



**Executive Board Minutes 22/63-1**

July 1, 2022–9:30 a.m.

**Review of the Fund’s Policy on Multiple Currency Practices—Proposals for Reform**

Documents: SM/22/129, and Cor. 1, and Sup. 1, and Sup. 2

Staff: Ivanics, MCM; Sheridan, SPR; Rendak, LEG

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CEDA OGADA  
Secretary

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<sup>1</sup> Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Open Archives Policy.

## THE ACTING CHAIR'S SUMMING UP

Executive Directors welcomed the opportunity to complete the review of the Fund's Policy on Multiple Currency Practices (MCPs). They observed that MCPs can be distortionary, create unfair competitive advantage among countries, and hamper trade and investment, particularly over the medium and long term. They agreed that the MCP policy should remain a cornerstone of the Fund's legal and policy framework to ensure orderly exchange arrangements and a stable system of exchange rates. They welcomed the adjustments to the policy to reflect developments since the last review in the 1980s so that it does not discourage good practices in FX markets and is better aligned with the Fund's other policies (including the policy on exchange restrictions and the Institutional View on the Liberalization and Management of Capital Flows (IV)), while ensuring that it continues to address policy actions that are considered impermissible under the new policy.

Directors supported the reform proposals. They concurred that the main principle of the policy—that official action by members' governments or their fiscal agencies should not cause unreasonable deviations in exchange rate spreads compared to normal costs and risks of exchange transactions—remains valid, although a few Directors stressed that the Fund should continue to approach the policy from an economic rather than a legalistic perspective. Directors agreed to eliminate the practice of finding an MCP due to potential exchange rate spreads.

Directors agreed that the scope of official action by members' governments and fiscal agencies should be clarified to focus primarily on action that segments the FX markets and/or increases or decreases the cost of exchange transactions. Directors agreed that FX auctions that are in line with best practices would not give rise to an MCP, as they do not segment the FX market. Directors also agreed that an official exchange rate calculated based on the preceding day's market rates would not give rise to an MCP.

Directors agreed that foreign exchange purchases and sales by the authorities (aside from auctions) that do not segment the FX market would be excluded from the scope of the revised policy. However, Directors noted that if such FX transactions make foreign currency available at a particular exchange rate only for specific purposes or to a subset of end-users or intermediaries, therefore segmenting the FX market, such transactions would be assessed under the policy.

Directors agreed that exchange rate spreads with illegal parallel markets would no longer be considered MCPs, but the underlying distortions would be captured under the Fund's policy on exchange restrictions, where relevant. However, Directors stressed that country authorities should make reasonable efforts to eliminate illegal parallel markets and that staff should continue to discuss them in staff reports. Directors also agreed that broken

cross rates caused by official action would no longer be considered MCPs, as reliance on such practices has almost disappeared and thus they are no longer economically relevant.

Directors agreed that since NDFs are not exchange transactions, they would only be considered under the MCP policy if they are closely related to acquiring or selling foreign exchange. Directors agreed to retain the current treatment of agreements between central banks under the MCP policy.

Directors welcomed the proposal to replace the current fixed two-percent rule for spot FX transactions with a country-specific market-based norm (the High/Low range) and tolerance margin (+/- 2 percent), whichever is wider, which will be used also for non-spot FX transactions. Directors broadly agreed that the Fund may find an MCP whenever there is a single deviation outside this range due to official action, but a few Directors called on staff to consider possible refinements to this approach in the next review. Directors agreed that additional costs or subsidies that are sufficiently closely related to an exchange transaction should be considered part of the effective exchange rate to be used in the assessment. As a continuation of the current policy, exchange taxes not exceeding 2 percent applied on market exchange rates will not give rise to an MCP.

Directors noted that the new policy does not introduce new data provision requirements. The relevant market exchange rate data is collected from reputable third-party providers, but staff can use data that are representative of the FX market from alternative sources, if needed. Directors noted that members will be expected to continue to provide data necessary for MCP assessments beyond that required under Article VIII, Section 5.

Directors agreed that an MCP will be considered eliminated if the authorities cease the official action that gave rise to the MCP, take credible measures to bring the spread back within the permissible range, or the impermissible spread does not reoccur following an observation period of 12 months.

Directors agreed that the use of the FX system for purposes unrelated to the balance of payments should generally be discouraged. They also agreed to strengthen the criteria for temporary approval of MCPs maintained primarily for non-BOP circumstances by additionally requiring that the member commits to a credible strategy for removal and that the MCP does not constitute an exchange restriction. A few Directors saw the benefits of a review of the Fund's policy on exchange restrictions.

Directors broadly agreed with the proposals to enhance the current cooperative approach to noncompliance by increasing transparency and accountability. They generally supported more prominent and extensive coverage of MCPs in staff reports, including more consistently reporting the existence of measures, discussion of their economic impact, staff's advice on removal, and the authorities' plans. A few Directors, however, cautioned that this

could cause reputational risks to the authorities and preferred maintaining the current level of coverage. Directors welcomed annual reporting to the Board of a list of all approved and unapproved MCPs. Directors highlighted the role of Fund advice and technical assistance in promoting the elimination of MCPs and the reform of FX markets. Directors noted that the Board will revisit the issue of a remedial framework for unapproved MCPs in future reviews of the new MCP policy, taking into consideration the experience with the enhanced cooperative approach. A few Directors suggested similarly revisiting the issue of extending the MCP policy to capital transactions.

In line with the recently endorsed provisions of the IV, Directors agreed that MCPs and exchange restrictions that are also considered CFMs as they are also designed to limit capital flows would be assessed only under the respective Article VIII policy. Directors agreed that MCPs that apply solely to capital transactions are not subject to Fund approval but will continue to be identified as MCPs in Article IV reports and will be assessed only under the IV.

Directors welcomed the transitional arrangements to ensure the smooth implementation of the new MCP policy, which will become effective nine months following the Board approval of the decision with a few exceptions. Effective immediately, no MCPs will be found due to official exchange rates computed with a one-day lag, foreign exchange auctions consistent with best practices, spreads arising from illegal parallel markets, and broken cross rates caused by official action. Directors welcomed staff's plan to conduct outreach to the membership on the new policy during the transitional period. They noted that only limited additional resources will be required once the policy is well-established. Directors agreed that the new MCP policy will be reviewed within five years, or on an as-needed basis.

## EXECUTIVE BOARD DECISION

The Executive Board took the following decision:

### **Review of the Fund's Policy on Multiple Currency Practices - Proposals for Reform**

The Fund has reviewed its policy on multiple currency practices. The Fund shall be guided by the following decision in assessing members' compliance with their obligations under Article VIII, Section 3 with respect to multiple currency practices:

1. **Multiple currency practices.**

I. Article VIII, Section 3 of the Articles of Agreement prohibits a member from engaging, or permitting any of its fiscal agencies referred to in Article V, Section 1 to engage, in multiple currency practices without the approval of the Fund. As a general principle, Official Action should not cause exchange rate spreads to differ unreasonably from those that arise from the normal commercial costs and risks of exchange transactions. Therefore, a multiple currency practice would arise in the circumstances set forth in this paragraph 1.

a. Official Action causes an Effective Exchange Rate for a Spot Exchange Transaction to exceed the Spot Permissible Spread.

b. Official Action causes an Effective Exchange Rate for a Non-spot Exchange Transaction to exceed the Non-spot Permissible Spread.

II. Notwithstanding the above, a multiple currency practice would not arise if the Effective Exchange Rate for an Exchange Transaction caused by Official Action is calculated as follows:

(i) the Effective Exchange Rate is derived solely from the weighted average of transaction exchange rates in a member's wholesale foreign exchange market or, in the absence of a wholesale foreign exchange market, as the weighted average of the transaction exchange rates between intermediaries and their clients, or a combination of the two if the wholesale foreign exchange market is not representative of the member's foreign exchange market, and

(ii) the only transactions included in the calculation of the Effective Exchange Rate occurred on the business day immediately preceding the day on which such Effective Exchange Rate is to be used.

(iii) An exchange rate spread that arises without official action would not give rise to a multiple currency practice.

## 2. Definitions.

a. Official Action: An action by a member or any of its fiscal agencies referred to in Article V, Section 1 of the Articles of Agreement qualifies as an Official Action when it: (i) directly or indirectly segments the foreign exchange market on the member's territory by giving rise to an Effective Exchange Rate that is only available to a specific intermediary and/or end-user or a limited group of intermediaries or end-users, and/or for only a limited range of purposes, and/or (ii) increases or decreases the cost of an Exchange Transaction.

In that regard, foreign exchange auctions organized according to the criteria specified in paragraph 15 of SM/22/129, as well as foreign exchange transactions conducted by the authorities according to the criteria specified in paragraph 22 of SM/22/129 would not be considered to segment the foreign exchange market and therefore would not constitute Official Action for the purposes of this decision.

b. Effective Exchange Rate: The nominal exchange rate (or when the nominal exchange rate is not determined by Official Action, the mid-point of the High/Low range), plus the aggregate of any Exchange Tax or subsidy that has been imposed by Official Action on the Exchange Transaction and which are sufficiently closely related to the Exchange Transaction.

c. Exchange Transaction: A transaction involving the exchange of the currency of one member for another member's currency.

d. Exchange Tax: Any tax, levy, fee, commission, surcharge or other mandatory costs imposed by Official Action on an Exchange Transaction.

e. Spot Exchange Transaction: An Exchange Transaction that settles no more than two business days after the transaction date.

f. Non-spot Exchange Transaction: An Exchange Transaction that settles more than two business days after the transaction date.

g. Spot Permissible Spread: (i) the spread between the highest (most depreciated) wholesale exchange rate and the lowest (most appreciated) wholesale exchange rate observed on a given business day (the "High/Low range") in the member's wholesale foreign exchange market or (ii) a tolerance band of +/- 2 percent around the midpoint of the High/Low range, whichever is wider, as further defined in paragraphs 24 and 25 of SM/22/129 and as further described in paragraphs 22-32 of SM/18/208, Supplement 3.

h. Non-spot Permissible Spread: (i) The spread between the highest (most depreciated) and the lowest (most appreciated) wholesale exchange rate of a given Non-spot Transaction with the same maturity as the equivalent Non-spot Exchange Transaction affected by Official Action observed on a given business day (the

“High/Low range”) in the member’s wholesale foreign exchange market, or (ii) a tolerance band of +/- 2 percent around the mid-point of the High/Low range, whichever is wider, as further defined in paragraphs 27 and 28 of SM/22/129 and as further described in paragraphs 33-42 SM/18/208, Supplement 3. If market data are unavailable, the non-spot market exchange rate will be computed using a theoretical model of the non-spot transaction.

i. Observation Period: The consecutive 12-month period following staff’s last observance of a spread exceeding the Spot Permissible Spread or Non-spot Permissible Spread.

3. **Approval of multiple currency practice.** The Fund will be prepared to grant temporary approval of a multiple currency practice under the circumstances discussed in this paragraph 3.

a. With regard to multiple currency practices introduced or maintained for balance of payments reasons, while the Fund encourages members to eliminate these practices as soon as conditions permit, it would be prepared to grant approval if the member represents and the Fund is satisfied that:

(i) the measures giving rise to these practices are temporary,

(ii) the measures are being applied while the member is endeavoring to eliminate its balance of payments problems, and

(iii) the measures do not give the member an unfair competitive advantage over other members or discriminate among members.

b. With regard to multiple currency practices introduced or maintained primarily for non-balance of payments reasons, while the Fund urges members to adopt alternative policies not connected to the exchange system, the Fund will be prepared to grant approval of those practices, if the member represents and the Fund is satisfied that the measures giving rise to these practices:

(i) do not materially impede the member’s balance of payments adjustment,

(ii) do not harm the interests of other members,

(iii) do not discriminate among members, and

(iv) do not give rise to an exchange restriction under Article VIII, section 2(a).

In addition, the member must commit to a credible strategy for the removal of these practices.

- c. To assist the Executive Board in assessing an MCP and reaching a decision concerning approval or non-approval of an MCP subject to approval under Article VIII, Section 3, the reasons underlying the practice and its effects will be analyzed in the relevant staff reports.
  - d. Temporary approval of an MCP will normally be granted for periods of approximately one year, to provide for a regular review by the Executive Board, except where the practice is maintained only for existing arrangements as contemplated in SM/98/102 and for a specified period of time.
4. **Taxes and Exchange Restrictions.** An Exchange Tax by itself or in aggregate with other Exchange Taxes that does not give rise to a multiple currency practice under this decision, would not be considered an exchange restriction under Article VIII, Section 2(a).
5. **Elimination of MCPs.** Once the Executive Board finds that an MCP has arisen, it would be considered eliminated in any of the following circumstances:
- a. The member removes the Official Action that gave rise to the MCP; or
  - b. The member has taken credible measures to eliminate the impermissible exchange rate spread and to ensure that the Official Action will not, in the future, give rise to an Effective Exchange Rate that exceeds the Spot Permissible Spread or Non-Spot Permissible Spread for that member (as applicable); or
  - c. The impermissible spread does not reemerge during the Observation Period.
6. **MCPs Applying Solely to Capital Transactions.** The following principles will apply:
- a. Members should continue to provide the Fund with specific and full information on measures that may give rise to multiple currency practices applicable solely to capital transactions. Multiple currency practices applicable solely to capital transactions, while not subject to Fund approval under Article VIII, Section 3, shall be identified as such in Article IV consultation or other staff reports, along with a full assessment of such practices, including their economic consequences.
  - b. In accordance with Decision No. 8648-(87/104), July 17, 1987, the phrase “multiple currency practices” in decisions of the Fund relating to the use of the Fund’s resources does not, except as otherwise provided, include multiple currency practices applying solely to capital transactions.
7. **Provision of information.** Beyond the provision of data required under Article VIII, Section 5 and Decision No. 13183-(04/10), as amended, the Fund expects that members will continue to provide to the Fund all information necessary for assessments of multiple currency practices.

8. **Reviews.** The Fund will review this policy every five years, or on an as needed basis.
9. **Repeal of Executive Board Decisions.** This Decision repeals in its entirety (i) Decision No. 6790-(81/43), dated March 20, 1981, as amended by Decision No. 11728-(98/56), adopted on May 21, 1998, and (ii) Decision No. 649-(57/33), adopted June 26, 1957.
10. **Effective Date.** This decision shall enter into effect nine months following the date of its approval (the “Effective Date”). Effective immediately, no MCP will arise from the following: official exchange rates calculated with a one-day lag, foreign exchange auctions that do not segment the FX market, exchange rate spreads arising in illegal parallel markets, and broken cross rates. All existing MCPs arising from the types of official action specified in this paragraph 10 are considered eliminated as of the date of the approval of this decision. All other MCPs maintained by members under the previous MCP policy that are in effect as of the Effective Date will be considered eliminated on the Effective Date. (SM/22/129, Sup. 1, 06/27/22)

Decision No. 17292-(22/63), adopted  
July 1, 2022

**EXECUTIVE BOARD ATTENDANCE<sup>2</sup>**

G. Gopinath, Acting Chair

<b>Executive Directors</b>	<b>Alternate Executive Directors</b>
	V. Vumendlini (AE)
	F. Sylla (AF)
S. Chodos (AG)	
C. Huh (AP)	
	B. Saraiva (BR)
Z. Zhang (CC)	
	A. Guerra (CE)
	R. Cunningham (CO), Temporary
	C. Just (EC)
A. Buisse (FF)	
J. Stephan (GR)	
	C. Amarasekara (IN)
	M. Massourakis (IT)
T. Tanaka (JA)	
H. Hosseini (MD)	
	F. Al-Kohlany (MI), Temporary
	S. Verhelst (NE), Temporary
M. Poso (NO)	
	S. Potapov (RU)
A. BinZarah (SA)	
R. Lim (ST)	
	M. Peter (SZ)
	D. Ronicle (UK)
E. Shortino (US)	

G. Bauche, Acting Secretary  
 J. Morco, Summing Up Officer  
 B. Zhao / L. Briamonte, Board Operations Officers  
 M. Eddy, Verbatim Reporting Officer

**Also Present**

Asia and Pacific Department: M. Kaufman. Communications Department: I. Yackovlev  
 Perez-Vilches. European Central Bank: D. Rakitzis. European Department: A. Cuevas  
 Camarillo. Legal Department: K. Christopherson Puh, C. DeLong, N. El Mehdi, G. Mathias

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<sup>2</sup> For countries in each constituency, please see the Constituency Codes in the annex.

Alves Pinto, N. Rendak, J. Swanepoel. Middle East and Central Asia Department: D. Gershenson, M. Mati, N. Porter. Monetary and Capital Markets Department: P. Chantapacdepong, S. Darbar, C. Erceg, I. Gudbjartsdottir, A. Kokenyne Ivanics, T. Olafsson, S. Popova, A. Qureshi, R. Veyrune. Research Department: S. Basu. Strategy, Policy, and Review Department: Y. Hashimoto, M. Rodriguez Waldo, N. Sheridan, M. Sommer, D. Velculescu, J. Ziegler. Western Hemisphere Department: C. Oner. Executive Directors: P. Moreno (CE), D. Palotai (EC). Alternate Executive Directors: A. Alhosani (MI), A. Grant (AP), L. Herrera (AG), M. Kashima (JA), F. Mochtar (ST), O. Parkyn (AP). Senior Advisors to Executive Directors: X. Bai (CC), E. Cartagena (CE), V. Grossmann-Wirth (FF), B. Lischinsky (AG), S. Naka (JA), D. Ong (ST), S. Wongwaisiriwat (ST), B. Yoo (AP). Advisors to Executive Directors: Z. Abdelrahman (SA), T. Abdygulov (SZ), A. Arevalo Arroyo (CE), T. Azlan Ariff (ST), R. Bah (AF), Dennis Bautista (ST), C. Becker (AP), E. Boukpepsi (AF), I. Bustillo (AG), L. Cerami (IT), T. Cham (AE), T. Chrimes (UK), M. Damane (AE), K. Florestal (BR), D. Hamzah (MI), R. Karl (AP), P. Khademi (GR), F. Kurniawan (ST), M. Merhi (MI), R. Moral Betere (CE), A. Nainda (AE), L. Nankunda (AF), L. Sturm (US), A. Zaborovskiy (EC).

