 1 arrangement)
- One swap arrangement between Swap Providing Countries and Swap Requesting Countries



2. AMRO : ASEAN+3 Macroeconomic Research Office

Background

- Recognizing the importance of strengthening regional economic surveillance to contribute effective decision making of the CMIM, the ASEAN+3 Finance Ministers agreed to establish an independent surveillance unit in February 2009.
- In April 2011, AMRO was established in Singapore and it has started its surveillance mission from October 2011. AMRO has also reported regional economic outlook to the ASEAN+3 Deputies at their meetings.
- The director is Dr. Yoichi Nemoto (May, 2012-). Since its establishment, AMRO has been working on enhancing its organizational capacity to achieve the required surveillance function. AMRO plans to increase the number of its staff to 34 in 2014 (At present, 25 staff work at AMRO (including 15 economists))
- In the ASEAN+3 meeting in May 2013, Ministers and Governors reached consensus on the draft AMRO Agreement to transform AMRO to an international Organization.



3. ABMI: Asian Bond Markets Initiative

Background

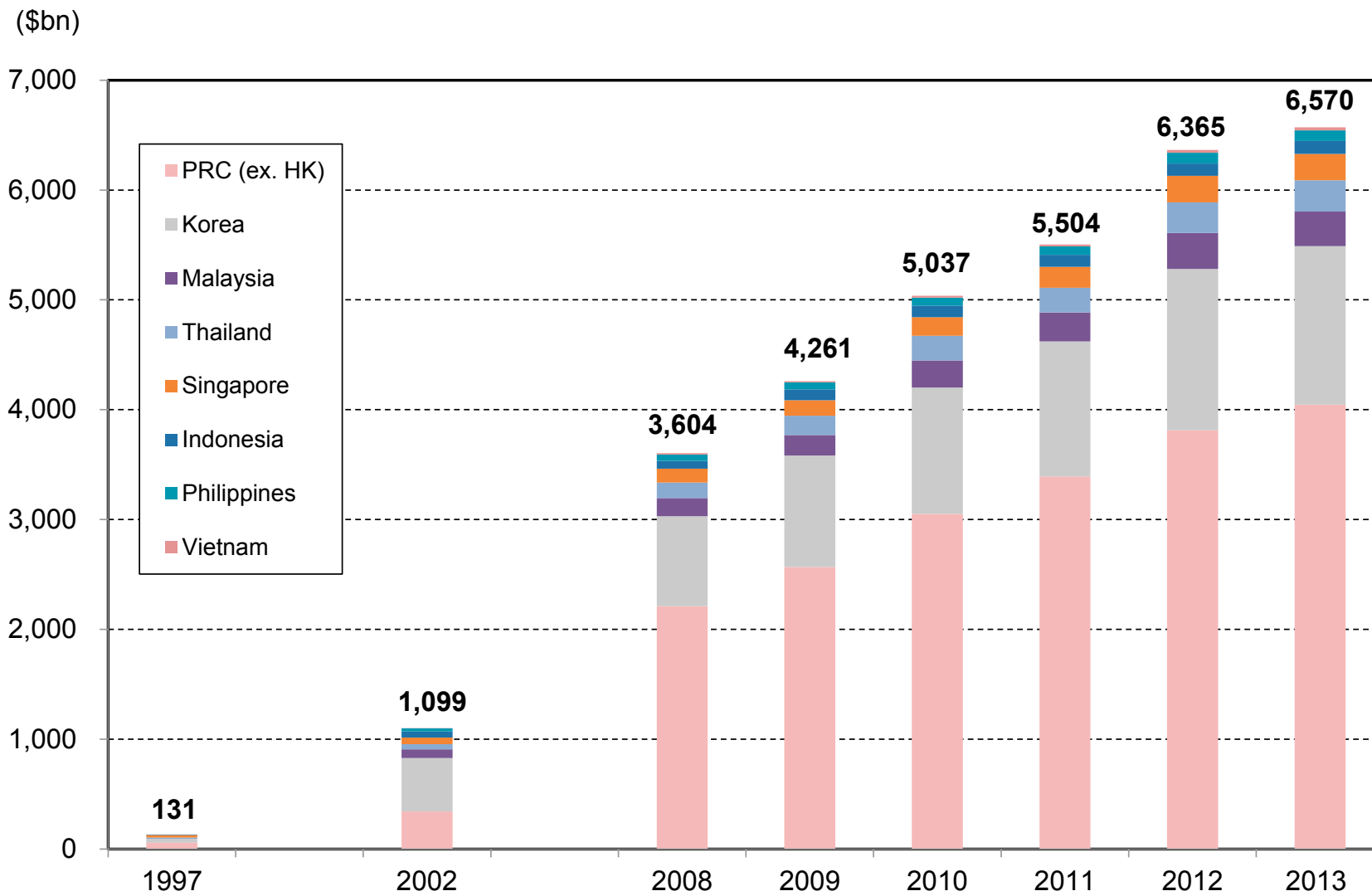
- Prior to the Asian currency crisis of 1997-98, Asian financial institutions depended on short-term foreign currency-denominated loans in order to finance their long-term domestic currency-denominated investment (currency and maturity mismatches, so called “double mismatches”). This is recognized as one of the primary causes of the Asian currency crisis.
- This experience made the East Asian countries acutely aware of the need for promoting regional financial cooperation to prevent resurgence of a crisis and to attain stable economic growth. Japan has been vigorously promoting regional financial cooperation together with the other ASEAN+3 countries.
- The Asian Bond Markets Initiative (ABMI), having started in 2003, aims at developing efficient and liquid bond markets in Asia, which help channel the region’s own savings to meet its investment needs.

