



Proposed SEACEN Funding Model

by the

SEACEN EXCO Task Force (TF)

3 October 2015

Agenda

1. Objective
2. Background
3. Terms of Reference
4. Proposed Funding Models
5. Discussion and Decision Making
6. Timeline

Objective of Funding Model Project

Propose the most appropriate funding model for The SEACEN Centre, aligned with its vision, and address any implications on the governance practices, as directed by the SEACEN Board of Governors (BOG) at the 34th BOG meeting in November 2014

Background

- BOD proposed:
 - Update the study of funding model and seek EXCO's consideration for review of funding model in 2015; and
 - Set up EXCO Task Force (TF) to identify most appropriate funding model and implications on governance practices of SEACEN
- Study updated with 5 possible funding models as starting point for TF's review
- 8 EXCO members volunteered to form TF:
 - Chair - BPNG
 - AMBD, PBOC, BI, BOK, BNM, NRB, BSP and MAS
- TF to propose appropriate funding model
- Submit for EXCO' consideration in Oct'15 and recommend for BOG's approval in Nov'15
- SEACEN to perform secretariat role

Background - Members' Responses to Survey (2013)

- 75% agreed current equal sharing funding model was satisfactory

Nevertheless, comments for review:

- Member banks in smaller economies seem at disadvantage with equal sharing funding model
- Cost sharing could be based on levels of development of member economies (high-, middle- and low-income)
- Question of adequacy of funding to support SEACEN's potential growth and expansion
- Well-resourced member banks could be encouraged to contribute to SEACEN's developmental initiatives

Composition of EXCO Task Force

Chair: Mr. Benny Popoitoi, Deputy Governor, BPNG

Members:

YM Awang Hj Adi Marhain Hj Leman, Assistant Managing Director, AMBD

Dr. Yi Gang, Deputy Governor, PBOC

Dr. Perry Warjiyo, Deputy Governor, BI

Dr. CHUNG Kyuil, Director General, BOK (Acting)

Dr. Sukhdave Singh; Deputy Governor, BNM

Mr. Gopal Prasad Kaphle, Deputy Governor, NRB

Mr. Diwa C. Guiniquendo, Deputy Governor, BSP

Ms. Jacqueline Loh, Deputy Managing Director, MAS

In attendance:

Dr. Han Genberg, Executive Director, SEACEN



Task Force (TF) –Terms of Reference

Objective: Review SEACEN funding model, and recommend most appropriate model and its implications on governance practices of SEACEN, to effectively support SEACEN in achieving its vision

EXPECTED OUTCOME

Recommend an appropriate funding model, along with governance practices to support the effective implementation of the Strategic Business Plan to achieve SEACEN's vision

KEY DELIVERABLES

Determine most appropriate funding model for SEACEN from possible funding models (SEACEN study), benchmark study and other research

Identify implications of the proposed funding model on governance practices of SEACEN

Formulate guidelines and procedures to operationalize the proposed funding model and governance practices

