

**FOR
AGENDA**

SM/09/150
Supplement 1

June 23, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Borrowing by the Fund—Proposed Decision**

Attached for consideration by the Executive Directors is a proposed decision relating to the paper on borrowing by the Fund—operational issues (SM/09/150, 6/17/09), which is now tentatively scheduled for discussion on **Monday, June 29, 2009**. Also contained in this supplement is a redlined version of the proposed revisions to the Fund's borrowing guidelines.

The staff does not propose the publication of this paper after the Executive Board completes its discussion.

Questions may be referred to Mr. Beaumont, FIN (ext. 37411) and Mr. Bergthaler, LEG (ext. 34287).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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INTERNATIONAL MONETARY FUND

Borrowing by the Fund—Proposed Decision

Prepared by the Finance Department and the Legal Department

Approved by Andrew Tweedie and Sean Hagan

June 22, 2009

I. INTRODUCTION

1. This supplement contains the proposed decision to implement the proposal in the main Board paper regarding the proposed revisions to the Fund's borrowing guidelines. For easy reference, a redline version of the proposed revisions to the Fund's borrowing guidelines is attached as Annex I.

II. PROPOSED DECISION

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

The Guidelines for Borrowing by the Fund set forth in Decision No. 9862-(91/156), adopted November 15, 1991 shall be revised to read as follows:

“Quota subscriptions are and should remain the basic source of the Fund's financing.

However, on a temporary basis, borrowing by the Fund can provide an important supplement to its resources.

The confidence of present and potential creditors in the Fund will depend not only on the prudence and soundness of its financial policies but also on the effective performance of its various responsibilities, including, in particular, its success in promoting adjustment.

Against this background the Executive Board approves the following guidelines on borrowing by the Fund.

1. Fund borrowing shall remain subject to a process of continuous monitoring by the Executive Board in the light of the above considerations. For this purpose, the Executive Board will regularly review the Fund's liquidity and financial position, taking into account all relevant factors of a quantitative and qualitative nature.
2. The Executive Board may establish at any time, in the context of circumstances prevailing at that time, limits expressed in terms of the total of Fund quotas above which the total of outstanding borrowing plus unused credit lines would not be permitted to rise.
3. Any limits that may be adopted pursuant to paragraph 2 above are not to be understood, at any time, as targets for borrowing by the Fund.
4. For each borrowing agreement entered into by the Fund, other than the General Arrangements to Borrow and the New Arrangements to Borrow, the maximum amount of claims that may be subject to immediate repayment by the Fund as a result of the balance of payments need of the creditor shall be SDR 15 billion.
5. In the context of the Financial Transactions Plan, the Executive Board shall determine the appropriate mix between borrowed resources (including any borrowing under the General Arrangements to Borrow and the New Arrangements to Borrow) and quota resources, in light

of the Fund's liquidity needs and the expected availability of borrowed and quota resources, among other relevant considerations.”

ANNEX I. Revised Guidelines for Borrowing by the Fund—Redline Version

Quota subscriptions are and should remain the basic source of the Fund's financing. However, on a temporary basis, borrowing by the Fund can provide an important supplement to its resources.

The confidence of present and potential creditors in the Fund will depend not only on the prudence and soundness of its financial policies but also on the effective performance of its various responsibilities, including, in particular, its success in promoting adjustment. Against this background the Executive Board approves the following guidelines on borrowing by the Fund.

1. Fund borrowing shall remain subject to a process of continuous monitoring by the Executive Board in the light of the above considerations. For this purpose, the Executive Board will regularly review the Fund's liquidity and financial position, taking into account all relevant factors of a quantitative and qualitative nature.
2. ~~In advance of any further borrowing undertaken by the Fund, except in the case of borrowing under the General Arrangements to Borrow, the~~ The Executive Board ~~may~~ shall establish at any time, in the context of circumstances prevailing at that time, limits expressed in terms of the total of Fund quotas above which the total of outstanding borrowing plus unused credit lines would not be permitted to rise.
3. Any limits that may be adopted ~~as a result of a review~~ pursuant to paragraph 2 above are not to be understood, at any time, as targets for borrowing by the Fund.
4. For each borrowing agreement entered into by the Fund, other than the General Arrangements to Borrow and the New Arrangements to Borrow, the maximum amount of claims that may be subject to immediate repayment by the Fund as a result of the balance of payments need of the creditor shall be SDR 15 billion.
5. In the context of the Financial Transactions Plan, the Executive Board shall determine the appropriate mix between borrowed resources (including any borrowing under the General Arrangements to Borrow and the New Arrangements to Borrow) and quota resources, in light of the Fund's liquidity needs and the expected availability of borrowed and quota resources, among other relevant considerations.