

**EXECUTIVE  
BOARD  
MEETING**

SM/20/72

**CONFIDENTIAL**

March 18, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Maintaining Access to Bilateral Borrowing and Review of the Borrowing Guidelines**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
Tentative Board Date:	<b>Monday, March 30, 2020</b>
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Issues for Discussion:	Page 20
Proposed Decision:	Pages 21–25
Publication:	Not proposed, due to market sensitive information.
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March 18, 2020

## MAINTAINING ACCESS TO BILATERAL BORROWING AND REVIEW OF THE BORROWING GUIDELINES

### EXECUTIVE SUMMARY

**At the 2019 Annual Meetings, the membership supported maintaining the Fund's resource envelope and looked forward to consideration of a further temporary round of bilateral borrowing beyond 2020.** Important steps have been taken since then to secure the endorsed package of resource and governance reforms: the Executive Board approved in mid-January a doubling of the aggregate size of the New Arrangements to Borrow ("NAB") and, on February 7, the Board of Governors adopted the resolution concluding the 15<sup>th</sup> General Review of Quotas with no quota increase and requesting the conclusion of the 16<sup>th</sup> General Review of Quotas no later than December 15, 2023, while also providing important guidance for the 16<sup>th</sup> Review. Staff also held consultations with bilateral creditors on the modalities for a possible new, temporary round of bilateral borrowing.

**This paper proposes a framework for maintaining access to temporary bilateral borrowing under a new set of agreements beyond 2020.** Since 2012, bilateral borrowing agreements ("BBAs") have constituted the Fund's third line of defense after quotas and the NAB. The paper sets out the case for a new round of bilateral borrowing ("2020 BBAs")—a critical step in maintaining the Fund's resources beyond 2020 at a time of exceptional uncertainty and downside risks. Building on the outcome of the recent staff consultations with bilateral creditors, staff proposes that the framework for the 2020 BBAs closely follow that for the 2016 BBAs, while also including a safeguard in case the effectiveness of the NAB Reform is delayed beyond January 1, 2021.

**The paper also reviews the Guidelines for Borrowing by the Fund.** Staff views the Guidelines as still broadly appropriate and proposes limited updates, mainly to reflect the envisaged new round of BBAs.

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## INTRODUCTION

**1. At the 2019 Annual Meetings, the membership supported maintaining the Fund’s resource envelope and looked forward to consideration of a further temporary round of bilateral borrowing beyond 2020.**<sup>1</sup> The International Monetary and Financial Committee (IMFC) reaffirmed its commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the global financial safety net. It also called on the Executive Board to complete its work on the 15<sup>th</sup> General Review of Quotas (“15<sup>th</sup> Review”) and on a package of IMF resources and governance reforms. In this context, it supported maintaining the IMF’s current resource envelope, looked forward to consideration of a doubling of the NAB and a further temporary round of bilateral borrowing beyond 2020. Beyond the 15<sup>th</sup> Review, the membership committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16<sup>th</sup> General Review of Quotas (“16<sup>th</sup> Review”).

**2. Since the 2019 Annual Meetings, important steps have been taken toward securing the endorsed package:**

- On January 16, 2020, the Executive Board approved a doubling of the aggregate size of the NAB with a new NAB period through end-2025 (“NAB Reform”).<sup>2</sup> The effectiveness of the NAB Reform requires consent from creditors representing 85 percent of total credit arrangements, including each creditor whose credit arrangement is being changed. The targeted date of the effectiveness of the NAB Reform is January 1, 2021.
- Also on January 16, 2020, the Executive Board adopted a report to the Board of Governors on the 15<sup>th</sup> and 16<sup>th</sup> Reviews. On February 7, 2020, the Board of Governors adopted the resolution proposed by the Executive Board concluding the 15<sup>th</sup> Review with no quota increase and keeping the 16<sup>th</sup> Review open beyond the deadline under the Articles of Agreement, with a request for conclusion of the 16<sup>th</sup> Review no later than December 15, 2023. The resolution by the Board of Governors also provides important guidance for the Executive Board’s work on the 16<sup>th</sup> Review.
- In early 2020, staff held consultations with bilateral creditors on the modalities for a possible new, temporary round of BBAs.

**3. This paper proposes a framework for maintaining access to temporary bilateral borrowing under the 2020 BBAs.** Since 2012, bilateral borrowing has constituted the Fund’s third line of defense after quotas and the NAB. Building on the outcome of the recent staff consultations with bilateral creditors, the paper sets out the case for a new round of BBAs and presents specific

<sup>1</sup> See Communiqué of the Fortieth Meeting of the International Monetary and Financial Committee (IMFC) <https://www.imf.org/en/News/Articles/2019/10/19/communique-of-the-fortieth-meeting-of-the-imfc>.

