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International Monetary Fund
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IMF Creates Facility To Counter Y2K Strains

The International Monetary Fund (IMF) has established a temporary facility to enable it to extend short-term financing to countries that encounter balance of payments difficulties arising from loss of confidence or other problems associated with potential or actual Y2K-related failures of computer systems. The Y2K Facility will come into effect on October 15, 1999 and will expire on March 31, 2000, the IMF announced today.

“Businesses, financial institutions, and government agencies around the world have made considerable progress in repairing computer systems, and we have no reason to believe that there will be widespread Y2K problems or associated balance of payments difficulties,” IMF Managing Director Michel Camdessus said. “In fact, it may well be that the Y2K Facility will not be used. Nevertheless, there are uncertainties, and the potential consequences for international trade and growth of possible interruptions to production and shipments may be significant. Equally important is the potential for temporary interruptions to international capital flows, in response to perceived problems that may or may not materialize.”

“In the circumstances, the IMF should give assurance to its members that it is in a position to provide financial assistance on appropriate terms to countries that may experience Y2K-related balance of payments problems,” the IMF Managing Director underscored. “While we have various vehicles that could be of help, we concluded that it would be desirable to have a special temporary facility specifically designed to deal with this unique event.”

The facility, which will be able to provide rapid, short-term assistance, will be available for countries encountering balance of payments pressures that may be distinguished as Y2K-related. In turn, it is expected that a country utilizing the facility would be moving vigorously to deal with its Y2K problems, and would not be experiencing significant other balance of payments difficulties, or would be addressing such problems through appropriate policies, possibly in the context of an IMF arrangement.

The facility will have an access limit of up to 50% of a member's quota unless there are exceptional circumstances. Drawings under the facility will be expected to be repaid within six months, with the possibility of an extension by the Executive Board of this expectation of

repayment for another six months. Drawings will be subject to a 300 basis point surcharge above standard IMF charges, except that this surcharge will increase to 350 basis points on drawings outstanding beyond six months.

The IMF has been working actively with trade associations, governments and other international institutions to raise awareness about Y2K problems and to assist the international community in preparing contingency plans. "The IMF's liquidity position is strong," Mr. Camdessus said, adding, "I believe that any Y2K problems will be manageable, and the existence of a Y2K facility in the IMF should buttress efforts to provide sufficient assurances to forestall deeper problems."