Outcome

- The size of local currency bond markets has increased from US\$1,099bn (2002) to US\$6,570bn (June 2013).
- “Asian Bonds Online” promotes information-sharing on local bond markets in Asia.
- Issuers and types of bonds have been diversified.
 - Sovereigns, corporates, and IFIs (e.g., ADB)
 - Straight bonds, Sukuk, and securitization

(Reference 1) Increased Size of Asian Local Currency Bond

ASEAN+3 (ex. Japan) : Outstanding amount of local currency-denominated Bond



Note: Represents sums of government bonds and corporate bonds.

Source: Asian Development Bank "Asian Bonds Online".

As of end-June 2013.

(Reference 2) Credit Guarantee and Investment Facility (CGIF)

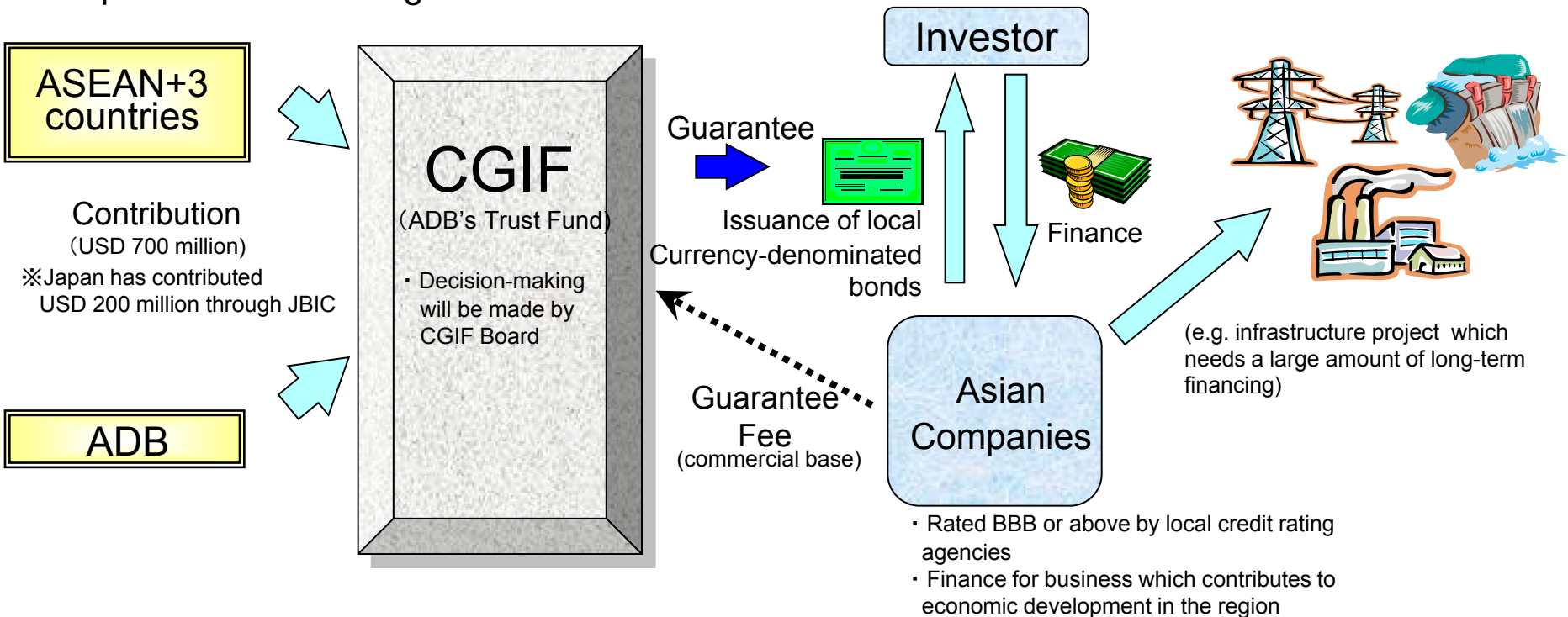
• Due to conservative investment policy of institutional investors in the ASEAN+3 region, even companies qualified for investment-grade by local rating agencies have faced difficulties in getting finance through bond issuance.