**DISCUSSION RECORD<sup>3</sup>**

*The Acting Chair (Ms. Gopinath):*

We are completing the first comprehensive review of the Fund's policy on Multiple Currency Practices (MCPs) since 1981. At the end of the meeting, the Board will be asked to take a decision adopting the new policy.

Today's meeting has been many hours in the making. Staff presented initial proposals for the reform of the MCP policy in a 2018 staff paper, which the Board largely supported in 2019.

At that time, the Board supported staff's proposals to: first, clarify the concept of official action that may give rise to an MCP; second, replace the blanket 2 percent rule with a new methodology better designed to capture the realities of individual members' exchange markets; and third, confirm that an MCP finding needed to be based on actual, impermissible exchange rate spread and not the mere potential for such a deviation to emerge.

The Board also asked staff to come back on issues such as the treatment of exchange taxes, approval of MCPs maintained for non-balance of payments reasons, enhancing the cooperative approach to addressing MCPs, and the transition to the new policy. The pandemic and ensuing work priorities have delayed this work. But I believe the new policy now reflects current circumstances better. As such, I was pleased to see broad support within the membership for staff's further proposals and for the proposed decision. I would like to emphasize three main points:

First, as affirmed in your gray statements, the MCP policy has been a cornerstone of the Fund's policies to ensure orderly exchange arrangements and a stable system of exchange rates.

Second, the review takes account of the major changes in foreign exchange (FX) markets since the last review and is better aligned with other Fund policies, including on exchange restrictions and the Institutional View. The revised policy will continue to address policy actions that are distortionary, create unfair competitive advantage, and hamper trade and investment.

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<sup>3</sup> Edited for clarity.

In particular, the proposals to identify MCPs based on actual rather than potential FX spreads, to adjust the notion of official action to focus on actions by the government or its fiscal agents that segment the FX market, and to update the methodology for determining permissible spreads—these proposals all focus on economically significant deviations in FX spreads. Given this more concentrated focus, staff expects that the number of MCPs will decrease under the new policy.

Third, there will be a learning curve both for staff and for the country authorities to make the new policy operational. While some features will become effective immediately after the Board approves the proposed decision, there will be a nine-month transition period. Features that can be implemented relatively easily should benefit some of the countries that have MCPs under the current policy.

The Fund can help promote the elimination of MCPs and the reform of FX markets through advice and technical assistance (TA) where this is needed. Since the revised policy introduces major changes and is very technical, staff plans extensive outreach to member countries. The focus will be on countries that currently have MCPs.

Finally, while we are here today to discuss MCPs, management and staff will consider the request by several Directors to review our policies and exchange restrictions sometime after this review has been concluded.

*The staff representative from the Strategy, Policy, and Review Department  
(Ms. Sheridan):*

Under the Transparency Policy, we have three pending corrections that will be issued later today. These are all minor and under the umbrella of evident ambiguity.

*Ms. Shortino:*

I want to thank staff for the review and the technical Q&A session. I reiterate the Acting Chair's point that the MCP policy is core to the Fund's mandate, and this review is long overdue, so we are pleased that it is coming to a conclusion today.

We supported most of the proposals. In the interest of reaching consensus, we also opted to support all of the proposals even though there were a couple that we had reservations about. I will just flag a few things that

I hope can be picked up in the future and not really comment on this set of decisions.

First, we were one of the chairs in favor of a remedial framework in the 2019 discussion. We can go along with this cooperative approach in large part because I do feel like the enhanced emphasis on the issues in MCPs and staff reports and the annual report—all of that will be quite helpful. But I would ask that staff closely monitor the effectiveness of this cooperative approach, particularly for prolonged MCPs. Then we need to take this up again in the next review and look at whether the cooperative approach is helping with the prolonged MCPs that are there from year to year.

Second, I thank the Acting Chair for the response on the exchange restrictions policy, and I welcome that there is a plan to take up a future review of that policy. I wonder when that might happen and also whether staff are considering placing the exchange restrictions policy on a five-year review schedule. It does seem like both of these would benefit from the five-year review schedule, and I am happy that the MCP policy is moving to that schedule.

Finally, we hope to revisit the application of the policy to capital transactions in the next five-year review.

*Mr. Hosseini:*

We broadly agree with the staff's proposed decision, and I offer the following points for emphasis.

First, as raised by some Directors in 2019, we are of the view that assessment of MCPs should be limited to current transactions. We look forward to further progress in an Integrated Policy Framework, which may shed light on these issues in a more coherent and trackable manner.

Second, official actions that cause market segmentation should be constituted as MCPs. Other actions like intervention in exchange markets and conduction of exchange options should not be considered as MCPs unless they satisfy the market segmentation condition.

Similarly, illegal parliament market rates may emerge because of reasons outside of the official playing field. That said, I welcome the greater clarity in the concept of official actions in the proposed decision.

Third, the Fund should strengthen its long-standing cooperative approach in other areas, not the other way around. This approach has served the membership well and should continue. We see no need for a specific remedial framework since an MCP may not be simply the result of an official action.

The MCP presents more profound problems that need time and concrete plans to curb them, so it would be more effective if the Fund helps members by providing TA and policy advice in its surveillance.

Finally, communicating the new MCP policy with the membership and filling their capacity gaps by providing TA are essential to ensuring smooth compliance with the new policy.

*Mr. Tanaka:*

We welcome the opportunity to finally discuss and conclude the comprehensive review of the Fund's MCP policy after a long discussion since February 2019. As we issued a gray statement and broadly support the staff proposal, we would like to offer a few comments.

Firstly, on MCPs for non-balance of payments reasons, we can support the staff proposal to retain the possibility of temporary approval of MCPs maintained primarily for non-balance of payments reasons in limited circumstances. However, we would like to emphasize that MCPs for non-balance of payments reasons should only be allowed on a temporary basis. In addition, as Ms. Shortino mentioned in her gray statement, we strongly encourage staff to ensure the additional requirements are firmly in effect, including a credible strategy for the removal of the measures.

Secondly, it is appropriate for the Fund to keep a cooperative approach and we welcome the proposed enhancements to increase transparency and accountability, such as more coverage in the Article IV consultation staff reports and annual reporting to the Board.

At the same time, as Mr. Pösö, Mr. Stephan, and others mentioned in their gray statements, we are open to establishing a comprehensive remedial framework to address cases of unapproved MCPs or exchange restrictions, if warranted, in subsequent reviews. We encourage staff's further stocktaking of the pros and cons for establishing a remedial framework to address noncompliance cases.

Thirdly, on operational and transitional arrangements, we underscore the importance of promoting member authorities' understanding of the new MCP policy for a smooth transition. It is important to work closely with the area departments to encourage authorities to address their challenges and to provide appropriate capacity development (CD) in a strategically integrated way, together with surveillance and lending as needed, as Mr. Hossein said.

Finally, we strongly require having reviews of MCP policies every five years.

*Mr. Ronicle:*

We issued a very short gray statement supporting all the proposed reforms. I just want to make three equally short points.

First, I really want to thank staff. This review has been a long and drawn-out process, spanning multiple years, on top of which it is a very technical topic, covering issues which were obscure to many of us and which the Board has not considered in detail since 1981. I thank them for the extensive outreach and congratulate them on finally drawing this review to a successful conclusion.

Second, a small point on process, I thought it somewhat unhelpful that the proposed decision was circulated so much later than the main paper. That is especially true since the main paper referred throughout to the paragraphs of the decision, which also implies the decision must have been more or less finalized at the same time as the paper and could have been shared sooner. Overall, it made understanding the final paper somewhat trickier than we would have liked.

Finally and most importantly, I want to return to the one area where we continue to have some misgivings—Like Ms. Shortino and Mr. Tanaka—and that is the question of remedial action for noncompliance. I want to be clear, we absolutely agree that the ideal way to address noncompliance is through a cooperative approach, and we like the enhancements proposed. Our concern is what happens when cooperative solutions fail. In that situation, the Board is left with two unsatisfactory solutions. On the one hand, a member is stripped of its access to the General Resource Account, which feels extreme to us. On the other hand, the member goes unpunished for a breach of the articles, which is also unsatisfactory.

Furthermore, the process of the Board deciding between these two outcomes risks being deeply divisive. A more phased approach that allows for a gradual escalation feels like an important safeguard to the policy. That could also include a formal commitment to supportive TA, something Mr. Hosseini mentioned. We hope that this is something that Directors will revisit at the next review, and we positively note this view expressed in a number of gray statements and by Directors this morning.

With that, let me once again congratulate staff on bringing this tricky and long overdue review to a positive conclusion.

*Mr. Saraiva:*

We issued a gray statement supporting the proposed decision, and I want to make a few remarks for emphasis.

First, we appreciate the progress made by staff in what we believe was the right direction since the 2019 initial considerations. The key elements of the policy reform were correctly maintained, namely the focus on official actions, on de facto segmentation, and on evenhanded but flexible metrics to identify MCPs. This allows for consistent but country-specific application of the policy, which should always favor an economic rather than a legalistic approach. The proposal also advanced points that are key to foster the broader appreciation, cooperation, and compliance with the policy across the membership.

First, we agree with keeping the prerogative to approve MCPs maintained for non-balance of payments reasons. These measures, even if temporary, could help some member countries with less developed markets to support fiscal adjustment and development goals.

Second, we welcome the maintenance of the cooperative approach. I listened to what Mr. Tanaka and Mr. Ronicle have just said, but we believe that the cooperative approach goes a long way to recognize that there is a sharp interest in the membership in minimizing MCPs over the long run and at the same time recognizing that economic constraints might lead some jurisdictions to adopt them under certain circumstances.

Indeed, we strongly urge that the substantive economic arguments remain the key focus of the Guidance Note driving the overall application of the policy. I hear what the Acting Chair said in her opening remarks, and I agree that the main changes introduced by the review, the sharp economic

focus of the policy, is an absolutely key issue because what brought MCPs to a prominent place within the Fund's mandate since its inception was exactly their economic relevance and the impact of those practices that were undermining economic cooperation in the global community. It was not a concern out of simply a principal assessment of what was best for the specific country adopting that MCP. Such an approach is part of the policy dialogue that the Fund should have with a country, but it should not constitute a breach of obligation. A breach of obligation is something that compromises the cooperative nature of our relationship within the institution and the global economy. That is why we insist on the idea of economic materiality of the spillovers guiding our approach to MCPs. In the enhanced coverage of MCPs in reports, we believe the focus should be on the economic substance and the spillovers stemming from those practices.

Just a remark on the relationship with the Institutional View, I saw the answers to the technical questions in 2021. We agree with the broad proposed approach. It would be important that the Guidance Note provides more clarity because there is still potential for some confusion.

Finally, we welcome the proposed transitional arrangement and, again, let me congratulate staff for the work done and the results obtained within the proposed decision.

*Mr. Zhang:*

We thank staff for the engagement with our office and we also appreciate staff's work on this review over the past few years. The MCP policy has not been reviewed for four decades, and there have been substantial changes in the FX markets since then.

Given that the MCP policy has a long history with the Fund, we stress the importance of staying focused on the economic rationales for maintaining the MCP policy. We have issued a comprehensive gray statement in which we broadly support the proposals, but I also suggested a few areas for refinements.

I would like to emphasize a few points. First, we broadly support staff's proposals under the refined concept of official action. We generally prefer a narrow interpretation of official actions and agree that the focus of official actions should be on actions that lead to differentiated exchange rates available only for select participants, or transactions. We also support the

elimination of the concept of potentiality and the focus on the actual spread that exceeds the permissible margin.

Second, like Messrs. Bevilaqua and Bruno mentioned, we stress that the Fund should always approach MCPs from an economic and not from a legalistic perspective. The primary purpose of the MCP policy is to deter distortionary practices in exchange systems and unfair trade competition.

In some cases in the past, staff has approached this subject more as a legal matter without articulating clearly what their concerns are from an economic standpoint. We therefore support the proposal to cover the actual or expected economic impact of MCPs in the reports.

However, being labelled to have an MCP can also sometimes cause serious reputational risks to the authorities, especially given that the MCP policy is technical in nature and not always well understood by the public. Therefore, maintaining the common practice of including the information in the informational annex, not in the main text of the Article IV consultation report, would be more appropriate.

Third, as several Directors mentioned in their gray statements, capital account restrictions do not fall under the jurisdiction of the Fund, and neither should MCPs that are used solely for capital transactions. In this regard, we see that the MCP policy should exclude capital control and other capital flow management measures from potentially being regarded as official actions that would need to be removed in case an MCP arises. This would provide more consistency between the MCP policy and the Institutional View.

We also call for the review of the policy on exchange restrictions in light of the proposed changes in the MCP policy.

Fourth, replacing the current 2 percentage rule with a country-specific market-based norm and/or tolerance will put staff in the right direction. However, as many other Directors also mentioned in the previous meetings in 2018-2019, we consider it too stringent to focus only on a single deviation from the permissible spread. It is difficult to see how a single minor deviation alone can lead to distortionary practices in exchange systems and unfair trade competition, which are the main concerns of the MCP policy.

To ensure that the methodology is well-targeted and captures significant deviations, frequency and materiality should also play important roles in the determination of MCPs. While we can go along with the proposed

country-specific, market-based norm and tolerance buffer in this review, we urge staff to conduct future research and consider possible refinements in the next review.

Lastly, we fully support a review of the new MCP policy in five years' time. We would also urge the next review to cover more issues that would affect the MCP policy, such as the proliferation of sanctions and anti-sanctions, and the rise of digital currencies.

*Ms. Lim:*

Let me start by thanking staff for the comprehensive reviews and written responses to our questions. I will limit my intervention to just two points. First, like many Directors, we appreciate the new methodology to identify MCPs that is more market based and country specific. However, when it comes to operationalizing the policy, we echo Ms. Mannathoko on the need to articulate how best to utilize the new Integrated Policy Framework and updated Institutional View to provide advice in the face of shocks or temporary FX shortages and FX volatility, also mentioned by Mr. Saraiva, so as to avoid recourse to MCPs. This is particularly relevant as MCPs mostly arise in the context of low- and middle-income countries, which often have less developed and shallower markets. However, capital and FX markets deepening could take time.

Second, we urge caution in the coverage and communication of MCPs in Article IV consultation reports. Like Mr. Zhang, we are concerned that covering identified MCPs more prominently and extensively might do more harm than good. As the revised MCP policy is not yet well-understood by the public, it could eventually cause reputational risks to the authorities, adding complications to the policy tradeoffs they are already facing.

A more appropriate approach is for the Fund to first communicate clearly to the public the Fund's rationale and thinking behind the new MCP policy. Issuing the Guidance Note early would help country teams expedite the outreach to the authorities. With all relevant stakeholders having an accurate understanding of the policy, coverage of MCPs and staff reports should have minimal and internal consequences and be most beneficial to the member countries in the longer term.

*Mr. Pösö:*

We thank staff for this review and believe that the proposed changes will ensure that the policy continues to serve the membership effectively, is well aligned with other Fund policies, and deters distortionary practices in FX markets.

We welcome the focus of the reform on official actions that de facto segment the FX market. These include the exclusion of the concept of potentiality and the new methodology for permissible FX spread, which will help improve accuracy and decrease the scope for arbitrariness.

On the more controversial issue of MCP approval for non-balance of payments reasons, we are among the chairs that have supported staff's 2019 proposal to eliminate such approvals to better align approval of MCPs and exchange restrictions. I do, however, acknowledge the arguments from several of my colleagues, including Ms. Lim, Mr. Moreno, and Mr. Bevilaqua regarding the flexibility that MCPs can provide in maintaining macroeconomic and financial stability in a second-best environment.

I also welcome the two additional conditions that would be added to guard against the unwarranted use of MCPs and can therefore go along with retaining the possibility to approve MCPs maintained for non-balance of payments reasons in limited circumstances. It will be critical that these conditions are applied strictly, and that compliance is carefully monitored, and we take note of staff's answers to our questions about the assessment of a credible exit strategy.

Finally, on the remedial framework, I support everything Ms. Shortino and Mr. Tanaka said on this issue.

*Mr. Huh:*

Many thanks to staff for a comprehensive paper on the MCP policy and active outreach. As we support the main thrust of the proposed reforms under the MCP policy in our gray statement, I want to limit my intervention to two points for emphasis.

First, we continue to support the refined concept of official action, the new methodology for assessing MCPs, and the approval policy of MCPs for non-balance of payments reasons in limited circumstances. However, the application of new concepts, such as high-level strategy and market norms,

should carefully consider country-specific circumstances, as many Directors have already highlighted.

The designation of an MCP should be supported by careful explanation of the trading conditions and barriers the authorities are facing. As Mr. Tanaka noted, it should be supported by well-tailored CD and TA, which are well-integrated into surveillance.

Second, we support the traditional arrangement to ensure smooth implementation of the new MCP policy. Like Mr. Jennings and Mr. Andrianarivelo, Mr. Hosseini, and Mr. Chodos in their gray statements, we encourage staff to effectively reach out to concerned authorities with a clear communication strategy.

*Mr. Sylla:*

Let me make three points in addition to our detailed gray statement. We welcome the refined proposals on the approval of MCPs maintained for non-balance of payments reasons.

Like Mr. Bevilaqua and other Directors, we are of the view that some of these measures may be helpful in increasing tax revenue to offer temporary relief and support fiscal sustainability during their time, especially in some emerging market economies.

The possibility to approve such policies should be retained along with reliable safeguards to prevent misuse and ensure a firm commitment to a smooth and effective strategy within a reasonable time frame.

We support the clarification of the scope of official action, which now focuses on action that segments the foreign exchange market as opposed to the concept of potential market segmentation that is unclear and therefore should be excluded.

Finally, we agree that the Fund should continue its current cooperative approach to addressing noncompliance instead of introducing a remedial framework. The Fund should continue to use its traditional tools and the instruments to urge noncomplying members to eliminate unapproved MCPs and support reforms through CD.

Like Mr. Massourakis, we would appreciate that this cooperative approach be coupled with increased coverage and transparency during certain missions and staff reports.

Finally, as we are in the review process, I would like to conclude by inviting staff to further explore the potential impact of the development of cryptocurrencies on the MCPs.

