

**2005 MEMORANDUM OF UNDERSTANDING ON THE ASEAN SWAP AGREEMENT**

*Signed on 17 November 2005*

ARTICLE I PURPOSE ..... 2

ARTICLE II PARTICIPATION ..... 2

ARTICLE III DATE OF COMING INTO FORCE ..... 2

ARTICLE IV FORM OF SWAP ..... 2

ARTICLE V AMOUNT OF SWAP ..... 3

ARTICLE VI FORMULA FOR CONTRIBUTION IN THE EVENT OF DRAWDOWN ..... 3

ARTICLE VII MAXIMUM DRAWDOWN OF EACH PARTICIPANT..... 3

ARTICLE VIII PRIORITY FOR REQUEST ..... 3

ARTICLE IX PERIOD OF SWAP ..... 3

ARTICLE X COOLING OFF PERIOD..... 4

ARTICLE XI CONVERSION, SPOT AND FORWARD RATES..... 4

ARTICLE XII INTEREST RATE ..... 4

ARTICLE XIII SWAP FACILITY PERIOD ..... 5

ARTICLE XIV AGENT BANK..... 5

ARTICLE XV OPERATIONAL PROCEDURES FOR REQUEST FOR SWAP ..... 5

ARTICLE XVI OPERATIONAL PROCEDURE FOR RENEWAL OF SWAP ..... 6

ARTICLE XVII RESOLUTION OF DISPUTE ..... 6

ARTICLE XVIII MODIFICATION OF ARRANGEMENT..... 7

ARTICLE XIX RENEWAL OF ARRANGEMENT ..... 7

ARTICLE XX CONFIDENTIALITY ..... 7

# **2005 MEMORANDUM OF UNDERSTANDING ON THE ASEAN SWAP AGREEMENT**

*Signed on 17 November 2005*

The ASEAN Central Banks and Monetary Authorities agree to establish a currency swap arrangement (the Arrangement) to enhance financial cooperation among ASEAN member countries.

## **ARTICLE I PURPOSE**

- 1.1 The purpose of the Arrangement is to provide short-term foreign exchange liquidity support for member countries that experience balance of payment difficulties.

## **ARTICLE II PARTICIPATION**

- 2.1. Participation in the Arrangement shall be confined to the Central Banks and Monetary Authorities or the equivalent bodies of ASEAN member countries, or such other countries as the parties hereto shall mutually agree.
- 2.2. The participants in the Arrangement shall collectively be referred to as participating members.

## **ARTICLE III DATE OF COMING INTO FORCE**

- 3.1. The Arrangement shall come into force on 17 November 2005. This Arrangement contains all the terms and conditions of the agreement between the participating members with respect to the subject matter hereof and supersedes all previous arrangements, agreements and commitments whatsoever, whether oral or in writing. The Second Supplemental Memorandum of Understanding on ASEAN Swap Arrangement dated 17 November 2004 is hereby terminated with effect from 17 November 2005.

## **ARTICLE IV FORM OF SWAP**

- 4.1. Under the Arrangement, the domestic currency of requesting participating members shall be exchanged for United States (US) dollars, Japanese Yen or Euro.
- 4.2. A swap shall be effected through a spot purchase of US dollars, Japanese Yen or Euro against the domestic currency of the requesting participating member and a simultaneous forward sale of the US dollars, Japanese Yen or Euro, as the case may be, against the same amount of domestic currency by that participating member.
- 4.3. The amount of US dollars, Japanese Yen or Euro under the swap shall be credited into the account of the requesting participating member in accordance with its instructions. The equivalent value of the domestic currency shall be credited to the respective lending participating members non-interest bearing accounts maintained with the Central Bank or

Monetary Authority of the requesting participating member and shall not be used except for the reversal of the swap.

## **ARTICLE V AMOUNT OF SWAP**

5.1. The total facility under this Arrangement shall be USD2 billion equivalent. The maximum amount committed by each participating member under the Agreement shall be respective amounts as stated in Appendix 1 of this Memorandum of Understanding.

## **ARTICLE VI FORMULA FOR CONTRIBUTION IN THE EVENT OF DRAWDOWN**

6.1. The amount of swap requested by a participating member shall be provided by the other participating members in the weighted proportions of their respective commitment to the total facility amount under the Arrangement, except where a participating member has chosen to provide partial contribution due to exceptional financial circumstances or to opt-out on the grounds that it is under any of the IMF Policy Programmes or that its foreign reserves are less than three (3) months of retained imports. In this regard, the shortfall shall be met as far as possible by the other participating members subject to their maximum amount committed.

## **ARTICLE VII MAXIMUM DRAWDOWN OF EACH PARTICIPANT**

7.1. The maximum drawdown amount by each participating member is limited to twice the committed amount by the respective participating member under the Arrangement.

## **ARTICLE VIII PRIORITY FOR REQUEST**

8.1. In the event that there is more than one request for drawdown, priority shall be given in chronological order of requests received but preference shall be given to any participating member that has not availed itself of the facility within the last one year. In the event that the balance of the swap facility is insufficient to cater to all requests, preference shall be given to a new request over a request for renewal. In the event that the balance of the swap facility is insufficient to cater for all new requests, the facility shall be distributed proportionately among all new requests.

