

**LAPSE OF
TIME**

EBS/22/70

July 28, 2022

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Prescription of SDR Operations—Resilience and Sustainability Trust**

Board Action:	Executive Directors' consideration on a lapse of time basis
Deadline to Request a Board Meeting, after which Proposed Decision Deemed Approved:	Wednesday, August 24, 2022 12:00 (noon)
Proposed Decision:	Page 2
Publication:	Not proposed, due to the internal operational nature.
Questions:	Mr. de Imus, FIN (ext. 36256) Mr. Chan, FIN (ext. 36058) Mr. Pham, LEG (ext. 34479) Mr. Swanepoel, LEG (ext. 35609)



July 26, 2022

PRESCRIPTION OF SDR OPERATIONS—RESILIENCE AND SUSTAINABILITY TRUST

Approved By
Rhoda Weeks-Brown
and **Bernard Lauwers**

Prepared by FIN and LEG staff.

This paper proposes a decision to authorize prescribed holders and participants to conduct SDR operations that are necessary to operationalize the recently established Resilience and Sustainability Trust (RST).¹ The RST instrument allows for the use of SDRs in its financial operations, including contributions to the Loan, Deposit and Reserve accounts, loan disbursements, interest payments, or repayments to contributors, in accordance with arrangements made by the Fund as Trustee.² The RST itself, like other trusts and accounts administered by the Fund, cannot be a prescribed holder of SDRs, and the Fund as Trustee cannot hold SDRs for the RST.^{3,4} The Fund, however, can authorize the use of SDRs by and with prescribed holders for the benefit of a Fund-administered trust or account.⁵ Such authorization has previously been granted for the Poverty Reduction and Growth Trust and other trusts and accounts administered by the Fund, where the Fund has authorized prescribed holders to accept SDRs from, and transfer SDRs to, other prescribed holders or participants in the context of operations of the trusts or accounts.⁶ On the basis of these decisions, the Fund has an arrangement with a prescribed holder, the Bank for International Settlement (BIS) to facilitate these operations. The proposed decision would authorize SDR operations by prescribed holders and participants to also be conducted for the benefit of the RST. Board approval is needed to facilitate operationalization of the RST, and the RST could benefit from the existing arrangements with the BIS.

¹ The RST was established to provide affordable long-term financing to support eligible members undertaking macro-critical reforms to reduce risks to prospective balance of payment stability, including those related to climate change and pandemic preparedness. See Decision No. 17231-(22/37), adopted April 13, 2022 and with effect from May 1, 2022.

² See Section I, paragraph 4(a) of the RST instrument. It is intended that IMF members with strong external positions would voluntarily commit to channel a portion of their SDRs, including part of their SDRs received from the 2021 general allocation of SDRs, or currencies to finance the RST. See *Proposal to Establish a Resilience and Sustainability Trust (SM/22/63, Rev. 1; 04/11/2022)*.

³ In accordance with Article XVII, Section 3(i), a prescribed holder of SDRs can be: non-members, members that are non-participants in the SDR Department, institutions that perform the functions of a central bank for more than one member, and other official entities.

⁴ Pursuant to Article XVII, Section 2, the Fund may hold SDRs in the GRA and may accept and use SDRs in operations and transactions conducted through the GRA in accordance with the Articles; it cannot hold SDRs as trustee.

⁵ Article XVII, Sections 3 (ii) provides that the Fund may prescribe the terms and conditions on which prescribed holders may be permitted to hold SDRs and may accept and use them in operations and transactions with each other and with participants. Article XVII, Sections 3 (iii) provides that the Fund may prescribe the terms and conditions on which participants and the Fund through the GRA may be permitted to enter in SDR operations and transactions with prescribed holders.

⁶ See Decision No. 8937-(88/118) ESAF/S, adopted July 28, 1988

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. A participant or prescribed holder, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to that prescribed holder in effecting a payment due to the Fund, as Trustee, in connection with financial operations under the Resilience and Sustainability Trust.
2. A prescribed holder, by agreement with a participant or another prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or other prescribed holder in effecting a payment due from the Fund, as Trustee, in connection with financial operations under the Resilience and Sustainability Trust.
3. The Fund shall record operations pursuant to these prescriptions in accordance with Rule P-9.