*Mr. Just:*

I could not agree more with Mr. Ronicle that this review is complex, the topics arcane, but the decision has been long awaited. The matters concerned are at the core of the Fund's mandate since MCPs—and closely link to them, exchange restrictions—are distinctly a concept under the Articles of Agreement. We have come a long way to accommodate specific interests, but this should not crowd out the premise that the overarching objective of the policy is to phase out MCPs.

Focused guidance for staff as well as a better understanding of the Fund's views and policies by the member countries are required. With the developing Integrated Policy Framework and an incomplete alignment between trade restrictions and MCP policies, we should be clear where the Fund stands. We encourage reconsideration of the decision to exclude illegal parallel markets from the MCPs. It should not be misinterpreted as the Fund turning a blind eye to an important distortion in the economic mechanism. Overall, a malfunctioning FX market is often a symptom of deeply-entrenched fundamental distortions. There is no silver bullet to address them, but they need to be addressed.

Synergies between targeted TA and surveillance of conditionality in the upper credit tranche cases should in short yield lasting results. Strengthening a cooperative approach by increasing transparency and accountability is the right step, which we fully support.

As eliminating exchange restrictions and MCPs plays a critical role in fostering dollarization, today's fragmentation may give rise to new phenomena, undermining orderly exchange arrangements, inflicting a significant wealth of damages.

The Integrated Policy Framework, the Institutional View, and the MCP, in extremis could contribute to make fragmentation Fund-endorsed and undermine Article I. We encourage staff to closely monitor emerging

developments in the global financial system and brief the Executive Board in a timely manner.

Last, we support the proposed decision.

*Mr. Guerra:*

As we expressed in our gray statement, we considered that the proposed changes provide positive steps in the right direction, and will offer a more focused surveillance on the Fund's policy on MCPs. Although the pandemic disrupted our work, staff has rightly seized the opportunity to increase the value added of this review by also linking with our recent work on the Institutional View.

There are two aspects that we believe are important to consider. The first one is that our policies to deal with the measures that can manage FX markets cannot succeed if there is not a broader strategy to help countries assign alternative policies and develop these markets in place. Our mandate on MCPs rests on the concept that by allowing an efficient FX market, trade and growth increase, so with every Board approval of a temporary MCP, the Fund should be sure to engage with the authorities with a substantive strategy to support the development of their FX market with capacity building and the necessary policies to lessen the need to embark on MCPs in the future. In many cases, this will take time and will need flexibility, so we believe this should be the cornerstone of our strategy to help member countries lessen the need for remedial measures.

In a nutshell, our responsibility does not stop with the identification of MCPs but in laying the path for the best policy alternative for member countries and increasing their capacity to adapt to the rapid developments in cross-border payments.

My second point is on implementation. For countries deemed to be able to make a timely outreach to the membership, we need to have the detailed Guidance Note with sufficient time, a point made by Ms. Lim.

In this regard, ensuring that a clear communication strategy is developed will be necessary to have timely and effective discussion with the authorities on the policy changes. In this respect, country teams will play an essential role.

On the authorities' side, systems will have to be adopted to follow up with the new policy. We are certain that many questions will arise from the implementation of the one-day rule from the legal perspective and the use of non-deliverable forwards on central bank agreements.

Finally, we should make sure that our policy implementation and recommendations on MCPs are consistent with our carefully drafted criteria for the central bank transparency code on FX operations.

I will end by thanking the whole team for their diligent, efficient work during difficult circumstances. This is an important topic and the team excelled in analytical rigor and with patience answered our questions and adopted the framework to catch up with other policy developments.

*Mr. Chodos:*

We issued a gray statement. I want to concur with most of the remarks of Mr. Saraiva and his analysis, and Mr. Guerra and his general framework view. I would like to make one point for emphasis that is more conceptual than anything else. MCPs began at the start of Bretton Woods with a focus on addressing the issue of competitive or anticompetitive advantages, and it was very much related with trade, advantages or disadvantages.

In time, MCPs have ended up being a tool to address both a balance of payment crisis and financial stability. Now we have an instrument that is more perceived as having some uses for preventing balance of payments crises or at least curtailing them, fostering financial stability but at the same time having the risk of generating unfair advantages in terms of trade. That is why the work has been so meaningful and so difficult an area to find equilibrium, with all of these aspects and dimensions.

We go along with the work of staff. We praise it, but going forward, the flexibility that our colleagues were explaining often has to do with the granularity of these measures on the ground, because they have multilayered dimensions. The best service we can do is not to neglect the fact that it has so many dimensions and so many paths and it touches upon so many different practices, ranging from trade, trade trends, trade balances, into balance of payments stability, into financial stability. This is a very good step going forward, and we raise the fact that we need to keep this multidimensional issue in sight when we advance further in this area.

*Mr. Peter:*

Many thanks to staff for their hard work during several years to bring this set of consensus reform proposals on a complex and arcane topic to the Board today. I want to add three comments to what we have written in our gray statement. First, like most Directors, we want to emphasize that MCPs applying solely to capital transactions should not fall within the scope of Article VIII, Section 3. As capital account restrictions do not fall under the jurisdiction of the Fund, neither should MCPs solely for capital transactions.

Second, like Mr. Andrianarivelo and other Directors, we stress the importance of proper communication and of ensuring sufficient outreach to member countries on today's changes to the MCP policy. We welcome the proposal to put in place a nine-month transitional period to allow adequate time for member countries to adjust their policies. However, without a proper outreach, these nine months might not be enough for country members to adopt to a new MCP policy. Thus, I would like to ask staff to pay special attention to implementing the outreach strategy in a country-tailored way and together with the country teams deliver the essence of the changes to the MCP policy to the member countries. This outreach aspect is very important for our constituency.

Third, I want to associate myself with the points made by Mr. Ronicle on process.

*Mr. Potapov:*

We welcome the comprehensive review of the Fund's policy on MCPs. We issued a detailed gray statement and broadly support staff's proposals. Today we will limit ourselves to a few points.

We agree with the refined concept of official action; elimination of potentiality significantly clarifies its scope. At the same time, we also want to support Mr. Zhang's comment on the necessity to carefully apply the concept of official action.

We agree that the Fund should continue its cooperative approach to address noncompliance. It would be appropriate to urge members to eliminate unsupported MCPs and promote the use of alternative policies, including through surveillance and TA. We are not convinced that sanctions could be helpful, at least at this stage of development.

Finally, we welcome a shift to a five-year review cycle. The rapidly rising role of digital currencies could justify even a shorter time period. A midpoint Board discussion in this context could be helpful.

*Ms. Mannathoko:*

I would like to express our appreciation to staff. We know that significant work went into this review, and a lot of consultation as well. We are also appreciative of the efforts to recognize some of the complexities in under-developed markets and try and adjust the policy, so as not to penalize countries when they have not really done MCPs.

Like others, we believe that a cooperative approach to addressing this is the best way to go. Alongside this, the Fund should help member countries with CD and TA, especially those with less-developed FX markets. I was wondering—because some of my fellow Directors were asking about best practices instead of removing MCPs—whether there is scope to have cross-country or cross-region workshops for countries with MCPs under different categories—whether it is spreads with parallel markets or resorting to defending rates for different transactions, or if it is in the FX auction. Whatever the category, it would be useful to have workshops with those countries to highlight the experiences of others who have transitioned out of MCPs and how they dealt with particular complexities, a type of peer sharing.

*The staff representative from the Monetary and Capital Markets Department (Ms. Ivanics):*

I thank the Directors for their useful comments and inputs that we received not only during this Board meeting and in the gray statements, but also before that in our previous interactions. They were extremely helpful in formulating the new policy. I would like to focus on just one aspect, which has been raised by many Directors, and that is the importance of CD in making sure that prolonged MCPs are eliminated and also that the new MCPs arise less than previously.

We fully share your views that MCPs are typically a result of complex economic issues, and apart from the few MCPs which we tried to eliminate—the ones that arise from multiple price auctions and so on—most of them require significant macroeconomic or structural policy reforms to get eliminated. Therefore, it is extremely important that the country teamwork with experts on the particular topics—on market development, on FX market organization—to help countries to put in place those reforms to help them exit

from the MCP. We are fully aware of it and our CD work until now has helped countries to exit the MCPs, but going forward, we will focus even more on that.

We also fully agree with the comments on the importance of outreach. It is extremely important that country teams and the authorities understand the features of the new policy because that will help them adopt the new policy. We will definitely have an outreach strategy that is country tailored and that focuses primarily on the countries that currently have MCPs and where we need the most help in adjusting to the requirements of the new policy.

*The staff representative from the Strategy, Policy, and Review Department (Ms. Sheridan):*

I thank Directors for the useful comments and questions this morning and in your gray statements and also during previous interactions. We thank Directors for the comments and suggestions, particularly with regard to the Guidance Note, and also on the importance of maintaining an economic focus in the Guidance Note on the implications of the MCPs. We will also continue to provide CD to the membership to support market development toward the elimination of MCPs.

Several Directors have mentioned the possibility of the review of the exchange restrictions policy. Staff does see merit in a review, but the precise timing would depend on the competing priorities in the Board Work Program.

We also take note of Directors' comments and suggestions for the next review of the MCP policy within the next five years.

*The staff representative from the Legal Department (Ms. Rendak):*

I thank the Board for the constructive and useful contributions to this review, which allowed us to bring it to completion today. I have not heard any specific legal questions in this meeting. We responded to some questions in our written responses, but we would take on board all of your useful thoughts and suggestions, and we will think about them as we gain experience with implementing this new policy. We will prioritize work on the Guidance Note and on the extensive outreach to the membership, and we hope that we can count on your help on this.

*The Acting Chair (Ms. Gopinath):*

I also want to note the comments that were put in the chat by Mr. Massourakis, who wants to recognize staff's efforts to provide an updated list of MCPs, as requested by many Directors, and he thanks staff for that. Mr. Saraiva mentions that he agrees with Mr. Zhang on the issue of single deviation. Ms. Mannathoko said it is good that guidance notes will also be made available to the authorities.

I thank all the Directors for their thoughtful and succinct interventions today and more broadly for their patience and views and insights throughout the review process. Today's adoption of a new policy in such a critical area would not have been possible without broad support and cooperation within the membership.

Let me set out the next steps. As is clear from the staff paper, while we have adopted a new MCP policy, it does not enter into effect immediately. Rather, with limited exceptions set out in the staff paper, the decision will only take effect in nine months' time, which is April 2023. This delayed effectiveness will give time for outreach between staff and your authorities, something all of you have also recognized as needed, so that everybody is familiar with the new policy and understands its implications. It will also allow staff to prepare the operational guidance that will guide implementation of the new policy.

Finally, it will give time to establish the monitoring systems that underlie our new policy.

*The Acting Chair (Ms. Gopinath) adjourned the discussion.*

## **ANNEX**

- Gray Statements
- Staff's Responses to Executive Directors' Technical Questions
- Constituency Codes

**Statement by Mr. Andrianarivelo, Mr. Sylla, and Mrs. Bah on Review of the Fund's  
Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for their comprehensive review aiming at adapting the Fund's Policy on Multiple Currency Practices (MCP) to the evolving foreign exchange markets and address the operational challenges which have emerged since the last review in 1981.e. We consider that the Board's recommendations in 2019 have been substantially reflected in the new MCP reform proposals, we therefore support these proposals. Therefore, we broadly support the amendments made by the staff.

**We welcome the refined proposals on the approval of MCPs maintained for non-BOP reasons as well as the enhanced cooperative framework for addressing unapproved MCPs.** We recognize that MCPs maintained for non-BOP reasons may impose heavy constraints on consumers and distort trade in the long run. However, authorities, notably in some EMDEs often resort to them to address macroeconomic instability, limit speculation against their currencies and spare their scarce foreign currency reserves for high priority transactions. We are of the view that the possibility to approve such policies should be retained, coupled with reliable safeguards to prevent abuse. To this end, the existing criteria together with the two proposed additional conditions including the firm commitment to a smooth exit strategy within an appropriate timeframe would be helpful to guarantee reasonable use of MCPs for non-BOP reasons. However, while MCPs should be temporary, the implementation of the exit strategy should be carefully planned to avoid harmful adverse effects of a hastened elimination on fragile economies. *Staff's insights of successful exits from MCPs among membership would be appreciated.* As for the condition that the MCP does not constitute an exchange restriction- second condition for approval, we take note that this has not been an issue in recent years. We also agree that the Fund should continue its current cooperative approach to addressing noncompliance instead of introducing an unnecessary remedial framework. The Fund should continue to use its traditional tools and instruments to urge non-complying members to eliminate unapproved MCPs and support reforms through capacity development. This cooperative approach should be coupled with increased transparency in staff reports.

**We agree that the scope of official action should be clarified to focus on action that actually segments FX markets.** In that respect, we share the view that the concept of "potentiality" should be removed and that, considering the new definition of official action, multiple and single price FX auctions will give rise to MCPs only if they segment the FX market. The criteria proposed for identifying MCPs during FX auctions are relevant and should be effective. We also endorse staff's proposals that official exchange rate calculated based on the preceding day's market rates will not give rise to an MCP and welcome the specific criteria put forward to regulate the process. This allows to account for constraints in some economies, where the authorities are not able to compute market exchange rates before close of business, due to lower capacity and less developed FX markets. As for illegal parallel markets, we broadly agree that they should be removed from the scope of the new MCP policy and should continue to be assessed under the Fund's policy on exchange

restrictions, if necessary. These illegal parallel markets are usually fed by shortages of FX to cover current international transactions. In some instances, they represent the only viable alternative, given insufficient supply in FX in the official market. *Given the importance of informality in some member countries, we would be interested in knowing the potential size and impact of the illegal parallel market across the membership. Staff's comments are welcome.* As for broken cross-rates, we agree that they should not be considered MCPs under the revised MCP policy, given that such practices are currently disappearing from the markets, as they appear to be economically less relevant. Concerning the treatment of exchange taxes and other costs and subsidies imposed by official action, we agree with the proposed adjustments under the new policy. Particularly, we appreciate that the reviewed policy will allow the implementation of the new country-specific market-based methodology to exchange taxes and similar costs and subsidies and will generally apply to mandatory costs and subsidies introduced by official action and closely related to exchange transactions. We also share the view that foreign exchange purchases and sales by the authorities that do not create market segmentation will not be considered.

**We support the new methodology proposed for identifying and eliminating MCPs.** For spot and non-spot transactions, MCPs should be assessed under the new policy using a methodology that is more inclusive of market and country specificities than the current framework and therefore agree with the proposal. We also endorse the processes and modalities proposed for identifying and eliminating MCPs and appreciate that the revised policy is expected to reduce MCP findings considering that FX auctions that conform to best practices will be excluded. We welcome the clarifications on the linkages between the MCP policy and the Institutional View (IV), which should help avoid inconsistencies from their application. In that vein, we take note that, under the reviewed policy, measures that give rise to MCPs and exchange restrictions and which are also considered CFMs because they relate to transactions that are capital in nature but considered as current under the Fund's Articles of Agreement will be assessed only under the criteria for approval under the respective Article VIII policy and will not be assessed for appropriateness under the IV. We take good note that the proposed policy changes would only require limited additional resources once well-established, since new data provision would not be required, and the revised definition of official action is likely to reduce the number of cases to monitor.

**Finally, we agree that transitional arrangements should be introduced to ensure that the new MCP policy is smoothly implemented.** The proposed nine-month transition period for the entry into effect of the new MCP policy is acceptable to us and seems appropriate to provide sufficient time for both members and the Fund to adjust smoothly. The two exceptions to the delayed entry into effect of the new MCP policy proposed by staff are relevant. In fact, we find no objection that the revised definition of official action and the elimination of the provision on broken cross rates become effective immediately upon approval of the new MCP. We encourage the Fund to fully use the transitional period to conduct the needed outreach, design and offer capacity development activities to both staff and membership as warranted. *In this respect, staff's assessment of the potential capacity development needs, if any, is welcome.* We also take note of the status of existing and new MCP findings during the transition period and as of the effective date of the new policy.

*We are of the view that these proposals should be complemented by a clear communication strategy on their implementation by the membership. Staff comments on such a strategy*

*would be appreciated.* Going forward, we call on staff to (i) largely communicate on the new policy upon approval, (ii) ensure ownership by member-countries and (iii) and facilitate transition and the necessary policy adjustments. We encourage staff to pursue their hard work in adapting the Fund's policies to the evolving global environment. To this end, we look forward to more frequent review of Fund policies in general and the MCP in particular.

**Statement by Mr. Massourakis and Ms. Cerami on Review of the Fund's Policy on  
Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

*We thank staff for revising their proposals for reform of the Fund's Policy on Multiple Currencies (MCPs) according to the guidance received by the Board in February 2019 and for the recent helpful technical session in preparation for this Board's formal discussion. We support the new Policy on MCPs and in particular staff's proposals for the areas for which the Board had requested further analysis, namely: the **treatment of MCPs maintained for non-balance of payment (non-BOP) reasons, addressing non-compliance, and ensuring a smooth transition to the new policy.** We provide the following specific remarks.*

- **We agree on the new additional criteria for the approval of MCPs for non-BOP reasons.** We concur that the requirement that MCPs for non-BOP reasons do not constitute foreign exchange (FX) restrictions ensures consistency with the Fund's policy on FX restrictions. However, based on past experience, this requirement does not appear to be binding. We, thus, emphasize that the new condition that the authorities commit to a credible strategy for the removal of the MCPs should be fully met and duly followed up.
- **We support the proposed steps to strengthen the current cooperative approach to address non-compliance.** We welcome the emphasis on increasing transparency and accountability. Moreover, we particularly appreciate the proposed systematic coverage in Article IV consultation reports of the actual or expected economic impact of MCPs, the advice provided to the authorities on their removal, and the authorities' plans regarding the measures. We also support the circulation to the Board of the list of all approved and unapproved MCPs on an annual basis.
- **We agree on the delayed entrance into effect of the new MCP policy to allow members to adjust their policies.** We think that the proposed delay of nine months can provide for adequate adjusting time. We also agree on the proposed exceptions to the delayed entrance into force and on the review of the new MCP policy within five years from the effective date. To facilitate this review, *we see merit in sharing with the Board an updated list of all approved and unapproved MCPs as of the effective date of the new policy.*
- **Finally, we confirm our support on the proposed reforms discussed in February 2019 as summarized in Box 1.** In this regard, we stress the importance that exchange taxes and other costs and subsidies imposed by official action remain within the scope of the new MCP policy. We agree on the new proposals to modify their treatment according to the new country-specific market-based methodology to determine permissible spreads and on the consequent alignment of the policy on foreign exchange restrictions. We thank staff for the helpful Table 1 comparing the treatment of official actions under the current and the new MCP policy.