⇒ The main objective of the CGIF is to support bond issuances for companies in the region by providing credit enhancement to allow creditworthy entities to access local currency bond markets.

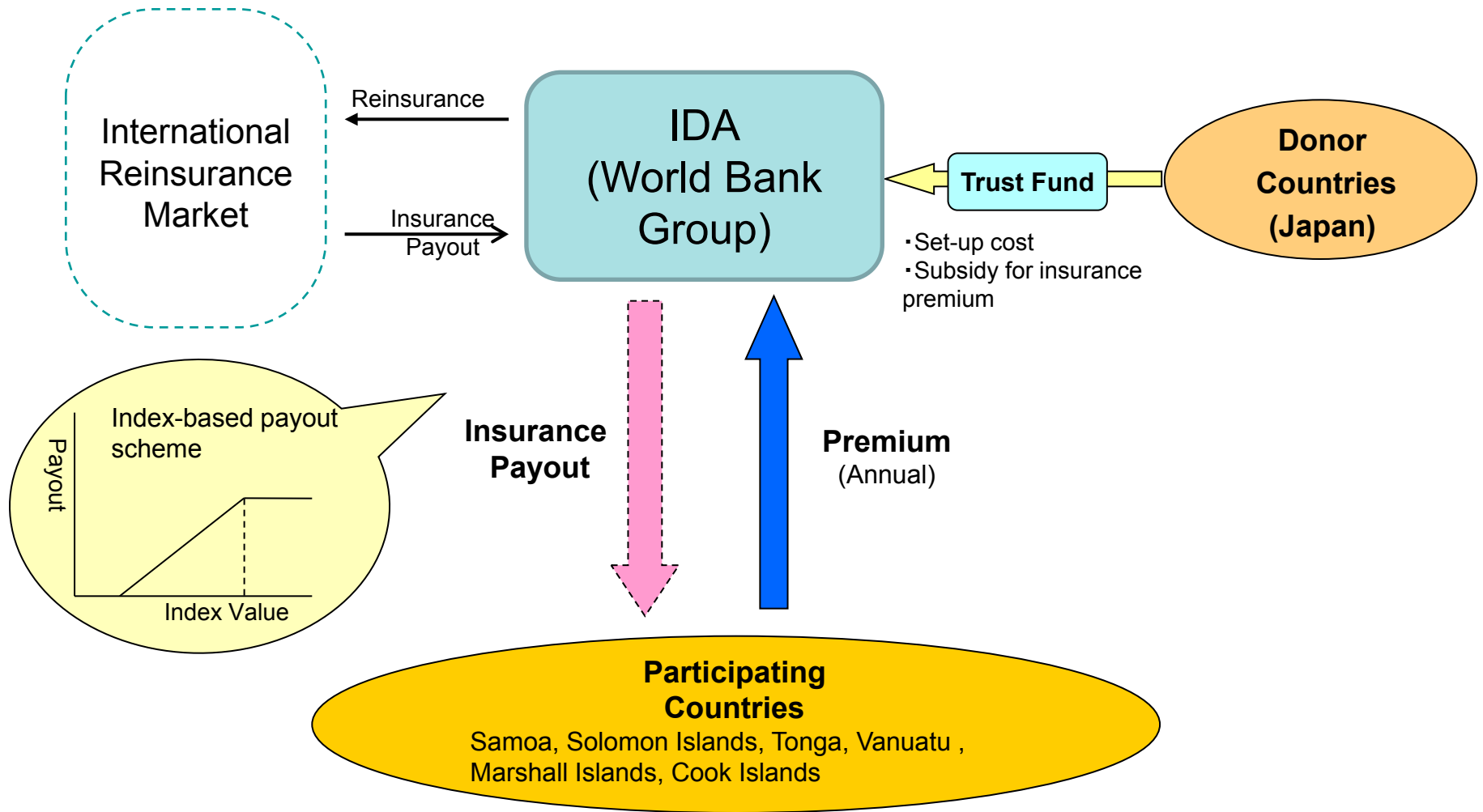
⇒ The CGIF was established in November, 2010 with the initial capital of USD 700 million.

⇒ Mr. Kiyoshi Nishimura, the former EBRD banker, was appointed as its CEO in October, 2011.

⇒ The first guarantee transaction was launched in April, 2013. The second transaction is expected to be coming soon.



Pacific Catastrophe Risk Insurance Pilot Program



Thank you!