8.2. The contribution amount by each participating member in the event of a drawdown is calculated in accordance with the formula set out in Appendix 2 of this Memorandum of Understanding.

## **ARTICLE IX PERIOD OF SWAP**

9.1. A swap transaction shall be for a period of one (1), two (2), three (3) or six (6) months. Rollover is permitted subject to a period of not more than six months in total, inclusive of the initial swap period, and provided that there is sufficient amount of the facility to cater for other requests as illustrated in Appendix 3 of this Memorandum of Understanding.

## **ARTICLE X COOLING OFF PERIOD**

- 10.1. No new request can be made by a participating member within a period of six (6) months following the date of reversal of the latest renewal by that participating member.

## **ARTICLE XI CONVERSION, SPOT AND FORWARD RATES**

- 11.1 In the event that a lending participating member decides to provide the swap amount in Japanese Yen or Euro, the conversion rate to be used is as reflected in the Bloomberg, under the BOB page, under 11 - British Bankers Association (BBA) Settlement Spot Rate, or Reuters page AFX = at or about 11.00 a.m. Agent Bank's time, two (2) business days prior to the value date.
- 11.2 For purpose of the Arrangement, the spot rate of a participating member's domestic currency against the US dollar, Japanese Yen or Euro shall be the mean of the closing interbank rates or, where this is not available, the mean of the buying and selling rates, as fixed by, or an exchange rate as announced or specified by the Central Bank or Monetary Authority of the requesting participating number, prevailing two (2) business days prior to the value date of the transaction.
- 11.3 The forward rate shall be derived according to the following formula:

Forward Rate = Spot Rate

$$1 + \frac{(t,r)}{360}$$

- Whereby
- t - actual number of days
  - r - the offered rate of the US dollar, Japanese Yen or Euro in the London Interbank market for the relevant period, two (2) working days prior to the value date, plus a margin of 25 basis points. The LIBOR quotes shall be reflected in the Bridge page 3750 or Reuters page LIBOR =, or where there are no quotes on these pages, the rates quoted in Bloomberg under the British Bankers Association LIBOR Rates page.

The forward rate shall be expressed in six decimal places.

## **ARTICLE XII INTEREST RATE**

- 12.1 In the case of any delay in the settlement of an outstanding swap amount, the unpaid balance shall carry interest on a daily basis at the applicable interest rate, which shall be the forward rate calculated in accordance with paragraph 11.3, plus a margin of 1 percent (1%) based on a 360-day year for the actual number of days involved.

### **ARTICLE XIII SWAP FACILITY PERIOD**

- 13.1 The Arrangement will be available for a period of two (2) years from the date the Arrangement comes into force subject to renewal upon mutual agreement by the participating members.
- 13.2 In the event of termination of the Arrangement, the provisions hereof shall be still in force, but only in respect of the settlement of outstanding balances existing at the time of such termination.

### **ARTICLE XIV AGENT BANK**

- 14.1 There shall be an Agent Bank, to be appointed on a rotation basis on alphabetical order for a term of two (2) years. The Agent Bank shall coordinate the implementation of the Arrangement and shall inform the remaining amount of the Arrangement as and when requested by each participating member.
- 14.2 In the event that a participating member is unable to act as Agent Bank, it shall be the responsibility of that participating member to arrange for the next participating member to act as the Agent Bank in its place.
- 14.3 The Agent Bank so designated shall bear the administrative expenses it incurs in implementing the Arrangement.

### **ARTICLE XV OPERATIONAL PROCEDURES FOR REQUEST FOR SWAP**

- 15.1 A requesting participating member shall make a written request by facsimile or telex to that effect to the Agent Bank and include in the request an assessment of the country's economic situation and balance of payment outlook. The participating member will also indicate the amount of swap in US dollars, the period of swap and the value date which shall be at least seven (7) business days after the date of such a request. 15.2 For the purpose of paragraph 15.1 above, the participating members shall exchange the list of public holidays in their respective countries with the other participating members.
- 15.2 A business day is defined as a working day in all participating member countries as well in the United States, the United Kingdom and Japan.
- 15.3 In the event that a participating country/countries decide to participate partially or opt-out in accordance with paragraph 6.1, the Agent Bank shall renegotiate with the other participating members to provide for a proportionately larger amount and the Agent Bank shall adjust the value date to be fourteen (14) days after the date of the participating member's request.
- 15.4 Upon receipt of the request (for activation of swap), the Agent Bank shall consult the other participating members within the same day on the request and inform them by facsimile or telex, stating the amount of swap in US dollars expected to be provided by each participating member and the value date.
- 15.5 Within two (2) business days after receipt of the Agent Bank's facsimile or telex message, each lending participating member shall confirm its participation either fully or partially, or its decision

to opt-out. The participating member that is able to participate either fully or partially shall also confirm the amount and type of currency it can make available for the swap. The lending participating member has a right to determine the type of currency that will be provided to the requesting participating member.