**Statement by Mr. Huh, Mr. Yoo, Mr. Becker, and Ms. Karl on Review of the Fund's  
Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the comprehensive paper on the Fund's policy on multiple currency practices (MCPs). We welcome the further considerations on the remaining issues after the Board discussions on the preliminary proposals for "*Initial Considerations*" in 2019 as well as a summary of the new MCP policy. This review is overdue given that developments in FX markets and country practices over the past 40 years warrant a rethink of the Fund's approach to MCPs.

**We continue to support the proposals which have already gained widespread Board acceptance in 2019**, including the refined concept of 'official action' and the new methodology for assessing MCPs. We note that the new policy aims to make the MCPs more relevant and aligned with other policies of the Fund.

**We support the staff proposal to retain the possibility to approve MCPs maintained for non-BOP reasons with two additional requirements.** We are of the view that there does not seem to be a compelling rationale to align approval policies for MCPs and exchange restrictions. The current approval criteria are appropriate for MCPs maintained for non-BOP reasons and the two additional requirements for approval would help avoid unwarranted use of MCPs for non-BOP reasons.

**We welcome the proposal to maintain the cooperative approach to addressing noncompliance with some enhancements.** We reiterate that we do not see the case for a remedial framework. Enforcement efforts should be commensurate with the harm that breaches inflict in the local jurisdiction and the global trading system. A cooperative approach would help members find a better policy mix, including through Fund surveillance and technical assistance as well as conditionality in Fund arrangements. While noting that the existing MCP framework has been successful in deterring MCPs over the past few decades, we welcome the additional steps to increase transparency and accountability regarding MCPs, including through expansion of the coverage of MCPs in Article IV consultation reports, and annual updates to the Board. We also agree with staff that the authorities' views should be sought on any new MCP finding for coverage in the Article IV staff report.

**We urge caution in the application of concepts like 'credible strategy' and 'market norms'.** These concepts require careful consideration in a country context. In terms of the 'credible strategy' to dismantle MCPs we support a regular review of progress to ensure

appropriate policies are being implemented. Assessing ‘market norms’ constitutes a challenge given that in many countries foreign exchange transactions are not conducted in deep and liquid markets. We encourage the designation of MCPs to be accompanied by careful explanations of trading conditions and barriers that local authorities might need to overcome. Consequently, we are very supportive of the suggestion that TA and CD will be offered and suggest that this be integrated into regular surveillance.

**We support a transition period of nine months after the board decision to ensure smooth implementation of the new MCP policy.** This arrangement will provide time for members to make necessary adjustments to their policies and for the Fund to prepare new monitoring systems and a guidance note. We also support the immediate application of the revised definition of ‘official action’ as well as the elimination of the provision on broken cross rates.

**Statement by Mr. Bevilaqua, Mr. Saraiva, and Mr. Barroso on Review of the Fund's  
Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the comprehensive report. We broadly support staff's updated proposal to reform the IMF policy on multiple currency practices (MCPs). The revised policy is expected to modernize the institution's policy framework and support best practices in foreign exchange markets.

**We welcome the increased focus and detail of the proposal.** The reform is correctly focused on official actions that *de facto* segment the FX market and create unreasonable deviations in exchange rate spreads. We welcome, in particular, the exclusion of potential segmentation and illegal parallel markets from the scope of the policy and the limitation to MCPs aimed at current account transactions when considering the approval process. The proposed methodology to empirically identify such MCPs is relatively easy to understand and can be applied consistently, while still retaining flexibility to adapt to market realities in member countries. We also take positive note of the progress in the more sensitive items along lines that command broader support in the membership, including the use of MCPs for non-BOP reasons, the status of the current cooperative approach to nonconforming cases, and transition arrangements to the new policy.

**We support staff's proposed framework for approving MCPs maintained primarily for non-BOP reasons.** We have argued in the past in favor of the policy retaining the Board's prerogative to assess and approve such MCPs. The possibility of raising revenue by taxing exchange rate transactions is a handy tool in some jurisdictions and can offer significant support to fiscal sustainability. Ruling out that possibility would unduly constrain the policy space of authorities in a second-best environment. That said, we agree with staff that the measures should ideally be temporary and not impose exchange restrictions.

**We also support maintaining the current cooperative approach in the new framework.** It is important to recognize that the interests of the membership are fully aligned on the medium to the long run in this matter. Indeed, there is a broad common understanding that MCPs, when materially impactful to the economy, tend to be detrimental for trade and investment over the long run, possibly hurting both the countries implementing the policies and their international partners. The cooperative approach to help countries overcome the constraints leading to MCPs is therefore much more preferable than the alternative initially considered of a remedial framework. That said, we see value in staff's proposals to increase transparency and accountability, including with more visible coverage in staff reports of both staff's assessments of the economic impact of the measures and the authorities' views. In any case, the Fund should approach MCPs always from an economic and not a legalistic perspective; and coverage of MCPs in reports should be rich in economic content. In particular, any conditionality directed towards the elimination of MCPs should be

demonstrated to be critical for the program's objectives—an important point to be clearly spelled out in the guidance note.

**The proposed transition arrangements are also broadly appropriate.** We agree that the delayed implementation will give time for the member countries do adjust their policies as necessary and for staff to reach out to the country authorities. In the meantime, we agree that the current policy remain in effect with the two straightforward exceptions, as proposed. We welcome the fact that the new policy will not entail new data provision requirements. We take notice of staff's assessment that only limited additional resources will be needed after the policy is well-established. That said, we call for the review, to be undertaken in five years, to assess whether the workload of the new policy on staff and the authorities is indeed comparable with the current policy.

**Statement by Ms. Mannathoko, Mr. Cham, Mr. Damane, and Ms. Nainda on Review of  
the Fund's Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the succinct report and appreciate the additional work undertaken since the Board's initial consideration in February 2019 of reform proposals for the Fund's policy on Multiple Currency Practices (MCPs). We welcome the discussion and formal adoption at this meeting, of a new Board Decision on MCPs that will give effect to the revisions to the policy that were approved by the Board in 2019, alongside new proposals arising from the additional work undertaken. Attention to detail in the operationalization of the new policy will be important, including ensuring that both staff and member countries adequately understand the policy, with staff facilitating its adoption by providing effective policy options to address FX challenges at hand, without fueling macroeconomic instability.

**Reforms Approved by the Board in February 2019**

**We are pleased that the MCP policy will now focus on actions by authorities that segment FX markets, and will no longer treat illegal parallel markets, FX auctions consistent with best practice, use of rates based on the previous day's market rates, or actions potentially (rather than actually) leading to impermissible spreads, as MCPs.** Furthermore we welcome the redefinition of "permissible spreads" away from reliance on a fixed number to now reflect country-specific market-based norms, considering the effects on spreads of underdeveloped, shallow markets. Use of the range between the highest and lowest exchange rates of the day in the wholesale market as the permissible spread seems a fairer measure, with the 2 percent tolerance margin being applied to this range. We also support analogous treatment of non-spot transactions. *Could staff elaborate on what transitional arrangements were rolled out to help countries adjust their policies to the reforms approved in February 2019, as reflected in that summing up?*

**We note that the policy will continue to cover cases where the authorities' actions directly impact the cost of certain FX transactions in a manner that causes permissible spreads to be exceeded,** including more subtle actions such as informal guidance or moral suasion influencing the exchange rate. *Could staff also comment on how information on such indirect / informal guidance will be gathered to ensure effective, consistent and transparent treatment?*

**As MCPs and FX interventions can reflect reactions in underdeveloped and shallow markets in member countries to FX shortages, the absence of market depth may make these markets particularly vulnerable to large, disruptive shifts in FX demand and supply in the short term.** We thus encourage staff to provide guidance to authorities that helps them to resolve challenges in practice and we hope insights from the April 2022 Africa Regional Economic Outlook Analytical Note can be applied along these lines, including by articulating clearly how best the new Integrated Policy Framework (IPF) and updated Institutional View (IV) on Capital Flows can best be utilized in the face of shocks or temporary FX shortages, to improve policy responses to FX volatility, and avoid recourse to MCPs. Beyond the short-term, of course, measures to enhance the development of capital

and FX markets and strengthen policy transmission will over time reduce the incidence of MCPs, and we encourage continued TA and CD in this regard.

**We note that Fund approval will continue to be required only for MCPs that apply to current transactions with no extension to capital transactions, a position we support.** Temporary MCPs can be important to countries facing macroeconomic instability arising from capital flows or from disruptive tradeoffs between imported inflation and other policy targets. Thus we continue to support MCPs that are instituted for such reasons, especially when they are temporary and pose no harm to other countries. We have expressed the view before that extending MCP Policy restrictions to capital transactions, could constrain efforts to deal with shocks. At the heart of this is the legal interpretation and operational aspects of the Fund's jurisdictions on the subject. Our view is similar to that of the 1956 Committee of Interpretation which reviewed staffs' proposal. We do not see the legal basis that would warrant overriding Article VI Section 3, which grants members leeway to exercise such controls as are necessary to regulate international capital movements, provided this is not done to restrict payments for current transactions. We are also concerned about the linkages that such a proposal introduces between MCPs and capital flow measures (CFMs). In an instance where an MCP might arise from a CFM, requiring Board approval in the midst of a destabilizing event could be problematic.

#### **Further Considerations**

**Rather than prohibiting MCPs for non-BOP reasons, we support strengthening the current policy,** where MCPs can also be temporarily approved for non-BOP reasons, with the approach proposed by staff where this is subject to specified requirements on exit strategies and exchange restrictions. For underdeveloped markets and systems, it is important that cases where the official exchange rate is determined as the average of several previous days' market exchange rates (given the specific FX market conditions), are not penalized. As noted by staff, if the Fund cannot temporarily approve such measures while market development and reform measures play out, they would always give rise to a breach by the member of its obligations under Article VIII, Section 3.

**The role of illicit flows in possibly fueling FX shortages should also not be forgotten, especially now in the digital age.** We note that the issue of CFMs with exchange restrictions often arises from sudden FX shortages that may arise not just from lumpy legal transactions and limited flexibility of the price (exchange rate), but also from transactions reflecting the sizable illicit outflows that leave regions such as SSA each year (far in excess of compensating inflows of ODA). Thus more effective curbs in destination countries against illicit flows and more effective systems for asset retrieval, will also help stem FX shortages and support AML/CFT efforts in source countries where large outflows may stem from illicit financial flows (IFFs). Staff should also be able to explain clearly to authorities if and how they see specific CFMs or exchange restrictions or other policies, reinforcing mechanisms for rent-seeking behavior, if this applies, even as they advise on more efficient mechanisms. *The importance of staff work on measuring and addressing IFFs, including at destination was clearly referenced in the April 2019 IMFC Communiqué. This work is overdue and needs to come to the Board in a timelier manner, given the shortfalls and significant declines seen in ODA over time. Staff comments are welcome.*

**We agree with staff regarding the approach to non-compliance.** A punitive remedial framework to address non-compliance would likely fail to secure voluntary engagement and compliance. We consider that this could damage the Fund's Trusted Adviser role and prove counter-productive, further alienating affected members. We favor a cooperative approach to addressing non-compliance and support staff proposals for increased transparency and discussions with authorities reflected in reports.

### **Next steps**

We support the proposed transitional measures, including the immediate entry into effect of those components of the new MCP policy listed in paragraph 38. *Could staff clarify how outreach on the new MCP policy will be rolled out to member countries during the proposed 9-month window following the approval of the policy? Is it envisaged this rollout will be completed within the 9-month window following the approval of the policy? A fleshed-out proposal of the implementation timeline of the new MCP policy, possibly with an indicative priority list of countries for the phased rollout would be helpful. Could staff also comment on whether the planned guidance note envisages advice on use of short-term current account tools such as FX intervention (in addition to the IPF and IV on capital flows) as alternatives to assist implementation of preferred practices in the face of FX outflow surges and shortages, bearing in mind that the standard approach of simply advising that countries allow destabilizing currency depreciation pressures (uncontrolled), can fuel further instability and macroeconomic losses?*

We also note that staff recommends instituting a five-year cycle for review of the new MCP policy as this will allow sufficient experience with its application to be accumulated. While we view this as appropriately balancing gaining experience with the new policy and keeping abreast of changes in markets, *in view of the acceleration of developments in monetary systems and the FX market, it could be helpful to articulate what sort of conditions would prompt a staff decision for a shorter period for review. Staff comments are welcome. Finally, on Board process, could staff clarify how and when the Board will approve the proposed Decision given that it is only referenced and not included for Board review in the current Board* *paper?*

**Statement by Mr. Pösö and Mr. Slettvag on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the informative paper and welcome the opportunity to review the Fund's policy on multiple currency practices (MCPs). Since the last review in 1981 foreign exchange markets have undergone profound changes and the overall relevance of MCPs in the global economy has declined. Nevertheless, it is important that the MCP policy and its implementation serves the membership effectively, is better aligned with other Fund policies, and deters distortionary practices in FX markets that create unfair competitive advantage and hamper trade and investment.

**We continue to support the key proposals endorsed by the Board in the previous discussion in 2019.** More specifically:

- *Definition of official actions:* **We agree with the clarification on the concept of official actions that focuses primarily on action that segments the FX markets** given that the current interpretation can be considered too broad. We support the proposed criteria for evaluating single- and multiple FX-auctions and the use of official exchange rates with one-day lagged calculation. We accept the exclusion of illegal parallel markets, given that there is no official action involved, but welcome that these will continue to be discussed in Article IV consultations and captured by exchange rate restrictions policy, where applicable. The proposals concerning exchange taxes and other costs and subsidies are broadly appropriate as they provide a degree of certainty.
- *Potentiality and broken cross-rates:* **We support the suggestion to eliminate the concept of potentiality** in the MCP policy to decrease the scope for arbitrariness. We also agree with the elimination of broken cross-rates, given their economic irrelevance.
- *Permissible spreads:* **We support the suggested new methodology for permissible FX spreads** with country-specific and market-based formulas and appropriate tolerance margins. This will be a step toward more accuracy. The approach better reflects market realities in individual countries and respects the principle of even-handedness when applied uniformly across the membership. The use of reputable third-party providers of market exchange rate data is appropriate. We agree that the methodology should also be applicable to the assessment of official action involving a non-spot FX transaction. Additionally, we support the policy for eliminating identified MCPs, which takes into consideration alternative relevant responses or demonstrations by the authorities.

We thank staff for providing further analysis on the three issues on which the Board did not reach a conclusion. We concur with staff's reasoning and offer the following points for emphasis:

- *MCPs maintained for non-BOP reasons:* We would have agreed to eliminating the approval for MCPs maintained for non-BOP reasons in order to better align approval of MCPs and exchange restrictions. However, **we can go along with retaining the possibility to approve MCPs maintained for non-BOP reasons in limited circumstances**, but underline that the conditions for approval should be strict and compliance carefully monitored. *Could staff elaborate on how commitment to a credible strategy would be assessed and how much judgement would be involved?*
- *Addressing noncompliance:* **We accept the continuation of the Fund's current cooperative approach to addressing noncompliance**, with the proposed enhancements to increase transparency and accountability. We would have been open to discuss a carefully balanced remedial framework but given that risks related to noncompliance are addressed with the proposed enhancements and other aspects of the reform, we accept that there is no need for a remedial framework for unapproved MCPs. However, we emphasize the importance of efficient and even-handed use of the Fund's surveillance, technical assistance, and program conditionality to promote elimination of MCPs and efforts of broader FX market reforms.
- *Transitional arrangements:* We appreciate the considerations on how to design transitional arrangements to secure a smooth implementation of new policy. In this vein, **we agree with the delayed entry into effect and support the two exceptions** concerning the definition of official action and the elimination of the provision on broken cross rates. We strongly encourage staff to reach out to relevant country authorities to ensure that the new MCP policy is well understood, given that various aspects of the policy can be fairly detailed and technical.

In the previous discussion we expressed our preference for an interpretation that would allow the MCP policy to be also applied to the capital account. This would have been reasonable, as economic distortions from MCPs on capital transactions can largely correspond to those from MCPs on current transactions. However, we can go along with keeping the current practice in place. **We welcome the clarification to the relationship between MCP policy and the Institutional View (IV)**. In particular, we fully agree that MCPs on capital transactions that are also considered to be capital flow management measures should be assessed under the IV, but also identified as MCPs to ensure transparency.

We acknowledge that the proposed policy changes will likely require limited *additional resources* once well-established but encourage staff to actively search for efficiency gains. We appreciate the clarifications concerning data provision requirements.

**Statement by Ms. Lim, Ms. Wongwaisiriwat, Mr. Azlan Ariff, and Mr. Kurniawan on  
Review of the Fund's Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the comprehensive review of the Fund's Policy on Multiple Currency Practices (MCPs). Given significant changes in foreign exchange markets, the MCP policy should be kept up to date to provide members with relevant policy advice and facilitate continuous efforts in developing foreign exchange markets. **We broadly concur with the thrust of the staff proposals, including those that had secured broad support by the Executive Board when the proposals were last presented in 2019.**

**We support staff's proposal to retain the possibility to approve MCPs maintained for non-BOP reasons, to provide members with the needed flexibility in maintaining macroeconomic and financial stability.** From the report, about half of the 45 MCP cases were maintained for non-BOP reasons as at end-2017, with more than 10 cases due to low levels of market development. Given limited policy buffers in these countries and the fact that FX market development could take time, it makes sense for the Fund's policy to give some room to maneuver. However, as the last update was over five years ago, *we would appreciate it if staff could provide a more recent breakdown of MCP cases that are maintained for both BOP and non-BOP reasons to assist the Board in making an informed assessment based on latest developments.* We also welcome staff's plan to circulate a list of all approved and unapproved MCPs drawn from staff reports on an annual basis.