<sup>2</sup> See *Proposed Decision to Modify the New Arrangements to Borrow and to Extend the Deadline for Review of the Borrowing Guidelines* (EBS/19/106, 12/3/2019), (hereinafter “NAB Decision”).

proposals for consideration of the Executive Board. It also reviews the Guidelines for Borrowing by the Fund (“Borrowing Guidelines”).

**4. The paper is organized as follows.** It first reviews the recent role of bilateral borrowing in supporting Fund resources and discusses the case for maintaining temporary access to bilateral borrowing beyond 2020. The paper then summarizes the proposed borrowing framework for the 2020 BBAs, which closely follows the framework for the 2016 BBAs, while introducing a “safeguard” to protect the Fund’s resource envelope in the event the effectiveness of the doubling of the NAB is delayed. The paper then summarizes the outcome of recent consultations with creditors on participation in the 2020 BBAs, which is followed by a review of the Borrowing Guidelines. The paper concludes with issues for discussion. A proposed decision regarding the review of the Borrowing Guidelines is attached. Draft samples of the new bilateral loan and note purchase agreements reflecting the changes outlined in this paper are provided for information in the annexes.<sup>3</sup>

## BACKGROUND

*Over the past decade, successive rounds of BBAs have played a critical role in ensuring that the Fund’s overall resource envelope is adequate to meet potential needs.*

**5. Since the global financial crisis, mobilization of temporary bilateral borrowing has played a critical role in supporting the Fund’s lending capacity.** The membership has agreed on three rounds of BBAs aimed at boosting/maintaining the Fund’s overall resource envelope available to meet members’ potential needs:

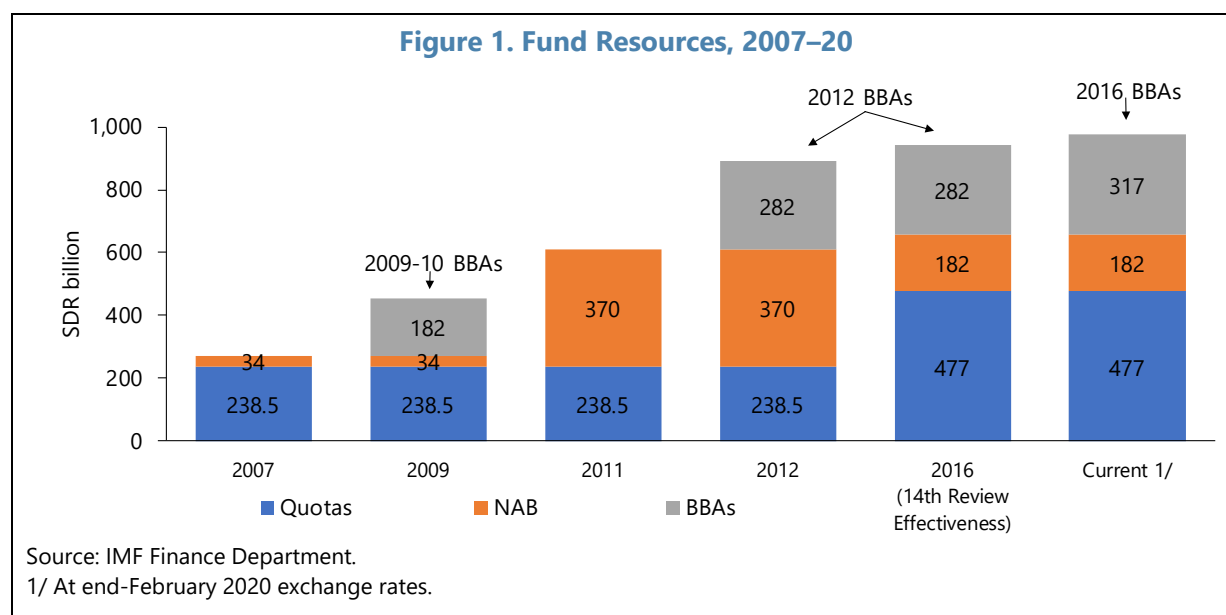
- In April 2009, the IMFC and G20 Leaders agreed that the Fund’s resources should initially be increased by US\$250 billion through bilateral borrowing from members, to be subsequently incorporated into an expanded NAB.<sup>4</sup> Twenty-four creditors participated and provided commitments broadly consistent with the targeted amount.
- In April 2012, the IMFC and G-20 Finance Ministers and Governors jointly called on the Fund to further supplement its resources through bilateral borrowing.<sup>5</sup> The Executive Board approved the modalities for the 2012 BBAs as a third line of defense in June 2012, and 35 agreements became effective with total commitments of SDR 282 billion (about US\$393 billion).<sup>6</sup> The agreements had initial two-year terms and were extended for two additional one-year terms.

