

Expansion and Enlargement of the ASEAN Swap Arrangement

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In November 2000, ten ASEAN members signed a new ASEAN Swap Arrangement (ASA), providing a total of USD1 billion of financial support. With the consensus of all the Governors of the ASEAN central banks, Managing Director of the Monetary Authority of Singapore and the Ministry of Finance of Brunei Darussalam, a new Memorandum of Understanding on the ASA was formalised to expand the membership of the ASA to all ten ASEAN member central banks/monetary authorities. The new ASA agreement also provides for an enlargement in the size of the swap facility from USD200 million to USD1 billion. The ASA will be available for a period of two years, subject to renewal upon mutual agreement by the participating members.

The ASA represents a long-standing tradition in ASEAN financial co-operation. The objective of the ASA is to provide immediate, short-term swap facilities to any member facing temporary liquidity or balance of payments problems.

The first Memorandum of Understanding on the ASA was signed on 5 August 1977 among the original five ASEAN central banks/monetary authorities of Indonesia, Malaysia, Philippines, Thailand and Singapore with a total facility amount of USD100 million. This was subsequently increased to USD200 million in 1978.

However, the Asian financial crisis had highlighted the need to review the facility to respond more effectively to the needs of its members in a changed global financial environment. At the 7th meeting of the ASEAN Central Bank Forum (ACBF) on 21 August 2000, a proposal was made to expand the membership of the ASA to include Brunei Darussalam, Cambodia, Lao P.D.R., Myanmar and Vietnam and to enlarge the size of the facility.

The expanded and enlarged ASA represents an important step forward towards enhancing financial co-operation among ASEAN member countries. The ASA will also play a key role in efforts to develop and strengthen regional self-help and support mechanisms, including the Chiang Mai Initiative.

In line with its role as a rapid disbursement facility, a member's swap request for temporary liquidity or balance of payments assistance will be confirmed through the Agent Bank¹, which will inform and consult with the rest of the members to assess and process the request as expeditiously as possible. A member's request to swap its domestic currency for United States dollars, Japanese Yen or Euro will be for an amount of up to twice its committed amount under the ASA and for a period up to six months.

¹In order to co-ordinate the implementation of the ASA, an Agent Bank shall be appointed on a rotation basis based on alphabetical order for a term of two years.

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