

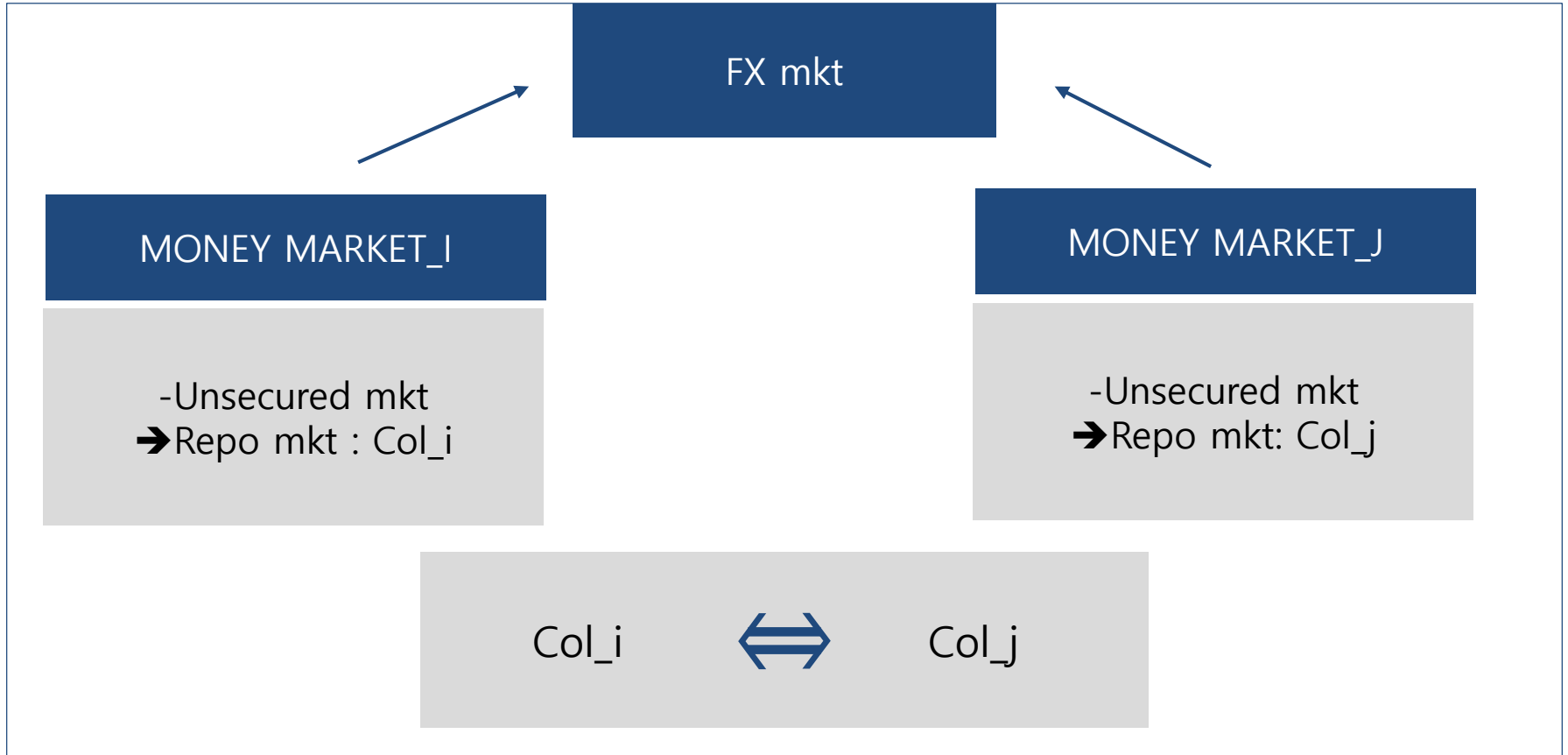
Panel discussion - 2019. 10. 18

How Asia can increase more cross-border collateral and Repo transactions?

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- I. Cross-border collateral repo(CBCR) in Asean+3
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CBCR in ASEAN+3 Framework



Col_i: Collateral denominated in a I currency

I. CBCR in Asean+3

- **Cross Repo : Cross Currency Repo*** denominated in different currencies and among residents and non-residents
- **CBCR has the cash leg and collateral leg denominated in different currencies**
 - Cash: Principal, interest rate, exchange rates
 - Collateral: maturity, value, hair-cut(discount rate)of securities pledged, type of securities

I. CBCR

----- (glossary)-----

***Cross Currency Repo : a Repo transaction** in one currency against eligible securities where the eligible securities and cash involved are denominated in different currencies**

**** (traditional) Repo: money market instrument where one party sells high-quality, liquid fixed income securities (gov't bonds) to another, while committing itself to repurchase them at a pre-specified price at some future date**

II. How to Establish a Common CBCR in Asean+3?

- **Create “Asean+3” repo market platform(CBCR)**
 - 1) Specifics of CBCR market
 - 2) Collateral
 - 3) Trading and settlement system
- **Specifics of CBCR market:**
 - GC(General Collateral) vs Special Collateral
 - Triparty vs Central counterparty cleared
 - Currency Basket:

II. How to Establish a Common CBCR in Asean+3?

- **Collateral**
 - Collateral Assets(CA)
 - High Quality liquid Assets(HQA)
 - High Liquid Assets(HLA)
- **Trading & settlement system : ATS(Automatic Repo Trading System)**

III. Discussion

- **Discussion 1: GC market triparty vs central counterparty cleared**
 - Funding rather than acquiring specific securities
 - Currency basket={USD, Euro, Pound, Asean+3 currencies,...}
- **Discussion 2: Collateral: eligibility criteria(type, maturity, valuation, hair cut)**
 - Apply the same standard each central bank use its monetary operations
 - Type: government bond
 - Maturity: the most liquid :the remaining maturity less than 5 yrs)
 - Valuation: determined according to the fx markett
 - No hair cut for the standard collateral basket

III. Discussion

- **Discussion 3: trading and settlement system**

- Electronic trading platform with a direct link to 1)the CSD(central securities deposit) with the collateral and 2)

to the RTGS(real time gross settlement system) for transactions

3) settled via a correspondent bank with foreign currency leg

- No differential treatment between non-residents and residents with respect to CSD and RTGS access

- **Discussion 4: reuse of collateral across currency**

- Expand the use of collateral transactions could reduce costs and improve market access for market participants.

III. Discussion on regulations on convertibility

- **Exempt for CBCR Repo market**

- Regulations on FX control law or foreign investor screening on borrowing and lending among nonresidents and residents he
- Each can justify the operation of FX control law for a variety of reasons
- But need to exempt the application of those regulations on CBCR transactions