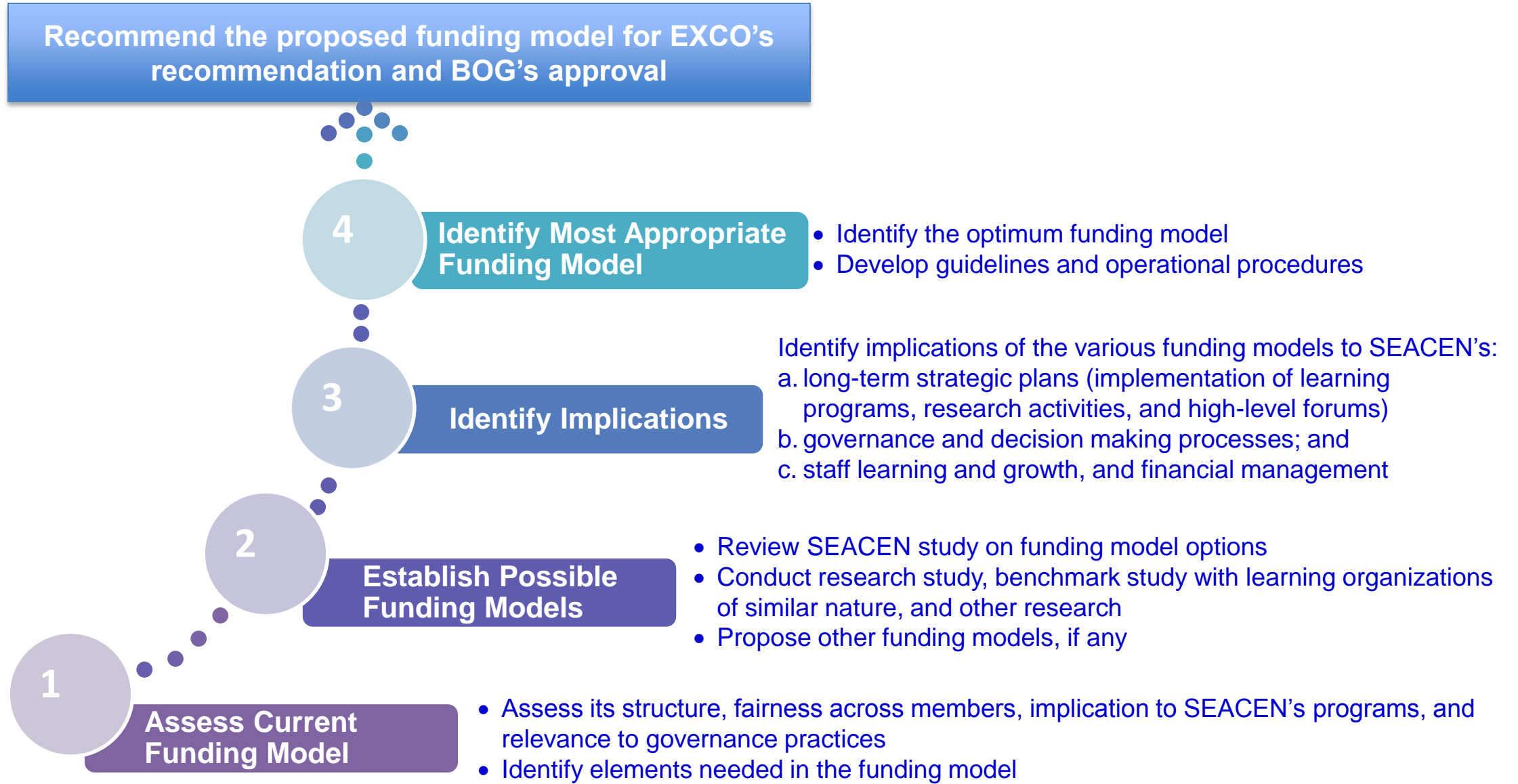
REPORTING STRUCTURE

TF is accountable to EXCO and will independently present its assessment and proposals on funding model to EXCO

Meeting Frequency & Attendance

- Meetings held when deemed appropriate
- Designated official to represent if TF member unable to attend
- SEACEN ED in attendance at TF meetings

TF/TWG Key Activities



Proposed Guiding Principles

TF is guided by these principles in funding model review:

1. Should a differentiated funding model be recommended, it will be fair and will preserve the aspirations of the SEACEN members
2. Recommended funding model will facilitate effective decision-making among member central banks
3. Recommended funding model will be sustainable in supporting SEACEN under the new expertise-based structure agreed by the BOG in Nov'2014 for the next five years; and
4. Recommended funding model should encourage all member central banks to stay engaged with SEACEN and act in the common interest of all members

Task Force's Proposal

- Maintain spirit of cooperation among SEACEN members: 'one member - one vote' should prevail and differentiated contribution among members not significant
- Computation should include these component:
 - Equal sharing
 - Differentiated contribution based on "*ability to pay*"
- "Ability to pay" based on IMF classification* of SEACEN economies:
 - Advanced Economies (AE), Emerging and Developing Economies (E&DE) and Low Income Developing Economies (LIDE)
 - 2-tiered: T-1 comprises AE and E&DE; T-2 comprises LIDE
 - Fiji and Sri Lanka be placed in T-2
- Utilization rate (members' participation in training course) omitted

* **IMF classification:**

- **AE:** Hong Kong, Korea, Singapore and Chinese Taipei.
- **E&DE:** Brunei Darussalam, China, Fiji, India, Indonesia, Malaysia, Philippines, Sri Lanka and Thailand.
- **LIDE:** Cambodia, Lao PDR, Mongolia, Myanmar, Nepal, Papua New Guinea and Vietnam.

