



# Regional: Enabling close-out netting in derivatives transactions and use of international standard contracts in financial markets

Project Name	Enabling close-out netting in derivatives transactions and use of international standard contracts in financial markets	
Project Number	54466-001	
Country	RegionalIndonesiaUzbekistan	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 6709-REG: Enabling Close-out Netting and Use of International Contracts	
	Technical Assistance Special Fund	US\$ 225,000.00
Strategic Agendas	Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Finance - Finance sector development	
Gender Equity and Mainstreaming	No gender elements	
Description	<p>The TA's objective is deeper and more inclusive financial sectors in selected ADB developing member countries (DMCs), with greater liquidity in financial transactions within and across their borders. This objective is consistent with ADB's Strategy 2030; in particular, the objectives of expanding private sector operations through increasing access to capital markets and enhancing domestic resource mobilization through developing capital markets to help channel savings more effectively for productive investments. The TA will achieve this by deepening knowledge and building expertise of close-out netting in derivatives transactions in government and private sector and of the use of international standard contracts in local financial markets by market participants. If requested by a DMC, the TA will support reforms to improve the legal and regulatory basis for close-out netting which is fundamental for the development of well-functioning derivatives markets. The TA also supports Operational Priority 6: Strengthening Governance and Institutional Capacity by strengthening the quality and capacity of public institutions to undertake policy reforms and promote private sector development, and Operational Priority 7: Fostering Regional Cooperation and Integration by strengthening regional financial sector regulations and promoting measures to harmonize cross-border transactions. It also aligns with international commitments and principles for financial stability.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>A well-functioning derivatives market reduces credit risk, enhances liquidity in local capital markets, increases access to international market participants and provides risk management for financial intermediaries and end users of financial markets. As an important mechanism of credit risk reduction, close-out netting underpins the development of well-functioning derivatives markets. It has the economic advantage of contributing to greater liquidity in financial transactions, as less capital is required to be held against counterparty exposures. Market participants in "clean netting" jurisdictions enjoy greater access to international derivatives markets. Consequently, market participants within a "clean netting" jurisdiction have lower cost of funding relative to those in non-netting jurisdictions. The use of international standard contracts which confirms the netting of outstanding transactions and the financial collateral arrangements which support their operations, builds on the legal pillar of close-out netting and further contributes to greater liquidity in financial transactions within and across borders.</p>	
Impact	Impact(s) the TA is aligned with increased access to international capital markets and domestic resource mobilization.	
<b>Project Outcome</b>		
Description of Outcome	Legal and regulatory environment for close-out netting in selected DMCs improved.	
Progress Toward Outcome		
<b>Implementation Progress</b>		
Description of Project Outputs	<p>Awareness-raising and capacity building on close-out netting in derivatives transactions delivered. Capacity building on the use of international standard contracts in financial markets delivered. Legal and regulatory reform for close-out netting supported.</p>	
Status of Implementation Progress (Outputs, Activities, and Issues)		
Geographical Location	Indonesia - Nation-wide; Uzbekistan - Nation-wide	
<b>Summary of Environmental and Social Aspects</b>		
Environmental Aspects		
Involuntary Resettlement		
Indigenous Peoples		
Stakeholder Communication, Participation, and Consultation		

During Project Design

During Project Implementation

Responsible ADB Officer	McBride, Nicholas
Responsible ADB Department	Office of the General Counsel
Responsible ADB Division	Office of the General Counsel

Timetable	
Concept Clearance	-
Fact Finding	-
MRM	-
Approval	29 Dec 2020
Last Review Mission	-
Last PDS Update	29 Dec 2020

## TA 6709-REG

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
225,000.00	0.00	0.00	0.00	0.00	0.00	225,000.00	-	0.00

Project Page	<a href="https://www.adb.org/projects/54466-001/main">https://www.adb.org/projects/54466-001/main</a>
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