<sup>3</sup> The individual 2020 BBAs will be proposed for Board approval at a later stage.

<sup>4</sup> See Statement of the 2009 G-20 Leaders’ Summit in London (April 2, 2009) and IMFC Communiqué (April 25, 2009).

<sup>5</sup> See *Joint Statement by the International Monetary and Financial Committee and the Group of 20 Finance Ministers and Central Bank Governors on IMF Resources* (April 20, 2012).

<sup>6</sup> See *Borrowing by the Fund – Proposed Modalities* (SM/12/126, 6/4/2012).



- In August 2016, the Fund decided to seek a further round of access to bilateral resources under a modified governance framework. Forty creditors—all 35 members participating in the 2012 BBAs and 5 new creditors—concluded 2016 BBAs.<sup>7</sup> The 2016 framework, while retaining the key modalities of the 2012 BBAs, introduced a new multilateral voting structure that gave creditors a formal say in any activation of the BBAs, and also incorporated the third-line of defense nature of the BBAs into each bilateral agreement.<sup>8, 9</sup> The 2016 BBAs were agreed with an initial common end-term through end-2019, that could be extended by the Fund for one further year (through end-2020) with the individual creditor’s consent. In May 2019, the Executive Board agreed to extend the term of the 2016 BBAs through end-2020, and all creditors subsequently consented to the extension.<sup>10</sup>

**6. The 2016 BBAs currently represent about one third of the Fund’s overall lending capacity, providing assurances that the Fund can meet members’ potential needs.** The 2016 BBAs total around SDR 317 billion (about US\$ 435 billion, see Figure 1 and Table 1). Of this amount, about SDR 250 billion could be made available for lending,<sup>11</sup> contributing to the Fund’s overall

<sup>7</sup> See *Maintaining Access to Bilateral Borrowing and Review of the Borrowing Guidelines* (EBS/16/77, 8/15/16).

<sup>8</sup> Pursuant to each 2016 BBA as well as the Fund’s Borrowing Guidelines, the 2016 BBAs may only be activated if the Forward Commitment Capacity (FCC) falls below SDR 100 billion and (i) either the NAB is activated or there are no available uncommitted NAB resources and (ii) activation of the 2016 BBAs has been approved by eligible creditors representing at least 85 percent of the total credit amount committed under these agreements.

<sup>9</sup> Another new feature of the 2016 framework was a common end-date of the terms of agreements. The 2012 BBAs, in contrast, had staggered expiration dates depending on the original effectiveness date of each bilateral agreement.

<sup>10</sup> See *2016 Borrowing Arrangements—Proposed One-Year Extension of Terms* (EBS/19/22, 4/22/2019).

<sup>11</sup> Equivalent to the total amount of effective BBAs with lenders in the Financial Transactions Plan (FTP) minus a prudential balance of 20 percent to ensure full encashability of bilateral borrowing claims.

