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International Monetary Fund
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IMF Creates Short-Term Liquidity Facility for Market-Access Countries

The Executive Board of the International Monetary Fund (IMF) today approved the creation of the Short-Term Liquidity Facility (SLF) to establish quick-disbursing financing for countries with strong economic policies that are facing temporary liquidity problems in the global capital markets.

"I am very pleased to announce that the Executive Board has approved the establishment of a new facility for market access countries—the Short-Term Liquidity Facility," stated Mr. Dominique Strauss-Kahn, Managing Director of the IMF. "The ongoing turmoil in global capital markets has led to significant liquidity difficulties for some emerging market countries, even those that have maintained sound macroeconomic frameworks and have sustained histories of market access. Existing Fund loan facilities offer flexibility. However, they are fundamentally used for countries that require both financing and policy adjustment, and not for countries that despite strong initial macroeconomic positions and policies are facing short-term liquidity pressures. This new facility addresses that gap in the Fund's toolkit of financial support."

Mr. Strauss-Kahn emphasized that the IMF is committed to promoting a coordinated and cooperative approach to dealing with the current crisis. "Exceptional times call for an exceptional response," Mr. Strauss-Kahn said. "The Fund is responding quickly and flexibly to requests for financing. We are offering some countries substantial resources on an expedited basis, with conditions based only on measures absolutely necessary to get past the crisis and to restore a viable external position," he said.

Mr. Strauss-Kahn also welcomed the announcement today by the U.S. Federal Reserve, the Banco Central do Brasil, the Banco de México, the Bank of Korea, and the Monetary Authority of Singapore of the establishment of temporary reciprocal currency arrangements (swap lines). These two independent facilities, like those already established with other central banks, are designed to help improve liquidity conditions in global financial markets and to mitigate the spread of difficulties in obtaining foreign currency funding in fundamentally sound and well managed economies.

Outline of the IMF's new Short-Term Liquidity Facility (SLF):

Purpose: Establishes a facility through which large, upfront, quick-disbursing short-term financing, using existing IMF resources, can be provided to countries with strong policies and a good track record but which are facing temporary liquidity problems arising from developments in external capital markets.

Terms: Disbursement of Fund resources can be up to 500 percent of quota, with a three-month maturity. Eligible countries are allowed to draw a maximum of three times during any 12-month period.

Eligibility: Countries with track records of sound policies, access to capital markets and sustainable debt burdens. Policies should have been assessed very positively by the IMF in its most recent Article IV discussions. Given this strong emphasis on past performance, financing is made available without the standard phasing, performance criteria, monitoring, and other conditionality of a Fund arrangement. However, borrowers are expected to continue their commitment to maintain a strong macroeconomic policy framework.

In announcing the SLF, Mr. Strauss-Kahn underscored that "The IMF will respond to this crisis with all the necessary financing. We are prepared to use our own resources and to work with others to generate additional resources to make sure that countries have the money they need to restore confidence and maintain stability."