- 15.6 In the event that a participating member is only able to participate partially or decides to opt-out, the Agent Bank shall invite the other participating members to increase their shares up to their maximum committed amounts to meet the remaining amount. The Agent Bank shall also inform both requesting and lending participating members, the new value date of the swap transaction.
- 15.7 Upon receipt of the lending participating member's confirmations, the Agent Bank shall inform the requesting participating member by facsimile or telex of the amount and type of currency to be provided by each lending participating member. The requesting participating member shall open a local currency account for each lending participating member.
- 15.8 To facilitate the fund transfer on value date, the Agent Bank shall inform the lending participating members, at least two (2) business days before the value date, of the details of the payment instructions.
- 15.9 The requesting participating member shall notify the Agent Bank of the applicable spot rate through telex or facsimile at least two (2) business days prior to the value date in accordance with paragraph 11.2 of this Memorandum of Understanding.
- 15.10 The Agent Bank shall, within the same day, after notification under paragraph 15.10 is received, send a confirmation to both requesting and lending participating members through telex or facsimile to officially specify the details of the swap transactions including the amount, value date, period, maturity date, applicable interest rate, conversion rate (whenever applicable) spot and forward rate, and the requesting and lending participating members shall, on the same day, send a confirmation to the Agent Bank through telex or facsimile to officially communicate its agreement to the details of the swap transaction.
- 15.11 An illustration of a possible time sequence for a swap transaction is set out in Appendix 4 of this Memorandum of Understanding.

## **ARTICLE XVI**

### **OPERATIONAL PROCEDURE FOR RENEWAL OF SWAP**

- 16.1 The operational procedures as stated under paragraph 15 of this Memorandum of Understanding shall be followed for a renewal of the swap. A request for renewal should be made at least seven (7) business days before the date of maturity of the swap.

## **ARTICLE XVII**

### **RESOLUTION OF DISPUTE**

- 17.1 Any dispute or problem arising from the implementation of the Arrangement shall be resolved amicably among the participating members through consultations initiated by the Agent Bank.

## **ARTICLE XVIII MODIFICATION OF ARRANGEMENT**

- 18.1 Upon written request of any participating member served on all participating members through the Agent Bank, any provision under this Memorandum of Understanding on the Arrangement may be reviewed and, if necessary be modified.

## **ARTICLE XIX RENEWAL OF ARRANGEMENT**

- 19.1 The Arrangement under this Memorandum of Understanding shall be effective for a two (2) year period commencing from the date of coming into force of this Memorandum of Understanding as specified under Article III, and shall expire on and from 17 November 2007. The Agent Bank shall, at least two (2) months before the expiry date, initiate consultations for renewal of the Arrangement under this Memorandum of Understanding for further periods of two (2) years.

## **ARTICLE XX CONFIDENTIALITY**

- 20.1 All information, data or documentation which may have been imparted from time to time in relation to this Memorandum of Understanding shall be treated as confidential and shall be used solely in accordance with the provisions of this Memorandum of Understanding.
- 20.2 The parties to this Memorandum of Understanding undertake to keep absolutely confidential all information or documentation concerning the business and affairs of the other participating members received as a result of the discussions leading up to or the entering into of this Memorandum of Understanding or in the course of giving effect to this Memorandum of Understanding. The parties' obligation of confidentiality shall not apply to information which is:
- 20.2.1 already in a participating member's possession other than as a result of a breach of this paragraph; or
- 20.2.2 in the public domain other than as a result of a breach of this paragraph.
- 20.3 The parties to this Memorandum of Understanding undertake to take all such steps necessary to ensure compliance with the provisions of this Article XX by its employees or agents.
- 20.4 The obligations of confidentiality as set out in this Article XX shall survive any termination of this Memorandum of Understanding.

This Memorandum of Understanding shall enter into force on the day and the year specified under Article III.

MINISTRY OF FINANCE, BRUNEI DARUSSALAM

Name: **Dato Haji Ali Apong**

Designation: Permanent Secretary

NATIONAL BANK OF CAMBODIA

Name: **Chea Chanto**

Designation: Governor

BANK INDONESIA

Name: **Burhanuddin Abdullah**

Designation: Governor

BANK OF THE LAO PDR

Name: **Phouphet Khamphouvong**

Designation: Acting Governor

BANK NEGARA MALAYSIA

Name: **Dr Zeti Akhtar Aziz**

Designation: Governor

CENTRAL BANK OF MYANMAR

Name: **U Kyaw Kyaw Maung**

Designation: Governor

BANGKO SENTRAL NG PILIPINAS

Name: **Amando M Tetangco Jr**

Designation: Governor

MONETARY AUTHORITY OF SINGAPORE

Name: **Heng Swee Keat**

Designation: Managing Director

BANK OF THAILAND

Name: **MR Pridiyathorn Devakula**

Designation: Governor

STATE BANK OF VIETNAM

Name: **Le Duc Thuy**

Designation: Governor