

**MEMORANDUM OF UNDERSTANDING ON THE ASEAN SWAP ARRANGEMENTS**  
**KUALA LUMPUR, 5 AUGUST 1977**

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1. The ASEAN Central Banks and Monetary Authorities, in line with their common objective to promote monetary cooperation among ASEAN member countries, agree to establish a reciprocal currency or swap arrangement (hereinafter referred to as "the Arrangement") under the following provisions:

**ARTICLE 1**  
**Purpose**

2. The purpose of the Arrangement shall be to provide immediate short-term swap facilities to participating ASEAN member countries with temporary international liquidity problems.

**ARTICLE 2**  
**Participation**

3. Participation in the Arrangement shall be confined to the Central Banks and Monetary Authorities of ASEAN member countries.

**ARTICLE 3**  
**Form of Swap**

4. Under the Arrangement United States (US) dollars shall be exchanged against the domestic currency of a requesting participant.
5. A swap shall be reflected through sale of US dollars against the domestic currency of the requesting participant accompanied by a forward purchase of the same amount of domestic currency by that participant against US dollars.
6. The amount of US dollars the swap shall be credited to the account of the requesting

participant in accordance with its instructions. The amount of the domestic currency involved shall be credited to the respective non interest-bearing accounts maintained with the Central Bank or Monetary Authority of the requesting participant, and shall not be used except for the reversal of the swap.

#### **ARTICLE 4**

##### **Period and use of swap**

7. A Swap transaction shall be for a period of one, two or three months and may be renewed once for a maximum of another three months unless there are other requests for use of the facility by other participants, in which case such requests shall be given preference over the request for renewal. No new application shall be made by application within a period of thirty days following the due of reversal of a renewal by that participant.
8. In the event of more than one new request, priority shall be given in chronological order of applications received provided that preference shall be given to any participant that has not availed itself of the facility.

#### **ARTICLE 5**

##### **Amount of Swap**

9. The maximum total amount of US dollars available for swap transactions under the Arrangement shall be US\$ 100 million. The maximum total outstanding amount provided by each participant under the Arrangement shall be US\$ 20 million.
10. In principle, the amount of swap requested by a participant shall be provided in equal shares by the other participants.
11. However, if because of exceptional financial circumstances a participant is not in a position to provide its full share or has to refrain from swapping, the shortfall shall be met as far as possible by the other participants subject to the provisions of the first paragraph of this Article.
12. The maximum outstanding amount of US dollars received by any participant under the Arrangement shall not, at any point in time, exceed US\$ 40 million (on the basis of a gearing ratio of one into two (1:2)).

#### **ARTICLE 6**

##### **Spot and Forward Rates**

13. For purposes of the Arrangement the spot rate of the domestic currency against the US dollar shall be the mean of the closing inter - bank rates or the mean of the buying and selling rates, as fixed by the Central Bank of Monetary Authority of the requesting participant, both prevailing two (2) working days prior to the value date of the transaction.
14. The forward rate shall be derived according to the following formula:

$$\text{Forward Rate} = \text{Spot Rate} \frac{1 + (t.r.)}{360}$$

where t = actual number of days of swap.

r = interest rate for Euro-dollar deposit for the relevant period as quoted by the Bank for International Settlements, Basle, two working days prior to the value date.

The forward rate shall be expressed in six decimal places.

## **ARTICLE 7 Agent Bank**

15. There shall be an Agent Bank, to be designated by the participants from among themselves on rotation basis, which shall act as a coordinating body for the implementation of the Arrangement. The Agent Bank so designated shall bear the administrative expense it incurs in implementing the Arrangement.

## **ARTICLE 8 Operational Procedures**

16. A participant in need of swap financing shall make, a request by telex to that effect to the Agent Bank indicating the amount of US dollars it requires, the period and the value date which shall be at least seven working days after the date of such request.
17. The Agent Bank shall immediately inform the other participants of the request, also by telex, mentioning the amount of US dollars expected to be provided by each participant and the value date.
18. Within two working days after receipt of the Agent Bank's telex, each giving participant shall confirm the amount it could make available for the swap. If a participant is unable to

participate either partially or fully, the Agent Bank shall invite the other participants to increase their shares to meet the remaining amount, subject to the provisions of the first paragraph of Article V.

19. The Agent Bank shall inform the requesting participant by telex of the amount of US dollars to be provided by each giving participant, indicating the interest rate.
20. Similar procedures shall be followed for renewal of the swap. A request for renewal should be made at least seven working days before the date of reversal of the swap.
21. A possible time sequence for a swap transaction is shown in the Annex.

## **ARTICLE 9**

### **Dispute**

22. Any dispute or problem arising from the implementation of the Arrangement shall be resolved through consultation among the participants initiated by the Agent Bank.

## **ARTICLE 10**

### **Duration of the Arrangement**

23. The Arrangement shall remain in force and effect for a period of one (1) year from the date it comes into force, subject to renewal upon agreement by the participants. The Agent Bank shall, at least two months before the expiry date hereof, initiate consultations for renewal of the Arrangement.
24. In the even of termination of the Arrangement, the provisions hereof shall be considered still in force, but only in respect of the settlement of outstanding balances existing at the time of such termination.

## **ARTICLE 11**

### **Entry Into Force**

The Arrangement shall enter into force on August 5, 1977.

**DONE** in Kuala Lumpur, Malaysia this fifth day of August 1977.

**Bank Indonesia By :**

(sgd) RAHMAT SALEH  
Governor

**Bank Negara Malaysia By :**

(sgd) ISMAIL BIN MOHAMED ALI  
Governor

**Central Bank of the Philippines By :**

(sgd)AMADO R. BRINAS  
Senior Deputy Governor

**The Monetary Authority of Singapore By :**

(sgd) MICHAEL WONG PAKSHONG  
Managing Director

**Bank of Thailand By :**

(sgd) DR. SNOH UNAKUL  
Governor