Task Force's Proposal

Model	Description
<p>Model 1:</p> <ul style="list-style-type: none"> • Equal Sharing (90%) <li style="text-align: center;">+ • Ability to Pay (10%): <ul style="list-style-type: none"> ➤ AE & E&DE: 80% <li style="text-align: center;">+ ➤ LIDE: 20% 	<ul style="list-style-type: none"> • 90% of total based on <u>Equal Sharing</u>; • 10% of total based on <u>Ability to Pay</u>: IMF classification, of which: <ul style="list-style-type: none"> ➤ Tier-1: 80% of sub-total on equal sharing among AE and E&DE; and ➤ Tier-2: 20% of sub-total on equal sharing among LIDE
<p>Model 2:</p> <ul style="list-style-type: none"> • Equal Sharing (80%) <li style="text-align: center;">+ • Ability to Pay (20%): <ul style="list-style-type: none"> ➤ AE & E&DE: 80% <li style="text-align: center;">+ ➤ LIDE: 20% 	<ul style="list-style-type: none"> • 80% of total based on <u>Equal Sharing</u>; • 20% of total based on <u>Ability to Pay</u>: IMF classification, of which: <ul style="list-style-type: none"> ➤ Tier-1: 80% of sub-total on equal sharing among AE and E&DE; and ➤ Tier-2: 20% of sub-total on equal sharing among LIDE
<p>Current Model</p>	<p>Equal Sharing (100%)</p>

Note (*):

AE: Hong Kong, Korea, Singapore & Chinese Taipei (4 nos)

E&DE: Brunei Darussalam, China, Fiji, India, Indonesia, Malaysia, Philippines, Sri Lanka & Thailand (7 nos)

LIDE: Cambodia, Lao PDR, Mongolia, Myanmar, Nepal, Papua New Guinea & Vietnam. TF proposed Fiji and Sri Lanka be included as LIDE (9 nos)

Impact of Funding Models on Members' Contribution

Comparison% contribution/ quantum based on estimated 2016 budget	Preferred Models		Current Model Equal Sharing = 100%
	Model 1 Equal Sharing = 80% Ability to Pay = 20%	Model 2 Equal Sharing = 90% Ability to Pay = 10%	
Total Estimated Expenditure for 2016	RM14,800,000	RM14,800,000	RM14,800,000
i. Equal Sharing:	80%	90%	100%
No. of Members	20	20	20
Amount	RM11,840,000	RM13,320,000	RM14,800,000
Member's Contribution (a)	RM592,000	RM666,000	RM740,000
ii. Ability to Pay (based on 2-Tier):	20%	10%	
Total Amount:	RM2,960,000	RM1,480,000	
Tier-1, with 11 members:			
➤ Amount (80%)	RM2,368,000	RM1,184,000	
➤ Member's Contribution (b)	RM215,273	RM107,636	N/A
Tier-2, with 9 members:			
➤ Amount (20%)	RM592,000	RM296,000	
➤ Member's Contribution (c)	RM65,778	RM32,889	
Member's Total Contribution:			
Tier-1 with 11 members (a) + (b)	RM807,273 5.45%	RM773,363 5.23%	RM740,000 5.00%
Tier-2 with 9 members (a) + (c)	RM657,778 4.44%	RM698,889 4.72%	
Difference (Tier-1 – Tier-2)	RM149,495	RM74,474	N/A

Task Force's Resolution

Either Model 1 or Model 2 would be the most appropriate funding model for SEACEN from 2016 onwards. Some TF members preferred Model 1 for the following reasons:

- “*Ability to pay*” component: 80:20 basis in Model 1 provides a better emphasis in differentiating members’ ability to pay between members in Tier-1 and Tier-2 as compared with the 90:10 basis in Model 2
- Members in Tier-1 would only be expected to contribute RM67,273 more than their expected contribution in the current funding model, while those members in Tier-2 would be contributing RM82,222 less than that in the current model
- Others prefer Model 2.
- Both models (and the current model) are presented as options to EXCO for a decision to be made.

Thank You