Since MCPs can lead to economic distortion as discussed thoroughly both in the current review and 2019 Initial Considerations, **we support the two additional requirements as conditions for approval to help guard against unwarranted use.** We stress that the requirement for members to commit to a credible strategy for MCP removal should be implemented with accurate and up-to-date country-specific contexts, to ensure that MCP can be removed without destabilizing the markets. **In the case of noncompliance, we remain supportive of the current cooperative approach, which we see as being more productive than a remedial framework.** Given the multiple shocks and policy challenges already faced by member countries, the goal of MCP policy should be to help countries pursue policy reforms in their foreign exchange systems. In this regard, we encourage continued CD/TA efforts as well as the role of the Fund in suggesting viable policy alternative to countries with less-developed FX markets.

**Finally, we would appreciate more details and practical cases to better illustrate the application of Article VIII and IV frameworks where they could potentially overlap.** We note staff's clarification on the linkage between the MCP policy and the IV that seeks to avoid potential inconsistencies from the application of both the Article VIII policies and the IV. Nevertheless, we would like to see the linkage being explained more clearly in both the IV and MCP guidance notes. As staff proposed that the new MCP policy will become effective nine months following the Board meeting, we are concerned if this would leave

sufficient time for authorities to develop a good understanding of both policies. We therefore see merit in expediting the issuance of both the IV and MCP guidance notes as well as for staff to actively reach out to country authorities after the publication of the Board paper. *Could staff comment on the timelines that we expect to discuss the two guidance notes respectively?*

**Statement by Mr. Ronicle and Mr. Chrimes on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the helpful papers, the proposed decisions circulated this week, and the outreach over several years. We remain of the view that Multiple Currency Practices (MCPs) can distort relative prices and resource allocation, and as staff explain, the MCP policy is an important part of the Fund's legal and policy framework. Given the evolution of foreign exchange markets since the policy was last reviewed in 1981, we are pleased this review – aiming to ensure the policy and its application set the right incentives and are appropriately aligned with other Fund policies – can now be completed, following understandable delays and reprioritization caused by the pandemic. Staff's proposals, including the intended transition period, seem pragmatic. **We therefore support the proposals and completion of the review.**

During the 2019 preliminary discussion, we had argued for escalating remedial measures that would allow for proportional formal action when breaches of the policy occur, rather than the current rather binary step-change between the encouragement approach staff describe and full sanctions as outlined under Article XXVI, Section 2(a). We continue to believe an escalation mechanism would enable more nuanced application of the policy in problematic cases. However, we appreciate that this position does not have sufficiently broad support as things stand. We agree with staff that a more comprehensive remedial framework could be considered at a subsequent review.

**Statement by Mr. Hosseini and Mr. Boostani on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the informative paper and appreciate their time and efforts. We welcome the review and proposed changes to the Multiple Currency Practice (MCP), which takes into account the Executive Board's considerations in February 2019. We are of the view that the proposed reform is in line with the evolution in international foreign exchange market operations in terms of diversity of instruments, complexity of transactions, depth of the markets, and availability of data. Against this background, **we broadly agree with staff's proposed decision** and offer the following points for emphasis.

**We welcome the greater clarity in the concept of official actions** and support the proposals to remove some measures and practices from the coverage of MCPs, notably multi-price exchange auctions designed in accordance with best practice, broken cross-rates, one-day lagged official exchange rates, and illegal parallel market rates.

**The approval of MCPs should continue to apply for both BOP and non-BOP reasons.** We agree that MCPs are distortionary and can lead to misallocation of resources and to adverse externalities. The causality, however, could also work in the opposite direction where external pressures may force countries, especially those with inadequate institutional capacity or external buffers, to resort to MCPs and exchange restrictions for BOP and non-BOP purposes. In developing a clear and transparent Fund policy to identify and address the distortions associated with MCPs, we attach great importance to their materiality and spillover implications as guiding principles. Therefore, we must consider countries' specific circumstances and devote more time and effort in assessing and addressing MCP cases where there are macro-criticality concerns.

**The Fund's long-standing cooperative approach in dealing with members in breach of obligations under the MCP policy has been effective**, and has served the membership well, and should continue. Since an MCP is not the first resort for BOP and non-BOP problems, we see no need for a specific remedial framework. Removal of MCPs needs time and concrete and transparent plans, and it would be more effective if the Fund helps members by providing technical assistance and policy advice under surveillance.

**Communication with the membership is essential to ensuring a smooth transition to the new MCP policy.** We welcome the staff's proposal for the new MCP policy to enter into effect with sufficient delay to provide time for members to adjust their policies. The Fund may further smoothen the transition by preparing guidance on the implementation of the new policy and expedite communication with the authorities to familiarize them with the new framework and explore their technical assistance needs.

**Statement by Mr. Just and Mr. Zaborovskiy on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the informative set of papers and insightful Q&A sessions. In January 2019, we broadly supported the initial proposals of the long-awaited Review of the Fund's Policy on Multiple Currency Practices (MCPs), stressing the importance of further clarifications in some areas, including the approval of MCPs maintained primarily for non-Balance of Payments (non-BOP) reasons. In this regard, we welcome the follow-up paper, reflecting on the issues raised during the 2019 Board meeting, and the proposed decision to establish a new MCP policy as outlined in SM/22/129 Supplement 1. We would like to provide the following comments.

***On the proposed new MCP policy***

**A clear, modern, and operational MCP policy is of the utmost importance against the growing risks of the global economy's fragmentation.** The damaging effects of MCPs and exchange restrictions are well-recognized and documented. We welcome that the Fund continues to adjust its policies and recommendations to the new developments and changing global circumstances to deliver on the underlying purposes, set out in Article I (*the promotion of exchange stability and orderly exchange arrangements in Article I[iii], and the elimination of exchange restrictions which hamper growth of world trade (Article I[iv])*) of the Fund's Articles of Agreement. In our GRAY/19/224, we supported the key MCP policy reform proposals, including a clearer definition of official action, eliminating the concept of potentiality, and setting the permissible spread according to a market-based norm that reflects country circumstances.

**A close alignment of the new MCP policy and the Fund's policy on exchange restrictions should be ensured in surveillance and program work.** As staff highlighted in the Review Papers, member-imposed exchange measures frequently give rise to both MCPs under Article VIII, Section 3, and exchange restrictions under Article VIII, Section 2(a). In this regard, we encourage staff to strengthen the focus on the underlying drivers and interrelationship between MCPs and exchange restrictions in the Fund's surveillance and program documentation. Particularly, this relates to the country cases with long-standing MCPs and illegal parallel markets. *We would like staff to elaborate on when the Fund's exchange restriction policy was last reviewed, and how the new MCP policy would enhance the alignment between the two policies.*

***On the approval of MCPs maintained primarily for non-BOP reasons***

**We support staff's proposal to retain the possibility to approve MCPs maintained primarily for non-BOP reasons in limited circumstances.** As under the current policy, these MCPs should not materially impede the member's BOP adjustment, do not harm the interests of other members, and do not discriminate among members. To guard against the unwarranted use of MCPs for non-BOP reasons, we agree with staff's proposal to add two additional conditions: The member's commitment to a credible strategy for the removal of the measure; and the requirement that the MCP does not constitute an exchange restriction. We encourage staff to closely work with the respective country authorities to support their efforts in eliminating such MCPs in a time-bound manner and addressing the root causes leading to their imposition.

**The enhanced consistency between the Fund's Institutional View (IV) on the Liberalization and Management of Capital Flows and the new MCP policy is welcome.** We note that capital flow management measures (CFMs) that are also MCPs and applicable solely to capital transactions are not subject to Fund approval under Article VIII, but are subject to the IV. At the same time, measures that are both CFMs and also MCPs because they relate to transactions that are capital in nature but considered as current under the Fund's Articles, are assessed solely under Article VIII. This approach eliminates potential inconsistencies that may undermine the coherence of the Fund's policy advice on matters of its jurisdiction and under the IV.

***On addressing non-compliance and ensuring a smooth transition towards the new MCP policy***

**The Fund is well-positioned to advance its cooperative approach to addressing noncompliance with the MCP policy and Article VIII, Section 3.** While at this stage it is premature to develop any remedial framework for non-compliance cases, we agree with staff's proposal to enhance the current cooperative approach by increasing transparency and accountability. We support the proposal to cover identified MCPs more prominently and extensively in Staff Reports, as well as an annual circulation of all approved and unapproved MCPs to the Executive Board for information. Overall, staff's policy recommendations should help the country authorities concerned to eliminate MCPs through implementing sound policies, and developing a well-functioning and liquid FX market. The Fund's provision of substantial TA to the membership on FX market reforms should support this cooperative approach. We note that the Board may always revisit the need for a more comprehensive remedial framework during subsequent reviews of the new MCP policy.

**We support the transitional arrangement outlined in the Review Paper to ensure the smooth implementation of the new MCP policy.** A nine-month delay for the new MCP policy to entry into effect and some transitional provisions allow reasonable time for the membership and staff to prepare for the policy's operationalization. The planned outreach to the membership should help them understand the new policy in full, including with respect to

data provision requirements and the implications of the new methodology, as well as to facilitate policy adjustments to the extent possible and necessary. We note that the new policy does not introduce new data provision requirements, and only limited additional resources are required for the transition period. We look forward to the detailed Guidance Note on the new policy to help country authorities and staff in its implementation, and agree with the proposal to review the MCP policy every five years, or on an as-needed basis.

**Statement by Mr. Buissé and Mr. Grossmann-Wirth on Review of the Fund's Policy on  
Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the new report and related decisions on reforming the IMF's policy on multiple currency practices (MCPs). We consider that staff did an excellent job in addressing the 2019 Board requests and found the right balance with this proposal; we hence support all proposed decisions. In particular:

**We support the refined proposal on the approval of MCPs maintained for non-BOP reasons.** The support that the possibility to approve MCPs for non-BOP reasons will be maintained in limited circumstances, *i.e.* if the existing criteria for temporary approval for non-BOP reasons are met and i. the member commits to a credible strategy for the removal of the measure, and ii. the MCP does not constitute an exchange restriction. This should accommodate the concerns expressed by some Directors while still guard against unwarranted use of MCPs for non-BOP reasons.

**We support the proposed new enhanced cooperative framework for addressing unapproved MCPs.** We share staff's view that a remedial framework for unapproved MCPs doesn't seem necessary at the current juncture, but that compliance with MCP policy and Article VIII section 3 can be promoted by i. more transparent coverage of MCPs in staff reports, ii. urging members with unapproved MCPs to eliminate them, iii. technical assistance on the elimination of MCPs and associated broader FX market reforms, iv. continued monitoring on the non-introduction and non-modification of MCPs, as well as specific conditionality directed towards the elimination of MCPs, where warranted, and v. an annual reporting to the Board on current MCPs and their approval status across the membership.

**Besides these new amendments, we also support the other proposals of the new MCP policy already largely discussed and agreed at the 2019 Board meeting.** This includes:

- the clarification on the scope of official action, to focus on action that actually segments FX markets, and the elimination of the concept of "potentiality";
  - the inclusion of foreign exchange auctions to MCPs only if they segment the FX market;
  - the exclusion from MCPs, with conditions, of official exchange rate calculated on the basis of preceding day's market rates;
  - the exclusion from MCPs of illegal parallel markets, but with continued monitoring under the Fund's policy on exchange restrictions;
  - the exclusion of "broken cross rates", *i.e.* midpoint spot exchange rates for other members' currencies, which have almost disappeared;
  - the refinement in the treatment of exchange taxes and other costs and subsidies imposed by official actions;

- the exclusion of foreign exchange purchases and sales by the authorities that do not create market segmentation, but the assessment of FX transactions conducted through the use of earmarked transactions;
- the new methodology of MCPs identification, designed to be more market based and country specific than the current framework;
- the link with capital transactions and the institutional view, with an approval based on MCPs that apply to current transactions and welcome amendments to the articulation between MCPs policy and the IV;
- limited additional resources and data needs, once policy is well established;
- transitional arrangements to ensure the smooth implementation of the proposal, *via* a 9-month delay following the Board meeting, with some exceptions regarding the exclusion from the MCP definition (one-day lag, foreign exchange auctions amendments, illegal parallel markets, elimination of broken cross rates).

**Statement by Mr. Jennings, Mr. O'Brolchain, and Ms. Cunningham on Review of the  
Fund's Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for their clear report and constructive outreach on the update to the Fund's review of Multicurrency Practices (MCP). This update to the Fund's policy on MCPs is to better reflect the evolution of exchange rate markets and operational challenges since the previous review in 1981. The Board discussed an earlier MCP Review with proposed changes to the MCP policy in 2019 but incorporating Board requests and finalization was delayed due to the pandemic. We consider that this MCP Review adequately incorporates the Board's recommendations from 2019 and its proposals are appropriate. We therefore support the proposed decision and offer a few specific comments.

**We continue to support the key proposals that the Board supported in 2019.** In particular, we strongly support the core principle of the current MCP policy that official actions should not cause unreasonable deviations in exchange rate spreads compared to normal costs and risks. We also continue to agree with eliminating the potentiality and refocusing the MCP on official actions that result in an *actual* (rather than potential) exchange rate spread exceeding the allowable margins. We further agree with replacing the two-percent rule with country-specific, market-based norms and tolerance margins. We remain concerned about excluding illegal parallel exchange markets from the definition of MCPs and continue to stress that authorities take measures to eliminate them. In this context, we welcome staff's plan to increase monitoring of exchange rate restrictions in Fund surveillance.

**We appreciate the clarifications in the report on the interactions between MCP policy and the Institutional View on Capital Flows (IV).**

**On compliance and remediation, we support continuing with the cooperative approach, and we welcome the enhancements under the proposed decision.** We agree that compliance should be promoted via a range of tools such as increased monitoring and surveillance of MCPs, more transparency, and reporting on MCPs—including reports to the Board. We also support urging members to eliminate unapproved MCPs and technical assistance for eliminating MCPs and broader foreign exchange (FX) reforms, along with conditionality related to MCP elimination, where warranted. In the case of an MCP policy breach, we agree that the Fund can grant a temporary approval for MCPs under some circumstances, as outlined in the decision. We welcome the additional requirement that the member must commit to a credible strategy for removal of non-balance of payments MCPs where the Fund has granted a temporary approval.

**We concur with staff's proposal to have the decision come into effect in nine months following the Board approval and to review the MCP policy every five years.** It is

important that members have sufficient time to adjust their policies. Clear communications and outreach will play a crucial role in a smooth transition to the revised MCP policy. In this regard, we look forward to guidance notes that will help countries understand the revised MCP policy and requirements, as well as assist staff with its effective implementation.

**Statement by Mr. Zhang, Mr. Bai, and Mr. Law on Review of the Fund's Policy on  
Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the comprehensive report and engagement with our office. We welcome the opportunity to review the Fund's policy on Multiple Currency Practices (MCPs), as there have been substantial changes in the foreign exchange markets since the last review in 1981. The MCP remains largely a useful tool to protect against a re-emergence of exchange practices that undermine trade and investment. While we broadly agree with the reform proposals, staff could have better considered market realities and country-specific circumstances in certain areas. We would like to highlight the following areas for emphasis.

**MCPs were a frequent feature of members' FX systems in the early history of the Fund, but their use dropped significantly through the early 1980s. However, the MCP policy still has its usefulness in some ways, especially under the current environment.** The MCP policy has provided a strong deterrent against the emergence of distortive exchange practices that undermine trade and investment. The prohibition of MCPs was part of a larger effort by the Fund to eliminate restrictions on current international payments and transfers after the destructive trade wars of the 1930s. Given the more uncertain trade environment in recent years, the MCP policy remains generally useful and relevant.

**We broadly support the clarification of the concept of "official action" to focus on measures that segment FX markets, with a few caveats.** We generally support a narrower interpretation of "official action" and agree that the focus of "official action" should be on actions that lead to differentiated exchange rates available only for select participants or transactions. As staff noted in a background paper during the last Board meeting on this subject in 2019, the authorities would need to act "positively" in such a way as to give rise to a spread between the buying and selling rates for FX transactions for an MCP to arise. We stress that such "official action" should be specific and also reversible. Staff would also need to articulate the alternative policies available to the authorities.

**More specifically, we consider that dual or multiple FX markets in a member's territory should not be considered an "official action" under certain circumstances.** In some cases, dual or multiple FX markets in a member's territory are under separate jurisdictions and the flow of capital and trade among these jurisdictions are subject to restrictions. For example, the "One Country, Two Systems" formula has resulted in more than one jurisdiction under China's territory. The onshore (CNY) and offshore (CNH) renminbi markets are separate markets well-understood by market participants. Mainland China, Hong Kong SAR, and Macao SAR are different jurisdictions, particularly with

different customs areas and independent monetary authorities. Since the primary purpose of the MCP policy is to deter distortionary practices in exchange systems and unfair trade competition, we find it difficult to understand the economic rationale in applying the MCP policy to such cases. We also do not consider that there is an “official action” in the CNY-CN market, as CNH is available to all market participants outside Mainland China, not just “a specific intermediary and/or end-user or a limited group of intermediaries and/or end-users and/or for a limited range of purposes” (per para. 13 of the paper). We urge staff to apply judgement and consider country-specific circumstances when implementing the MCP policy.

**We welcome the elimination of the concept of potentiality.** Whether an “official action” has the potential to give rise to an impermissible spread is highly subjective, and we agree that the MCP policy should focus on “official actions” based on actual deviations of exchange rates. This would allow staff to focus on a smaller number of cases. We take positive note that overtime this should mean fewer resources will be required for the assessment of MCPs. *We invite staff to clarify whether the existing “commitments” by relevant authorities, which were made in reference to the “potentiality,” should not be needed anymore.*

**We maintain the view that capital transactions do not fall under the jurisdiction of the MCP policy. In this regard, capital controls should also be explicitly excluded as possible “official actions.”** More generally, we would have preferred that capital flow management measures (CFMs) be assessed under the Institutional View (IV) on the Liberalization and Management of Capital Flows. The recently revised IV reiterated that the Fund has limited jurisdiction over capital account restrictions and there is no presumption that full liberalization is an appropriate goal for all countries at all times. If capital controls were considered “official actions,” authorities may be required to eliminate them to satisfy the MCP, and this would create inconsistencies with the IV and would be beyond the Fund’s jurisdictions. *Staff’s comments are welcome.*

**We broadly support staff’s proposals on removing illegal parallel markets from the scope of the MCP policy.** This should, however, be based on the premise that there are reasonable efforts by country authorities to eliminate such markets. The current proposal may create perverse incentives for the authorities not to eliminate the illegal parallel markets, as a *legal* parallel market would be subject to the MCP policy. *Could staff explain how this would be addressed?*

**Replacing the current “two percent rule” with a country-specific market-based norm and a tolerance buffer is a step in the right direction.** Given that the new proposal would effectively allow a four percent spread, we wonder whether it would be more straightforward to apply a simple “four percent rule” instead. *Staff’s views are welcome.* Moreover, we

remain not fully convinced that a single deviation from the permissible spread alone should constitute an MCP. To ensure that the methodology is well-targeted and captures significant deviations, frequency and materiality should also play important roles in the determination of MCPs. While we can support the proposed country-specific market-based norm and a tolerance buffer in this review, we suggest staff to conduct future research and consider possible refinements in the next review.