**Table 1. 2016 Bilateral Borrowing Agreements**  
(as of end-February 2020)

Member (Creditor)	Currency of commitment	Agreed amount (in billions)	
		Currency of commitment	SDRs 1/
Algeria (Bank of Algeria)	USD	5	3.6
Australia	SDR	4.61	4.6
Austria (Oesterreichische Nationalbank)	EUR	6.13	4.9
Belgium (National Bank of Belgium)	EUR	9.99	8.0
Brazil (Banco Central do Brasil)	USD	10	7.3
Brunei Darussalam	USD	0.3	0.2
Canada	SDR	8.2	8.2
Chile (Central Bank of Chile)	SDR	0.96	1.0
China (People's Bank of China)	USD	43	31.3
Czech Republic (Czech National Bank)	EUR	1.5	1.2
Denmark (Danmarks Nationalbank)	EUR	5.3	4.2
Finland (Bank of Finland)	EUR	3.76	3.0
France	EUR	31.4	25.1
Germany (Deutsche Bundesbank)	EUR	41.5	33.2
India (Reserve Bank of India)	USD	10	7.3
Italy (Bank of Italy)	EUR	23.48	18.8
Japan	USD	60	43.7
Korea	USD	15	10.9
Luxembourg	EUR	2.06	1.6
Malaysia (Bank Negara Malaysia)	USD	1	0.7
Malta (Central Bank of Malta)	EUR	0.26	0.2
Mexico (Banco de Mexico)	USD	10	7.3
Netherlands (De Nederlandsche Bank NV)	EUR	13.61	10.9
New Zealand	USD	1	0.7
Norway (Norges Bank)	SDR	6	6.0
Peru (Central Reserve Bank of Peru)	SDR	1.1	1.1
Philippines (Bangko Sentral ng Pilipinas)	USD	1	0.7
Poland (Narodowy Bank Polski)	EUR	6.27	5.0
Russia (Central Bank of the Russian Federation)	USD	10	7.3
Saudi Arabia	USD	15	10.9
Singapore (Monetary Authority of Singapore)	USD	4	2.9
Slovak Republic	EUR	1.56	1.2
Slovenia (Bank of Slovenia)	EUR	0.91	0.7
South Africa (South African Reserve Bank)	USD	2	1.5
Spain	EUR	14.86	11.9
Sweden (Sveriges Riksbank)	SDR	7.4	7.4
Switzerland (Swiss National Bank)	CHF	8.5	6.4
Thailand (Bank of Thailand)	USD	4	2.9
Turkey (Central Bank of the Republic of Turkey)	USD	5	3.6
United Kingdom	SDR	9.17822	9.2
Total 2/			316.8
Number of creditors			40

1/ At end-February 2020 exchange rates.

2/ Equivalent to USD 435 billion.

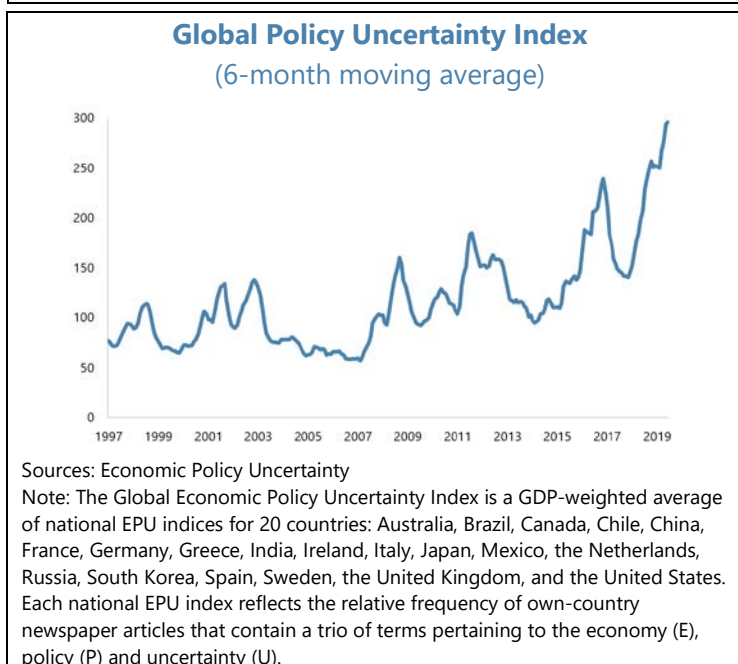
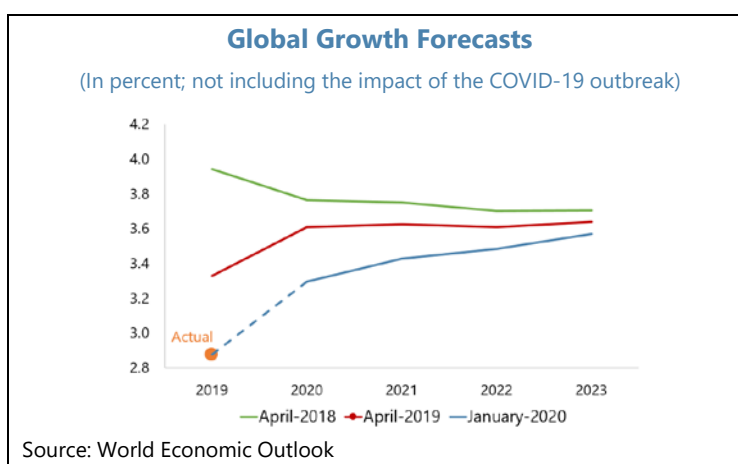
lending capacity of around SDR 714 billion (some US\$1 trillion). The 2016 BBAs have thus been playing a critical role in providing assurance to members and markets that the IMF has adequate resources to meet members' potential needs.

