

ACU Members call for Strengthening of Payment and Settlement Mechanism

June 16, 2003

The Reserve Bank of India hosted the 32nd Board Meeting of the Asian Clearing Union (ACU) today, in Bangalore. The central bank Governors of Bangladesh, Bhutan, India, Iran, Myanmar, Nepal, Pakistan and Sri Lanka participated in the meeting. Two senior level officials from the Central Bank of Thailand also participated as observers.

Formed in 1974, the ACU at present has eight members - Bangladesh, Bhutan, India, Iran, Myanmar, Nepal, Pakistan and Sri Lanka with headquarters in Tehran. The Board Meeting of the ACU is held in the member countries annually by rotation. The objectives of ACU are multilateral settlement of current account payments, conservation of forex, promotion of monetary, cooperation among central banks, increasing relationships among the banking systems of member countries and providing currency swap arrangement.

Apart from its regular business, the meeting also reviewed the future role of ACU. This was necessitated in the context of developments taking place in the region which includes formation of several groups for trade promotion and economic cooperation. The review of the role of ACU was undertaken by a committee of ACU members with assistance of ESCAP/UNCTAD. The committee had recommended that (a) the focus of ACU mechanism should continue to be payments and settlement of cross border transactions; (b) the neighbouring countries could be persuaded to join ACU; (c) all member countries may be persuaded to use the SWIFT system for sending messages on financial transactions; (d) the ACU member countries should aim at setting up a Central Clearing House to facilitate faster risk free clearing and settlement of ACU transactions; (e) a fund may be set up to help ACU secretariat meet the expenses relating to the ACU work; (f) the delays in payments to exporters which continue to persist under the ACU mechanism could be eliminated by following the laid down procedures scrupulously by banks in member countries. Central banks may have to vigorously monitor the position in this regard; (g) use of currencies other than US dollar may be included for settlement under ACU mechanism; (h) to make ACU mechanism a preferred arrangement for settlement and payments in the region a time bound programme to set up an integrated Real Time Gross Settlement (RTGS) for the region may be worked out beginning with setting up of Central Clearing House.

The meeting also elected the Governor, Central Bank of the Islamic Republic of Iran as the Chairman and the Governor of the Central Bank of Pakistan as the Vice-Chairman of the Asian Clearing Union for the calendar year 2004. Earlier each member country made a brief presentation of its monetary and economic situations.

The next meeting of the ACU will be held in Tehran.

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