**We support the three ways to eliminate an identified MCP.** Eliminating the official action that gave rise to the MCP would logically be the best remedy, but we appreciate the flexibility provided by the other two ways to eliminate MCPs. Given that the “two percent rule” would now be replaced, *could staff clarify whether the existing “commitments” by relevant authorities, which were made in reference to the “two percent rules,” would remain effective?* We consider the introduction of an observation period of 12 months a good starting point but suggest staff to consider the merits of shortening it in the next review.

**We agree with the proposal to retain the possibility to approve MCPs maintained primarily for non-BOP reasons in limited circumstances.** The additional conditions for approval provide appropriate safeguard against unwarranted use of MCPs for non-BOP reasons. However, since maintaining MCPs for non-BOP reasons has becoming increasingly rare, the focus of MCP policy should be more on BOP reasons going forward. The Fund should also review the policy on exchange restrictions in light of the proposed changes in the MCP policy.

**We take positive note that there will be no formal remedial framework for unapproved MCPs.** Preserving the current cooperative approach remains the right way to address noncompliance. Regarding the proposed new tools to improve compliance, while we understand staff’s good intention to improve transparency and accountability, covering identified MCPs more prominently and extensively in staff reports would inadvertently cause reputational risks to the authorities, especially given that the MCP policy is not easily understood by the public. We therefore consider that the current practice of including the information in the Informational Annex would be more appropriate. Instead of simply stating the existence of a MCP, staff should more clearly articulate the concerns posed by a MCP in individual cases to increase public understanding of the MCP policy. Moreover, we understand that it is ultimately the Board that decides whether an MCP exists. *We would appreciate staff’s clarification on the specific procedures for the Board to make the decision.*

**We fully support a review of the new MCP policy within a period of five years.** Having periodic reviews of major Fund policies is important to ensure that the policies remain current in the rapidly changing environment. It is hardly a good practice to leave an important policy undiscussed for four decades. In the past few years alone, the proliferation

of sanctions and the adoption of cryptocurrencies as legal tenders by some countries already pose new questions to the MCP policy, and we expect these two areas to be discussed in the next review.

**We suggest staff to circulate the draft guidance note for the Board’s comments**—and not just for information—to ensure that the Board’s and staff’s interpretations are aligned. Given that this paper did not specify how the new MCP policy would impact individual members, we look forward to staff’s further outreach with the authorities.

**Statement by Mr. Chodos, Mr. Herrera, Mr. Lischinsky, and Ms. Bustillo on Review of  
the Fund's Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the comprehensive set of papers and the proposals to review the Fund's Policy on Multiple Currency Practices (MCPs). We fully support this review of the MCP policy to make its application more effective, and to address developments in foreign exchange markets and other operational issues in its implementation. In this regard, we take positive note that the review builds on preliminary proposals considered by the Executive Board in 2019. **We broadly support staff's proposed reform of the MCP policy, as far as its implementation does not induce macroeconomic, financial or balance of payment (BOP) instability, and offer the following comments.**

**We remain of the view that an MCP policy is relevant to the Fund's mandate.** MCPs can distort the allocation of resources and create unfair trade advantages between countries, which may hinder the development of international trade. We highlight that, as noted by staff in the 2018 Background paper, if an MCP is maintained by a country in accordance with its obligations under the IMF Articles of Agreement, it would not be subject to discipline under the World Trade Organization (WTO) framework. *We would appreciate staff's elaboration on the relationship of the proposed policy with the legal framework of the WTO.* The use of the MCPs for purposes unrelated to the BOP should be discouraged and replaced by more adequate tools. However, we acknowledge different views on this topic, and **can go along with staff's proposal to strengthen the existing approval criteria which could help guard against unwarranted use of MCPs for non-BOP reasons.**

**We see merit in the argument that a remedial framework for unapproved MCPs might not be necessary at this juncture given the substantial review of the policy.** We can go along with a more effective and timely cooperative approach to increase transparency and accountability, where a MCP policy breach would be solved through dialogue with the authorities through surveillance, conditionality on lending, policy advice, and technical assistance. We underscore the importance of promoting compliance with the MCP policy and Article VIII, Section 3 through consistent implementation of the broad range of tools proposed by staff.

**We support the proposals that limit the scope of the policy to actions by the authorities that segment the FX market.** This includes clarifying the definition of official action and eliminating potentiality, excluding open multi-price FX auctions, excluding official exchange rates based on one-day lagged market rates, and the removal of the provisions on broken cross-rates. We are also supportive of removing illegal parallel markets from the scope of the MCP policy but consider of utmost importance that any restrictions to channel legal current transactions should continue to be captured under the Fund's policy on exchange restrictions.

**We also support the proposed methodology to identify and eliminate MCPs replacing the current two-percent rule** for permissible spreads for spot and non-spot transactions, and to incorporate a more country-specific market-based norm and a tolerance margin that better reflects market realities. *Regarding the market exchange data that must be provided by third parties, could staff clarify, what is the treatment of exchange rate restrictions and taxes in this data? Are there general definitions on the characteristics of the FX transactions that are used to construct the market*

*exchange rate, or do methodologies or practices vary by currency and/or market, and if so, how will these differences between countries be treated?*

**We believe that MCPs applying solely to the capital account do not represent a breach of obligations and do not need Board approval.** Where MCPs also constitute capital flow management measures, they should be assessed under the Institutional View. *We would appreciate if staff could further elaborate on the proposed two-fold treatment.*

**Finally, we take note of a limited additional resource burden once the policy is well established and that the policy will not introduce new data requirements.** We concur with staff that transitional arrangements are needed towards the application of the new policy to avoid unnecessary disruptions and ensure its smooth implementation. In this regard, we underscore that clear communication and outreach to the membership on the new MCP policy should play a key role.

**Statement by Ms. Shortino, Ms. Medearis, and Mr. Sturm on Review of the Fund's Policy  
on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the report and the technical briefing. We welcome this review of the IMF's policy on Multiple Currency Practices (MCPs), which as staff note is a "cornerstone of the Fund's legal and policy framework for exchange rates." Under the Articles of Agreement, IMF members have an obligation to refrain from engaging in MCPs, and likewise the IMF should ensure that exchange rates reflect underlying macroeconomic fundamentals. MCPs can hamper trade and investment while giving rise to opportunities for corruption. **In this context, we strongly support the proposal to modernize and update the Fund's policy on MCPs and agree with the proposed revisions to the policy.** We have the following comments on the revisions and implementation.

**2019 Proposed Reforms: We broadly support the proposed revisions agreed to by the Board in 2019.** Specifically, we support the introduction of a new method for identifying MCPs for spot transactions through a country-specific market-based norm and tolerance margin, eliminating the concept of potentiality, and re-focusing the policy on official actions that segment the foreign exchange markets. We also reiterate our support on the treatment of illegal parallel markets, but we underscore that such markets can stem from exchange restrictions through official action and urge staff to forcefully engage with the relevant authorities in such cases. *Could staff comment on how broadly they will define "official action" when including more subtle forms such as moral suasion?* Finally, we can go along with the removal of broken cross rates as they have largely disappeared from use.

**Surveillance of exchange restrictions should also remain a cornerstone of Fund surveillance and should be closely aligned with the MCP policy.** As in 2019, we would see benefits to a review of the Fund's policy on exchange restrictions including to ensure that both the MCP and exchange restrictions policies remain well aligned. Further, it would be helpful to consider whether some of the reforms to the MCP policy, particularly those related to transparency and greater emphasis in staff reports, should also be applied to the exchange restrictions policy. *Could staff comment on the utility of a review of the Fund's policy on exchange restrictions and the extent to which the reforms proposed to the MCP policy could also apply to the policy on exchange restrictions?*

We welcome staff's additional work and analysis on issues for further consideration, including non-BOP MCPs, a remedial approach to addressing unapproved MCPs, and implementation of the new MCP policy.

**MCPs for non-BOP reasons: We can support staff's proposal for temporary approval of such MCPs.** While we prefer staff's earlier proposal to better align the exchange restriction and MCP policies by allowing MCPs only in the case of BOP reasons, we can go along with staff's new proposal in light of the additional requirements for a credible strategy for removal of the measures and that the measures not constitute an exchange restriction. It will be critical that staff fully implement these additional requirements, in particular with

regards to evaluating whether a strategy to remove an MCP is credible – particularly for those countries that have repeated use of MCPs for non-BOP purposes.

**Remedial actions: We agree that a cooperative approach is best, but we remain of the view that when cooperation does not yield results a remedial framework may be necessary to maintain the credibility of the Fund.** We welcome staff’s proposal to enhance the current approach to addressing noncompliance by increasing transparency and accountability, including through more prominent and extensive coverage of MCPs in staff reports and an annual report on approved and unapproved MCPs. *Could staff explain what impact they expect this new approach to have on prolonged cases of MCPs?* Noting the benefits of a cooperative approach, we strongly urge staff to use the new policy to initiate robust dialogues and explore opportunities for capacity development with the relevant authorities even ahead of the finalization of a guidance note. We encourage staff to monitor closely the impact of this approach on prolonged cases of MCPs and to return to the Board at the next review of the policy with a proposal for a remedial framework should this approach not have the desired impact of reducing these MCPs.

**Future reviews: We fully support shifting the MCP policy to a five-year review cycle.** Moreover, we would like staff to brief the Board at an appropriate mid-point on implementation of these policies. As part of the next policy review, we ask staff to revisit the issue of extending the MCP policy to capital transactions, as despite the lack of consensus among directors the potential to create economic distortions remains.

**Statement by Mr. Tanaka, Ms. Kashima, Mr. Naka, and Ms. Fukuda on Review of the  
Fund's Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We welcome this opportunity to discuss on multiple currency practices (MCPs) and would like to express gratitude for staff's considerable effort to present detailed analyses and proposals in light of Directors' views at the previous session in 2019. As it has been around 40 years since the last review of MCPs, we have faced significant development and progress in FX markets, including greater experience with flexible exchange rates, substantial deepening and standardization, the development of hedging products and improvements in data availability. Moreover, there are some cases that FX auctions designed in accordance with best practice were classified as MCPs. This background calls for a comprehensive review of the policy, which would be also relevant for the authorities. We can broadly support the thrust of the staff proposal and thus will limit our comments as follows:

***Eliminating Approval of MCPs Maintained for non-BOP Reasons***

**We can support the staff proposal to retain the possibility of temporary approval of MCPs maintained primarily for non-BOP reasons in limited circumstances**, instead of staff's previous proposal to eliminate it. However, at the last board meeting in 2019, we understood that staff explained that the purpose of eliminating MCPs for non-BOP reasons was to address concerns that; (1) operational problems could arise due to the different approval policies of MCPs and exchange restriction, and (2) it would be often more efficient to achieve objectives through other policies rather than introduction of MCPs with non-BOP reasons. *We welcome staff's elaboration on this concern that may arise from the retention of the MCP for non-BOP reason.*

We would like to emphasize that MCPs for non-BOP reasons should only be permissible on a *temporary* basis. The case in which the official exchange rate deviates from the market rate due to low level of FX market development, which the staff has illustrated as a reason to retain approval of MCPs for non-BOP reason, should be addressed in the medium to long term. We also look forward to further consideration by staff to ensure that the additional condition for approval that "the member commits to a credible strategy for the removal of the measure" is firmly in effect.

***Addressing Noncompliance***

Considering country specific circumstances, it is appropriate for the Fund to keep a cooperative approach. Furthermore, we welcome staff's further step to enhance the current cooperative approach to increase transparency and accountability, such as more coverage in the Article IV staff reports and an annual reporting to the Board on current MCPs and their approval status across the membership.

As to a possible remedial framework, we are open to consider establishing a comprehensive remedial framework to address cases of unapproved MCPs or exchange restrictions, if warranted, in the subsequent reviews. We encourage staff's further stocktaking of pros and

cons for establishing a remedial framework to address cases of unapproved MCPs or exchange restrictions.

***Transitional Arrangements***

Regarding operational issues and transitional arrangements, we support the staff's proposals. For a smooth transition to the new MCP policy, it is essential to promote understanding among member countries' authorities. To this end, it is important to work closely with the Area Departments to actively contact authorities to encourage them to address their challenges, and to provide appropriate CDs if needed.

Finally, we strongly welcome staff proposal to having a review of the new MCP policy within a period of five years.

**Joint Statement by Mr. Binzarah, Mr. Mohieldin, Mr. Abdel-Rahman, and Ms. Hamzah  
on Review of the Fund's Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for their work and the informative report. The MCP policy is an important pillar of the Fund's legal and policy framework, yet the policy has not been reviewed since 1981. Therefore, we agree on the need to adapt the policy to the significant changes in foreign exchange markets over the last four decades and to address key operational issues in the implementation. We believe the review adequately reflects Board feedback on the initial proposals and provides a sensible approach to balance the merits of different views where there was disagreement. Against this background, we support the proposed decision and would like to add the following remarks for emphasis.

- **We support staff's sensible proposal to adopt a more concise definition of official action.** We concur that the MCP policy should focus primarily on actions that cause market segmentation. In this context, we agree that foreign exchange auctions, including multi-price auctions, that follow best practices and therefore do not segment the market, illegal parallel markets, as well as 1-day lagged official exchange rates should not give rise to MCPs. Further, we agree that the concept of "potentiality" should be eliminated consistent with the proposed changes so that an MCP would only arise if the official action actually, rather than potentially, gave rise to an MCP. We also view staff's proposal to eliminate broken cross-rates from the focus of MCPs as sensible considering that cases of broken cross-rates are no longer common.
- **We concur that the rigid "two-percent" rule to determine the permissible spread doesn't reflect market realities and differences in the level of market development across the membership.** Therefore, we see merit in staff's proposal to leverage improvements in data availability and develop an alternative methodology that is country-specific and market-based to determine the MCPs permissible spread that would apply for both spot and non-spot transactions. We also welcome the proposed tolerance buffer to focus only on the significant cases of MCPs.
- **We welcome staff's balanced proposal on MCPs maintained for non-BOP reasons.** We note that the proposal allows for some flexibility by retaining the possibility for the Board to temporarily approve MCPs maintained primarily for non-BOP reasons. On the other hand, the proposal strengthens the existing approval criteria to help guard against unwarranted use of MCPs for non-BOP reasons.

- **We reaffirm our support for the cooperative approach to address non-compliance.** We welcome the balanced approach in the proposed decision to address non-compliance which enhances the current cooperative approach. We note that MCPs are on a declining trend and are expected to further decline with the introduction of the revised policy. Here, we particularly emphasize the importance of technical assistance and close engagement with country authorities under Fund-supported programs and surveillance to help address the remaining cases of MCPs. *Could staff provide an updated table (as of end-2021) listing countries with MCPs according to type and highlight the cases that would be eliminated by the implementation of the revised policy?*
- **We positively note that the current practice on capital transactions will remain in place.** We are of the view that MCPs applying solely to capital transactions are not subject to the Fund's jurisdiction under Article VIII, Section 3 and therefore do not represent breach of obligations and do not need approval. In this connection, we welcome the clarifications provided in light of the recent review of the Institutional View on the liberalization and management of capital flows (IV) to confirm that the IV does not alter the Fund's jurisdiction or policies under Article VIII and to avoid potential inconsistencies from the application of both the Article VIII policies and the IV.
- **We agree with the proposed transition period to allow the Fund and the membership to prepare for the operation of the revised policy.** We also concur that elements of the revised definition of official action should apply immediately and the associated MCPs should be considered eliminated. Further, we see merit in staff's proposal for a review of the new MCP policy within five years, once sufficient experience with its application has been accumulated, with subsequent reviews to be conducted every five years or more, as needed. We would be particularly interested to learn in the upcoming review about the experience gained from the application of the new methodology to non-spot transactions.
- **Finally, we underscore the importance of early and thorough outreach to country authorities to explain the new policy.** Such outreach is vital for the successful rollout of the new policy in view of the level of technical details and nuances involved. In this connection, we are encouraged to note that staff are mindful of the need to reach out to the authorities to ensure that the implications of the new methodology are well understood and to facilitate policy adjustments to the extent necessary. We also take note of staff's plan to liaise with country teams during the transition period to provide them with necessary guidance on the implications of the new policy.

**Statement by Mr. Moreno, Mr. Guerra, Mr. Romero Tarazona, Mr. Cartagena  
Guardado, Ms. Arevalo Arroyo, and Ms. Lankester Campos on Review of the Fund's  
Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for the comprehensive paper on the Review of the Fund's Policy on Multiple Currency Practices (MCP)—Proposals for Reform. As historical developments in foreign exchange markets have shown, mechanisms or policies that hamper prices and restrict access to specific participants in certain markets have resulted in distortions and second-order effects. We believe revamping the outdated 1981 MCP policy framework is necessary in a context where the evolution of financial markets has led authorities to take a more active role in procuring market stability and to innovate on FX intervention mechanisms, including through financial derivatives. Therefore, we welcome that the Review builds on the proposals made by the Board in previous sessions and fully support the need to review the MCP policy. We consider that the staff's proposal provides positive steps in the right direction.