## CASE FOR MAINTAINING ACCESS TO BILATERAL BORROWING

*The global economic outlook is subject to exceptional uncertainty and downside risks. At the start of the year, global growth appeared to have bottomed out, with signs of stabilization and expectation of a modest rebound. But the COVID-19 pandemic—in addition to a heavy human toll—is adversely affecting the global economy and financial markets. In this situation, maintaining access to bilateral borrowing and thereby preserving the Fund's lending capacity is paramount to provide assurance that the Fund can continue to respond adequately to evolving members' needs.*

**7. The global health pandemic caused by the coronavirus (COVID-19) is taking a heavy toll on human lives and threatening global growth.** The January 2020 World Economic Outlook Update had projected a recovery in global growth to 3.3 percent in 2020 with subdued prospects over the medium term (text chart). However, with the pandemic already having a severe adverse global economic and financial impact, global growth is expected to drop in 2020 as the outbreak unfolds across the membership.

**8. Downside risks are prominent amid exceptionally high uncertainty.** As discussed in the recent Global Financial Stability Report, downside risks to future growth and financial stability were already high by historical standards due to the prolonged period of easy



financial conditions.<sup>12</sup> Further risks stem from a more protracted and severe COVID-19 outbreak than currently anticipated and its economic fallout; a large swing in energy prices; rising geopolitical tensions and related security risks; intensifying social unrest across many countries; and further worsening of trade and economic frictions. The materialization of any of these risks could trigger further rapid changes in financial sentiment, expose elevated financial vulnerabilities, and further dampen confidence and growth prospects. Moreover, climate change will further test countries' resilience, and rising interconnectedness could amplify the adverse effects of shocks in an environment where policy uncertainty remains elevated (text chart).

**9. These considerations further underline the importance of maintaining the Fund's lending capacity.** The Board discussed the appropriate size of the Fund in four Board meetings between March 2016 and July 2018.<sup>13</sup> At that time, staff provided both quantitative and qualitative considerations to gauge the potential demand for IMF resources in the medium term under a range of scenarios (Box 1). While demand estimates covered a wide spectrum, staff's analysis indicated a strong case for at least maintaining the current size of the Fund to provide confidence to markets and the membership. As described above, global risks have, if anything, increased since those discussions and the global outlook has weakened.

**10. In sum, there is a strong case for maintaining access to bilateral borrowing in order to preserve the Fund's lending capacity.** While the agreed doubling of the NAB will open the way for a lower contribution of bilateral borrowing to Fund resources, a further round of bilateral borrowing under the proposed 2020 BBAs is crucial to maintain the Fund's current lending capacity beyond 2020 amid sizable global risks.

## PROPOSED BORROWING FRAMEWORK

*The proposed borrowing framework for the 2020 BBAs closely follows the framework for the 2016 BBAs, including a set of key substantive provisions that would be uniform for all creditors. The framework also includes a safeguard in case the effectiveness of the NAB Reform is delayed beyond January 1, 2021, whereby initial 2020 BBA credit amounts would be established at the level of the 2016 BBAs and be rolled back automatically to reduced 2020 BBA amounts when the increases in the NAB credit arrangements become effective.*

**11. The key substantive provisions under the 2016 BBAs would be retained under the 2020 BBAs.** As in the case of 2016 BBAs, creditors would have the option to enter either into a Loan Agreement (LA) or a Note Purchase Agreement (NPA) with the Fund, and the paragraph numbers

<sup>12</sup> See the IMF's *Global Financial Stability Report: Lower for Longer* (October 2019).