**We welcome the clarification of the scope of “official action” and strongly support removing the concept of “potentiality,” which captures practices that are not distortionary.** We believe the proposal helps elucidate those mechanisms which do not create market segmentation, like well-designed FX auctions, are admissible and should not be classified as MCPs. The MCP policy should be focused on official actions that segment the market and that are anchored on country-specific developments. For this, incorporating a country-specific market-based norm and a tolerance margin that apply uniformly across the membership is an effective way to reflect the market realities of the members through a case-by-case approach, particularly considering the effects on spreads of underdeveloped, shallow markets. We thank staff for the helpful Table 1, comparing the official actions considered under the current and proposed MCP policies. We take note that the revised policy is expected to result in fewer MCP findings. *Could staff provide an updated list of the countries which would be classified under an MCP under the new policy?*

**We support maintaining the cooperative approach to address noncompliance.** Since required reforms take time, we agree with staff that a cooperative approach is more appropriate so countries can take the necessary steps to eliminate unapproved MCPs. We concur that the enhancements to ensure further transparency and accountability, including reporting more consistent information in the staff reports from an economic perspective, will be instrumental for the implementation of the revisited MCP policy.

**We agree with the proposal to retain the approval of MCPs maintained for non-BOP reasons in limited circumstances**, as it gives members flexibility while strengthening the existing criteria. We understand that, given the Fund's long-standing view, the use of FX for non-BOP reasons should be discouraged. However, flexibility should be warranted to give additional space to countries with limited buffers and difficulties in developing an FX market. Nevertheless, we emphasize that it should be ensured that the approval is temporary and that it always requires a credible plan for the removal adjusted to the specific conditions of the member country. Additionally, the measure should not constitute an exchange restriction. As in the case of the IV, care should be taken so as to give countries a road map and institutional support to fully develop the FX market.

**We welcome that the current practice for MCPs applying solely to capital transactions remains unchanged.** In our view, advice on macroprudential policy and capital account regulations should be assessed under the Art. IV consultations in line with the Institutional View. We thus support the clarification between MCP policy and the IV.

**Accuracy in FX data is key.** We welcome the outreach strategy following the publication of the Board paper and decision and believe that proper guidance on the scope and obligation of exchange rate data provision to the Fund should be provided to the membership in a timely manner. We understand that if FX data provided by Bloomberg or Reuters is incorrect, staff could use other providers according to what the authorities and staff define. *Could staff comment if this has happened before? Is it possible to include, during the transition period, a comparison between the FX data published by the third parties and the authorities' official FX in order to determine the cases where other data sources should be considered?*

**Greater clarity on the operational aspects will contribute to the effectiveness of the application of the policy.** A timely delivery of the detailed guidance note that staff will prepare will be instrumental in the implementation of the revisited policy. In this vein, country teams' clear understanding of the framework will be key to ensure that the assessment is evenhanded across countries and that authorities can be briefed on specific aspects of the policy. In particular, we believe that staff should carefully explain to the authorities the exclusion of the remit of the MCPs policy in the case of illegal parallel markets, foreign exchange auctions that conform to best practices, and the use of official exchange rates based on market exchange rates of the previous day, the latter being a common practice in many Latin American countries.

**The proposed transition arrangements seem appropriate.** We believe that nine months allows a smooth implementation of the proposed new MCP policy as it allows the member countries to adjust their policies as necessary and staff to do the outreach. Also, staff must review the current proposal in the medium term in order to define any further changes if

needed. A 5-year revision period seems adequate given the rapid development in FX markets. We support the proposed decision on paragraph 10 that no MCP findings based on broken cross rates will be made during the transition period.

**Statement by Mr. Trabinski, Mr. Peter, and Mr. Abdygulov on Review of the Fund's  
Policy on Multiple Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

**We agree that a review of the policy is warranted, given significant changes in FX markets over the past decades.** Since the MCP policy is part of the Fund's legal and policy framework for exchange rates, it should better reflect market realities in member countries. Thereby, it is important that the policy does not discourage good practices in FX markets and is aligned with the Fund's other policies, while ensuring that it continues to address policy actions not consistent with the obligations set under Article VIII, Section 3.

**We broadly agree with the proposed reforms.** In particular, we continue to strongly support the three key reform proposals for (i) adopting a clearer definition of official action, (ii) eliminating potentiality, and (iii) setting the permissible spread according to a market-based norm that reflects country circumstances. We further welcome the proposal to strengthen the existing criteria for temporary approval of non-BOP MCPs.

**On addressing noncompliance, we also support continuing the current cooperative approach, while increasing transparency and accountability.** A cooperative approach is appropriate in helping countries eliminate unnecessary MCPs, though there is scope to better streamline processes. We welcome the proposals for increasing transparency and accountability along the five dimensions outlined in paragraph 12 of the paper.

**We continue to be of the view that MCPs applying solely to capital transactions do not fall within the scope of Article VIII, Section 3.** As capital account restrictions do not fall under the jurisdiction of the Fund, neither should MCPs solely for capital transactions. We thus support the proposal that such MCPs will not be subject to Fund approval. We also thank staff for clarifying the linkages between the MCP policy and the IV in the staff paper (paragraph 32). Here too, we support staff's proposal (second part of paragraph 32), which conforms to the Articles of Agreement while also considering the economic implications of CFMs.

**A discussion is needed on how to provide technical assistance and policy advice that could help durably address the underlying challenges motivating MCPs.** We look forward to receiving the guidance note and hope that such a discussion will be included.

**Statement by Mr. Potapov and Mr. Biriukov on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

1. We thank staff for the comprehensive review of the Fund's Policy on Multiple Currency Practices (MCP Policy), reflection of the Board's proposals from the February 2019 discussion, and the overall progressive approach to preparation of the reform.
2. **We welcome the opportunity to review the MCP Policy, a cornerstone of the Fund's legal and policy framework for exchange rates.** The reform has been long overdue considering the tremendous FX market developments over the last decades. The core principles of MCP remain valid, yet certain updates are required to maintain the policy relevance.
3. **We broadly support the review of the MCP Policy, including staff's proposals on the refined concept of "official action".** The concept of "potentiality" is controversial and should be eliminated to clarify the scope of official action. That said, MCP should only arise if official action resulted in an actual auction exchange rate exceeding the permissible margin. We also believe that the new methodology to identify MCP is straightforward and accounts for country-specific FX market conditions. It will promote a more constructive dialogue with the membership.
4. **We still see the extension of applicability of the MCP Policy to capital transactions as premature.** MCP applying solely to the capital account should not be considered a breach and be subject to Fund approval. At the same time, we remain open to further discussions of this matter. Moreover, we see merit in the proposed clarification of linkages between the MCP Policy and the Institutional View (IV).
5. **Staff's proposal to retain the possibility to approve MCP maintained primarily for non-BOP reasons in limited circumstances has our backing.** Taxation of FX transactions could indeed provide some short-term benefits. Thus, member countries should keep it in their policy toolbox, yet try to limit its usage so as not to hurt long-term growth, distort trade and resource allocation.
6. **We agree that the Fund should continue its current cooperative approach to addressing noncompliance.** It would be appropriate to urge members to eliminate unapproved MCP and promote the usage of alternative policies, including through

surveillance and technical assistance. We are not convinced that sanctions could be helpful in case the member state simply lacks developed FX market and institutions.

**7. Finally, we support putting in place transitional arrangements to provide adequate time for member countries to adjust their policies.** Nine months appear to be enough for outreach to country authorities and for their adaptation to new policies. We take a positive note that the proposed policy changes will require only limited additional resources. The increasing role of digital currencies calls for the next MCP Policy review in around 5 years.

**Statement by Mr. Bhalla and Mr. Goyal on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

1. We thank the staff for a comprehensive paper on Review of Fund Policies on Multiple Currency Practices (MCP). We observe that the Staff is proposing significant improvements over the existing policy and taking forward the discussion undertaken during early 2019. These are welcome as they are in line with the evolving changes in the foreign exchange (FX) markets, the increased spread of flexible exchange rates, the substantial deepening of markets and standardization and the availability of hedging products. The paper also attempts to address several operational issues in the context of policy implementation. We broadly agree with the proposed review of the Fund's MCPs. However, we offer following comments.
2. We welcome the proposal to streamline definition of the 'official action'. Official policies such as FX intervention and FX auctions would not constitute MCPs until and unless they are leading to market segmentation. An official exchange rate calculated on the basis of the preceding day's market will not qualify for MCP. Moreover, MCPs would be assessed, and market spread would be permissible as per country specific conditions and the tolerance buffer rather than one-size-fits-all policy of two percentage points. Also, MCP would only arise if the official action actually leads to rather than merely having a potential for impermissible spreads. Further, more clarity is needed as to how the methodology suggested for non-spot transactions would be applied in practice, if country's financial markets are not developed and there is not much activity in forward, swap and options segments.
3. The removal of the premise that illegal parallel markets are caused by the official action under the proposed new framework is also a desirable step. Illegal parallel markets are caused as much by factors like excess demand for FX, presence of large differentials in charges for remittances of FX between formal and informal channels, restrictions from application of KYC norms, *etc.*, as they are by official action such as rationing or prioritization.
4. We support amendment to the earlier proposal made in 2019 with regard to assessment of MCPs applicable to capital account transactions under Article VIII of IMF's Articles of Agreement. This is in line with the suggestion made by the Board members at that time. Accordingly, MCPs applicable solely to capital transactions

will not be subjected to Fund's approval and would be evaluated under the Institutional View (IV). Our understanding that capital transactions should not be linked with the MCP policy stems from our long-standing opinion that due recognition should be given to pull and push factors in causing volatility in capital flows, particularly in emerging market economies. We are opposed to any framework that constrains the flexibility of recipient countries to respond to shocks without addressing the policies of countries that generate such flows.

5. We also agree with the proposal to retain the current provisions for approving MCPs for non-BOP reasons. However, approval should be accompanied by member's commitment to adopt credible strategy for removal of the MCPs and it may be required that MCP being approved doesn't constitute an exchange restriction. We support the staff intention to confirm the continued comprehensiveness and reliability of data collected from the reputed third-party providers.

6. We agree that the transitional period of nine months (after the Board Meeting) as proposed under the new MCP policy will help the economies adjust their policies.

7. Lastly, we support Staff's view that current cooperative approach to deal with unapproved MCPs may continue.

**Statement by Mr. Hilbers and Mr. Verhelst on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

We thank staff for a thoroughly prepared follow-up to their 2018/2019 papers and welcome the outreach to the OED offices. We overall agree with the proposals from staff and make the following comments for emphasis:

- **We continue to support the proposals for reforming the Multiple Currency Practices (MCPs) policy on which there was already broad agreement in February 2019**, including the renewed focus on official action and the new market-based thresholds for MCP identification.
- **While agreeing with the removal of “illegal parallel exchange markets” from the scope of the revised MCP policy, we do note that such parallel markets should still be considered under the Fund’s exchange restrictions policy.** We expect the Fund to continue monitoring country authorities’ good faith efforts to eliminate parallel markets.
- **Retaining the possibility of MCPs primarily for non-BOP reasons is acceptable, yet this should be applied in a restrictive manner.** We welcome staff’s clarification that MCPs primarily for non-BOP reasons must be accompanied by a credible commitment from the member to remove the MCPs over time.
- **We concur with staff’s proposals to increase transparency and accountability on members’ MCPs.** We support maintaining the cooperative approach to addressing MCP non-compliance through surveillance, technical assistance, and program conditionality. At the same time, we see merit in the additional transparency and accountability measures proposed by staff, as they could improve compliance with the MCP policy.
- **We agree with the transitional arrangements.** Delaying the effective date of implementation of most changes by nine months should allow sufficient time for authorities and staff to adjust to the changes in the MCPs policy.
- **We welcome that the new MCPs policy will not require any meaningful additional resources from staff or authorities once the operationalization phase is completed.** Any modernization of policies should indeed try to make them more efficient, and we appreciate staff’s efforts in this respect.

**Statement by Mr. Stephan and Ms. Khademi on Review of the Fund's Policy on Multiple  
Currency Practices - Proposals for Reform  
Executive Board Meeting  
July 1, 2022**

General remarks

We thank staff for their proposals for a reform of the Fund's policy on MCPs, which overall seems warranted given the broad range of developments since the last review four decades ago. **As stated during the initial discussions on the Fund's MCP policy, we can go along with the bulk of staff's proposals as set out in the summary provided. We can also support the proposed decision.**

MCPs for non-BoP reasons

**We can go along with staff's compromise proposal regarding MCPs for non-BOP reasons.** In general, we deem it appropriate to leave member states the option to use MCPs for non-BOP reasons with a view to enable them to pursue stability objectives under certain conditions equivalent to the guidelines of the Institutional View for certain measures. As staff elaborates, MCPs for non-BoP reasons have so far only been used very sparingly and under strict conditions (which are even intended to be sharpened with the envisaged reforms). When deciding about the approval of non-BoP MCPs not only their objectives and their possible (negative) impacts should be considered, but it should also make a difference who would in the end be negatively affected by the MCP (the origin country of the MPC or other members).

Addressing noncompliance/remedial framework

**We support staff's proposals to enhance the current cooperative approach to address noncompliance with the Fund's MCP policy.** Such an enhancement seems warranted with a view to ensure even-handedness and compliance with membership obligations – in particular as after the review the MCP framework would consider cases that are “more relevant” compared to the situation before. The IMF should avoid any notion that long-term MCPs are de facto tolerated and ensure transparency about MCPs of member countries. We welcome staff's proposal to conduct a review of the cooperative approach with the next review of the MCP policy and revisit the need for a more comprehensive remedial framework if necessary. We can go along with the proposed review cycle of five years for the MCP policy but consider it worthwhile to brief the Board after around two years about experiences with the implementation of the reformed MCP policy.

MCPs for capital transactions

**We welcome that MCPs, which apply solely to the capital account, will continue not to fall under the Fund's jurisdiction, in line with Art. VI Section 3 of the Articles of Agreement, which grants members freedom to implement measures to control international capital movements.** Such MCPs

might be used by EMDCs which are particularly vulnerable to volatile capital movements as a short-term measure to mitigate adverse effects of capital flows. Moreover, it seems important to avoid any conflicts of Fund advice based on its Institutional View and MCP policy provisions. We consider the proposed clarification of the linkages between the Institutional View and the MCP policies appropriate.

Further remarks

We agree with the transitional arrangements as proposed by staff. We also welcome staff's proposals to prepare a guidance note and to conduct regular reviews of the IMF's MCP policies. We emphasise our expectation that – apart from the initial phases of operationalisation – fewer resources will be required for the assessment of MCPs, as indicated by staff.

**Review of the Fund's Policy on Multiple Currency Practices—Proposals for Reform**  
Responses to Technical Questions Posed by Executive Directors in Advance of  
EBM/22/63—July 1, 2022

*Staff's responses to technical questions are below.*

**Identifying and Monitoring MCPs**

- 1. Could staff comment on how broadly they will define “official action” when including more subtle forms such as moral suasion?**
- 2. Could staff also comment on how information on such indirect / informal guidance will be gathered to ensure effective, consistent and transparent treatment?**
  - As under the current policy, any form of action by the member's government and/or its fiscal agents, including actions of governmental influence, guidance or direction that give rise to an impermissible spread, is sufficient to constitute an “official action” under the MCP policy. Any determination of official action is thus inherently fact specific, and it is made on the basis of information usually gathered, not only from the authorities, but also market participants and other users of the FX system such as exporters, importers and other corporates, business associations, etc.
- 3. Regarding the market exchange data that must be provided by third parties, could staff clarify, what is the treatment of exchange rate restrictions and taxes in this data? Are there general definitions on the characteristics of the FX transactions that are used to construct the market exchange rate, or do methodologies or practices vary by currency and/or market, and if so, how will these differences between countries be treated?**
- 4. We understand that if FX data provided by Bloomberg or Reuters is incorrect, staff could use other providers according to what the authorities and staff define. Could staff comment if this has happened before? Is it possible to include, during the transition period, a comparison between the FX data published by the third parties and the authorities' official FX in order to determine the cases where other data sources should be considered?**
  - Both the Bloomberg and Thomson Reuters methodologies are subject to independent assessment of their compliance with the international standard for the computation of financial benchmarks of the International Organization of Securities Commissions (IOSCO), thereby ensuring the integrity of data. The ready availability of data from two independent benchmark providers with compliant methodologies increases the robustness of the proposed methodology. (See Box1 of the SM/18/208 Supplement 3). Taxes imposed on exchange transactions are not included in this data.

- The clause about using alternative data sources is more about availability and contingency (this case could happen even though it has not yet) than concerns with the providers. The standardized, audited, and IOSCO compliant methodologies ensure data accuracy, continuous and reliable availability of wholesale market rates. We cannot recall a case for which the data was incorrect. The monitoring of the exchange rate data will start after the transitional period but preparations for that will start earlier. If during this period it becomes evident that the data from third party providers is manifestly incorrect alternative data sources will be explored. A systematic comparison of third-party data and exchange rate data from the authorities for all countries would require additional resources and does not seem necessary.

**5. Given that the new proposal would effectively allow a four percent spread, we wonder whether it would be more straightforward to apply a simple “four percent rule” instead. Staff’s views are welcome.**

- The new methodology proposes replacing the current 2 percent rule with a market based indicator that reflects the range of exchange rates traded on a given day. Staff did a detailed distribution analysis of spot official exchange rates around the mid of High/Low to effectively test the methodology. The typical threshold for tail events would be reached for +/- 2 percent, where 95 percent of the deviations were found to be less than 2 percent from the mid of the H/L (Figure 3; SM/18/208, Supplement 3). In addition, the +/- 2 percent tolerance margin minimizes the change in the current policy with respect to several members, who have already included it in their policy (e.g. for exchange taxes). Hence, staff considered a tolerance margin of +/- 2 percent around the mid of the H/L as adequate to ensure that egregious practices are captured by the policy.
- The +/- 2 percent tolerance margin applied on either side of the mid of the H/L, is different from a simple doubling of the current 2 percent rule as discussed in the 2019 Board paper. First, widening the current 2 percent to 4 percent would not really address problems with the application of a universal numerical threshold under the current policy which considered the two percent as a proxy for commercial reasonableness. Under the new methodology, this would now be represented by the country-specific H/L range. It would also raise the question of how to define the market exchange rate to measure the 4 percent deviation- an issue which has been of concern under the current policy. Furthermore, the proposed methodology takes account of special market conditions, for example when the H/L is wider than the +/- 2 percent, which a simple doubling of the current permitted deviation would not be able to do.

**6. Moreover, we understand that it is ultimately the Board that decides whether an MCP exists. We would appreciate staff’s clarification on the specific procedures for the Board to make the decision.**

- As noted in the Staff Paper and in line with current procedures, in circumstances where official action gives rise to an impermissible spread, the relevant staff report

would discuss staff's assessment that an MCP had arisen, describing the official action and the impermissible spread; and include the authorities' views. The Executive Board, in endorsing the staff appraisal, approves this MCP finding. If temporary approval of the MCP is requested, the relevant staff report would mention this and contain staff's assessment of whether criteria for temporary approval are met. The Board would then need to adopt a formal decision to grant temporary approval of the MCP.

### Eliminating MCPs

#### **7. Could staff elaborate on how commitment to a credible strategy would be assessed and how much judgement would be involved?**

- A 'credible strategy' for the removal of a measure primarily for non-BOP reasons would describe the policy and actions that the authorities intend to take, and which can be reasonably expected to eliminate the MCP. The assessment would need to consider the specific circumstances in the country, experiences with the appropriateness of the proposed strategy to remove MCPs and will include an element of judgment. Any such strategy will be described in the Staff Report so as to inform the Board's decision for approval.

#### **8. Could staff explain what impact they expect this new approach to have on prolonged cases of MCPs?**

- Staff expect that the measures to increase transparency and accountability proposed in the Review including the greater coverage of the MCPs in staff reports will contribute to a faster elimination of the MCPs as a more prominent discussion of MCPs in staff reports and the yearly report to the Board on unapproved MCPs may act as a deterrent to maintain unapproved MCPs for a prolonged period.

#### **9. However, at the last board meeting in 2019, we understood that staff explained that the purpose of eliminating MCPs for non-BOP reasons was to address concerns that; (1) operational problems could arise due to the different approval policies of MCPs and exchange restriction, and (2) it would be often more efficient to achieve objectives through other policies rather than introduction of MCPs with non-BOP reasons. We welcome staff's elaboration on this concern that may arise from the retention of the MCP for non-BOP reason.**

- The Fund's longstanding view has been that use the FX system for purposes unrelated to the balance of payments should be discouraged. However, based on feedback from Directors during the 2019 discussion and to address their concerns, staff has proposed to retain the possibility to approve such MCPs, as there may be cases in countries with less developed markets where such MCPs are needed temporarily, but to strengthen the criteria for approval. In addition to the current criteria, authorities would need to have a credible strategy to eliminate the measures, which should help guard against prolonged use of MCPs and mitigate the long-run economic costs; and second, the MCP should not constitute an exchange restriction,

(which will align the approval policies for MCPs and for exchange restrictions and address the first concern).

**10. Staff's insights of successful exits from MCPs among membership would be appreciated.**

- Every year one or more countries eliminate MCPs. Thus, during the period of 2018-2021, 8 countries eliminated MCPs arising from: stamp tax; FX auction; FX gains; BPA; exchange rate guarantee; non-interest bearing blocked accounts. There have also been cases where longstanding, highly distortionary MCP was eliminated by implementing wide-ranging economic reforms in the country.

**Illegal Parallel Markets**

**11. Given the importance of informality in some member countries, we would be interested in knowing the potential size and impact of the illegal parallel market across the membership. Staff's comments are welcome.**

- While parallel market rates are often monitored, there is limited data available on parallel market volumes. While staff regularly engages in policy discussions with the authorities in surveillance about parallel markets where these are macro-critical, there is no systematic information collection due to the mentioned data constraints. Parallel/dual markets are significantly less prevalent than at the time of the last review and concern relatively small markets (with few exceptions). In any case, parallel markets resulting from exchange restrictions remain under IMF jurisdiction through the exchange restriction policy.

**12. The current proposal may create perverse incentives for the authorities not to eliminate the illegal parallel markets, as a legal parallel market would be subject to the MCP policy. Could staff explain how this would be addressed?**

- In countries with illegal parallel markets, MCPs based on the spread with a parallel market typically arise when there are FX shortages (especially for current international transactions) arising from rationing, prioritization, or other official actions limiting the availability of foreign exchange. Rationing and prioritization or undue delays may give rise to exchange restrictions. While the spread with the parallel market will no longer be captured by the MCP policy, the underlying reason for the emerging parallel markets will continue to be addressed under the Fund's exchange restrictions policy, where appropriate.

**Capacity Development**

**13. In this respect, staff's assessment of the potential capacity development needs, if any, is welcome.**

- Staff expect that the outreach on the new MCP policy to the authorities would help member countries to better understand the new MCP policy and its implications for

them. Also, staff expect that the re-assessment of MCPs will result in a reduced number of MCPs. This may lower the CD needs of member countries. However, staff is cognizant that MCPs may arise because of capacity constraints to develop financial markets and institutions and stands ready to provide CD as requested.

### Current MCPs

14. **We would appreciate it if staff could provide a more recent breakdown of MCP cases that are maintained for both BOP and non-BOP reasons to assist the Board in making an informed assessment based on latest developments.**
15. **Could staff provide an updated table (as of end-2021) listing countries with MCPs according to type and highlight the cases that would be eliminated by the implementation of the revised policy?**
  - See attached table.
16. **Could staff provide an updated list of the countries which would be classified under an MCP under the new policy.**
  - Since the revised MCP policy is based on monitoring of exchange rate deviations, it will not be possible to provide an updated list of countries with MCPs under the new policy until such monitoring starts. For those MCPs which will no longer be considered MCPs (auctions conforming to best practices, official exchange rate with one day lag, etc.) staff will conduct a reassessment by the date when the new policy becomes effective or earlier if these countries will have Article IV consultations before that date.
17. **We highlight that, as noted by staff in the 2018 Background paper, if an MCP is maintained by a country in accordance with its obligations under the IMF Articles of Agreement, it would not be subject to discipline under the World Trade Organization (WTO) framework. We would appreciate staff's elaboration on the relationship of the proposed policy with the legal framework of the WTO.**
  - As discussed on pages 20-21 of the *Background Paper I: Review of the Fund's Policy on MCPs: Initial Considerations—Historical Development and Legal Framework*, MCPs maintained by countries in accordance with their obligations under the IMF Articles of Agreement, i.e., that are temporarily approved by the Fund under Article VIII or maintained under the transitional arrangements of Article XIV, are not subject to discipline under the WTO legal framework. More specifically, to avoid inconsistent treatment of measures that may fall within the jurisdictions of both the Fund and the WTO, the WTO defers to the Fund's determination on the consistency of such measures with the Fund's Articles. Therefore, generally speaking, with respect to the proposed revised MCP policy, to the extent an MCP is temporarily approved by the Fund in accordance with the Articles of Agreement and the MCP policy adopted pursuant to the Articles, it would not be subject to discipline under the WTO legal framework.

- Staff consulted with WTO staff at the earlier stages of work on the MCP policy review, and there were no concerns expressed by the WTO staff about the direction of the review. Once the review is finalized staff will reach out to the WTO as part of the planned outreach.

**18. We invite staff to clarify whether the existing “commitments” by relevant authorities, which were made in reference to the “potentiality,” should not be needed anymore.**

**19. Given that the “two percent rule” would now be replaced, could staff clarify whether the existing “commitments” by relevant authorities, which were made in reference to the “two percent rules,” would remain effective?**

- Given that under the revised MCP policy an actual impermissible spread is required for an MCP finding, such previous commitments that aimed to address the MCP findings based on potentiality would not be necessary and will not remain effective. However, where the same official action remains, the exchange rates spreads will be monitored to ascertain that an impermissible spread does not arise. Should such a spread be observed, an MCP would be found.

#### **Institutional View**

**20. If capital controls were considered “official actions,” authorities may be required to eliminate them to satisfy the MCP, and this would create inconsistencies with the IV and would be beyond the Fund’s jurisdictions. Staff’s comments are welcome.**

- The revised MCP policy does not require that the authorities eliminate the CFMs that lead to an MCP. Indeed, it may be the case that the official action that gives rise to an impermissible spread is the existence of certain CFMs. However, under the revised policy such action does not necessarily give rise to an MCP, only in those cases when an impermissible spread arises. In such cases the authorities have different choices:
  - To maintain the CFMs and not adjust other policies. If during the 12 months observation period the impermissible spread does not arise again, the MCP is considered eliminated,
  - To maintain the CFMs but implement other policies that would prevent the impermissible spread to arise going forward,
  - To eliminate the CFMs if that is otherwise (under the IV) appropriate. If the elimination of the CFM would not be appropriate under the IV, the authorities may request approval of the MCP if the other conditions of approval are met.

**21. Where MCPs also constitute capital flow management measures, they should be assessed under the Institutional View. We would appreciate if staff could further elaborate on the proposed two-fold treatment.**

- The Board Paper (paragraph 32) clarifies the link between MCP policy and IV, to avoid potential inconsistencies from the application of both the Article VIII policies and the IV:
  - Any MCP which is also a CFM, except for such MCPs applicable solely to capital transactions, will be only assessed under the MCP policy approval criteria. For example, measures that give rise to MCPs and which are also CFMs because they relate to transactions that are capital in nature but considered as current under the Fund's Articles of Agreement, will be assessed only under the MCP policy approval criteria and will not be assessed for appropriateness under the IV.
  - MCPs that apply solely to capital transactions if they are also considered to be CFMs, will be assessed only under the IV, while they will continue to be identified in Article IV reports as MCPs.

### **Transition arrangements and communication strategy**

#### **22. We see merit in sharing with the Board an updated list of all approved and unapproved MCPs as of the effective date of the new policy.**

- Staff propose in the Board paper to provide an updated list of approved and unapproved MCPs every year. The latest one, reflecting MCPs as of end 2021 is attached. The next one will be provided to the Board after the revised policy becomes effective and on an annual basis thereafter.

#### **23. Could staff elaborate on what transitional arrangements were rolled out to help countries adjust their policies to the reforms approved in February 2019, as reflected in that summing up?**

- Transitional arrangements for the new policy will come into effect following the Board's approval of the new policy and updated Decision. No changes were made to the current policy following the 2019 Board discussion and thus no transitional arrangements were rolled out. On the effective date of the new policy (and in certain cases—auction that conform to best practices, official exchange rates with one day lag, broken cross rates, illegal parallel markets—with immediate effect), all existing MCPs will be considered eliminated; monitoring modalities will become operational and where impermissible spreads emerge, a new MCP will be found. The MCP can be eliminated, as outlined in the paper or approved in the context of the subsequent Article IV consultation or program request. During the transitional period as part of the planned outreach staff will be ready to discuss with the authorities the changes the review introduces and its potential effect on the existing MCPs.

#### **24. Could staff clarify how outreach on the new MCP policy will be rolled out to member countries during the proposed 9-month window following the approval of the policy? Is it envisaged this rollout will be completed within the 9-month window following the approval of the policy? A fleshed-out proposal of the**

**implementation timeline of the new MCP policy, possibly with an indicative priority list of countries for the phased rollout would be helpful.**

- During the transitional period, the current policy will continue to apply with a few exceptions as outlined in the paper. For countries, where MCPs would be eliminated on approval of the new policy, this will be reported in the next Article IV report. Following the effective date, any new findings will be reported in the Article IV staff reports. During the transitional period as part of the planned outreach staff will be ready to discuss with the authorities the changes the review introduces and its potential effect on the existing MCPs. While the outreach is planned for the entire membership, staff will focus on countries with existing MCPs to ensure that they are aware of the implication of the policy changes by the time the policy becomes effective.

**25. We are of the view that these proposals should be complemented by a clear communication strategy on their implementation by the membership. Staff comments on such a strategy would be appreciated.**

- Staff plan a multi-pronged outreach and communication strategy following approval of the policy. Alongside publication of the paper, staff will prepare a comprehensive Q&A to make the paper accessible to a broader audience of stakeholders. Internally, an email to all Fund staff will alert mission chiefs and country teams to the policy changes that will go into effect and point them to the publication site. This would be followed by an intranet article that will reiterate the key features of the new policy and invite staff who have not yet done so to read the paper. Complementing this broader outreach, staff will communicate closely with members that have existing MCPs under the current policy to clarify whether these existing MCPs would no longer give rise to an MCP under the new policy (either on approval or on the effective date for the new policy) and, where official actions may segment FX markets, to discuss the methodology and monitoring of spreads.

#### **Guidance Note**

**26. Could staff also comment on whether the planned guidance note envisages advice on use of short-term current account tools such as FX intervention (in addition to the IPF and IV on capital flows) as alternatives to assist implementation of preferred practices in the face of FX outflow surges and shortages, bearing in mind that the standard approach of simply advising that countries allow destabilizing currency depreciation pressures (uncontrolled), can fuel further instability and macroeconomic losses?**

- Staff tailors policy advice on how to manage disruptive outflows taking into consideration the shocks and country circumstances. Countries may respond to disruptive outflows with a variety of policy tools, including ER depreciation (if warranted by the external sector assessment), monetary policy (depending on the policy framework and subject to inflation considerations), CFMs on outflows (if the outflows trigger imminent crisis situations), and/or FXI (if there are sufficient

reserves, market conditions are disorderly, and/or other imperfections/frictions are at play). Staff plans to provide more guidance about the (combined) use of these policy tools as part of the IPF workstream, with the focus on FXI in the near term. In addition, the IV guidance note will expand guidance on the assessment of imminent crisis circumstances.

**27. We therefore see merit in expediting the issuance of both the IV and MCP guidance notes as well as for staff to actively reach out to country authorities after the publication of the Board paper. Could staff comment on the timelines that we expect to discuss the two guidance notes respectively?**

- Staff plans to finalize the MCP guidance note before the revised policy becomes effective and intends to engage closely with country authorities throughout the transition to the new policy.
- Staff plans to finalize the IV guidance note by around year-end. Along the process of producing the guidance note, staff will engage closely with country authorities through the ED offices.

**Review Cycle**

**28. In view of the acceleration of developments in monetary systems and the FX market, it could be helpful to articulate what sort of conditions would prompt a staff decision for a shorter period for review. Staff comments are welcome.**

- A main consideration around whether to review the MCP earlier than the proposed five-year review cycle could include unanticipated operational challenges in implementing the new policy.

**Exchange Restrictions**

**29. Could staff comment on the utility of a review of the Fund's policy on exchange restrictions and the extent to which the reforms proposed to the MCP policy could also apply to the policy on exchange restrictions?**

**30. We would like staff to elaborate on when the Fund's exchange restriction policy was last reviewed, and how the new MCP policy would enhance the alignment between the two policies.**

- Fund policies on exchange restrictions were developed incrementally in 1950-70s. The new MCP policy is designed to better cohere approval policies for exchange restrictions and MCPs (for example, the proposed new criteria for temporary approval of MCPs maintained for non-balance of payments reasons are designed to address a previous misalignment). In addition, it is proposed that small taxes that do not give rise to an MCP under the MCP policy should not give rise to an exchange restriction.

- Room for further alignment may be considered at the time of the review of the policy on exchange restrictions.

**Decision**

**31. Finally, on Board process, could staff clarify how and when the Board will approve the proposed Decision given that it is only referenced and not included for Board review in the current Board paper?**

- The Board is expected to approve the proposed decision (which has now been circulated to Executive Directors) on July 1, 2022. As noted in the Staff Paper, it is proposed that the new policy would become effective 9 months after adoption, with some exceptions.

**Table 1. List of MCPs, as of end-2021**

Types of MCPs	Number of MCPs	Country names (years since initial finding)
Different rates for different transactions	17	<u>Armenia</u> (7), Burundi (16), <u>Ghana</u> (10), <u>Guinea</u> (17), <u>Honduras</u> (3)** , Iran (7), <u>Kyrgyz</u> (11), <u>Maldives</u> (6), <u>Mongolia</u> (13), <u>Nigeria</u> (5), <u>Papua New Guinea</u> (6), <u>South Sudan</u> (3), Sudan (9), <u>Tajikistan</u> (3), <u>Trinidad and Tobago</u> (6), <u>Ukraine</u> (10)** , Zimbabwe (2)
Spread with parallel market	12	Eritrea (19), Iran (8), <u>Iraq</u> (9), Maldives (13), Nigeria (6), Sao Tome and Principe (4)* , South Sudan (9)*** , South Sudan (3), Sudan (9), Syria (18), Venezuela (18), Zimbabwe (2)
FX auctions (multiple price)	5	<u>Angola</u> (15), <u>Argentina</u> (4)** , <u>Jamaica</u> (5)** , <u>Mongolia</u> (13), <u>Nigeria</u> (4)
FX auctions (spread with market rate)	4	<u>Angola</u> (6), <u>Argentina</u> (4)** , <u>Honduras</u> (6)** , <u>Ukraine</u> (7)**
Exchange taxes	2	Brazil (7), Eritrea (14)
Import deposit requirements	3	Pakistan (5)* , Sudan (15), Syria (38)
Other	5	Eritrea (17), Iran (19), Papua New Guinea (6), <u>Tajikistan</u> (3) <u>Trinidad and Tobago</u> (6)
Total	48	
Sources: The latest Article IV or UFR staff reports issued before end 2021.		
Notes: 48 MCPs were identified in 27 member countries based on the latest Article IV or UFR staff reports issued before end 2021. Some MCP have been eliminated or introduced since then, as reflected in staff reports issued since January 1, 2022.		
"Other" includes MCPs arising from buy/sell spreads, exchange subsidies, conversions between accounts within the same bank.		
A number in parenthesis following a country name indicates the duration of the MCP since its initial finding, as of December 2021.		
A country name that is underlined indicates that the MCP is based on potentiality as of end-2021.		
"*" and "***" indicate that the measure is approved for BOP reasons and non-BOP reasons, respectively.		
"****" indicates that the measure is maintained under Article XIV		
Number of countries		27

## CONSTITUENCY CODES

### OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

### OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

### OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

### OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

### OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

### OEDCC

China

### OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

### OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

### OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

### OEDFF

France

### OEDGR

Germany

### OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

### OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

### OEDJA

Japan

### OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

### OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

### OEDNE

Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

### OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

### OEDRU

Russian Federation and Syrian Arab Republic

### OEDSA

Saudi Arabia

### OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

### OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

### OEDUK

United Kingdom

### OEDUS

United States