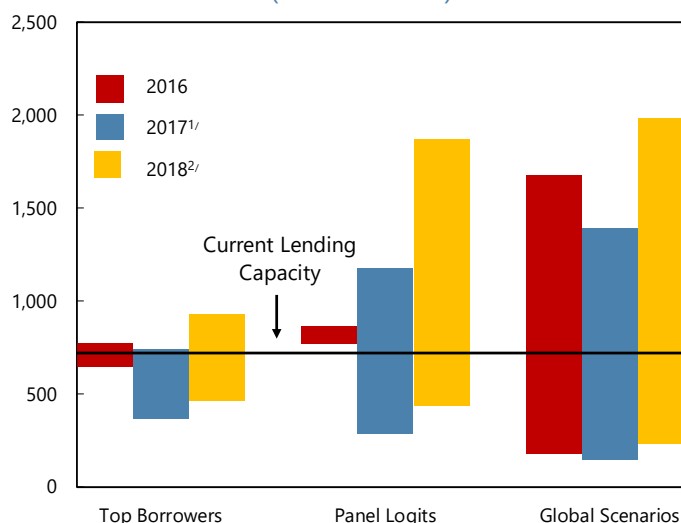
<sup>13</sup> See *Adequacy of Fund Resources—Preliminary Considerations* (SM/16/65, 3/11/2016); *Adequacy of Fund Resources—Further Considerations* (EB/CQuota17/2, 8/2/2017); *Fifteenth General Review of Quotas—Further Considerations* (EB/CQuota/18/1, 1/5/2018); and *Fifteenth General Review of Quotas—Additional Considerations and Data Update* (EB/CQuota/18/2, 7/3/2018).

### Box 1. Estimating the Potential Demand for IMF Resources

Staff used quantitative models and qualitative considerations to assess the adequacy of IMF resources in the context of discussions on the 15th General Review of Quotas.<sup>1</sup>

The quantitative analysis supported staff's view that the IMF's current overall lending capacity should be at least maintained. The analysis is based on several complementary methods—the metric approach,<sup>2</sup> a model based on top past borrowers, a panel logit model, and a “global scenario” model. These methods provided a wide range of estimates, between SDR 143–1,984 billion, for the potential demand for Fund resources in the medium term, which continue to remain valid. With its current lending capacity, the IMF would be able to cover some, but not all scenarios of the top-borrowers and global scenarios methods. As discussed in previous staff papers, these estimates are fairly robust to changes in assumptions, including on members' capacity to adjust to shocks and the availability and size of bilateral swaps and financing through Regional Financial Arrangements.

Potential Demand for IMF Resources  
(In SDR billion)



1/ The global scenario model was expanded in 2017 to include a country's fiscal response. The panel logit model was also expanded in 2017 to reflect whether a member has access to a Regional Financing Arrangement. See EB/CQuota/17/2.

2/ Analysis in 2018 further refined models to include bilateral financing and swap lines and took into consideration the longer-term needs for 2024–25. See EB/CQuota/18/1.

The qualitative considerations complemented the quantitative approach and supported judgment on the appropriate size of the IMF. Staff described key trends in the global economy and the international monetary system that could affect the demand for IMF resources. It argued that, on one hand, the ongoing global transitions, together with increasing interconnectedness, are creating uncertainty and could lead to spillovers, contagion, and systemic risks, thereby potentially increasing demand for IMF resources. On the other hand, staff noted that post-crisis reforms could reduce such demand.

1/ This section draws on Box 1 of EBS/19/22.

2/ The metric approach is a comparison of Fund resources with several economic indicators (e.g., GDP, trade, financing needs). The estimates range between SDR 222–1,148 billion.

below reference the templates for these agreements in Annexes I and II, respectively.<sup>14</sup> Specifically, key substantive provisions under the 2020 BBAs would include the following:

- **Purpose** (LA ¶11 and NPA ¶11). The 2020 BBAs are a third line of defense after quota and NAB resources, on a temporary basis, for crisis prevention and resolution.

<sup>14</sup> The NPA includes its General Terms and Conditions (“GTC”).

- **Terms of agreements** (LA ¶12(a) and NPA ¶12(a)). The 2020 BBAs would have a common end-date of end-December 2023, which could be extended by one year (until end-December 2024) by a decision of the Fund with the consents of the respective creditors.<sup>15</sup> The common target date for effectiveness for the 2020 BBAs is January 1, 2021, immediately after the 2016 BBAs expire<sup>16</sup> and coinciding with the target date of the effectiveness of the NAB Reform.
- **Use of drawings** (LA ¶12(d)-(e) and NPA ¶12(d)-(e)). The Fund may draw from a 2020 BBA to fund:<sup>17</sup>
  - (i) any outright purchases during the term of the agreement when the BBAs are activated,
  - (ii) any commitment of resources from the Fund's General Resources Account ("GRA") under an arrangement that is approved by the Fund during the term of the agreement when the BBAs are activated,<sup>18</sup> and
  - (iii) early repayment ("encashment") of any outstanding claims under other 2020 BBAs in cases where such creditors represent they have a balance of payments need, irrespective of whether or not the 2020 BBAs are activated.
- **Activation** (LA ¶12(b) and NPA ¶12(b)). The Fund's use of resources under the 2020 BBAs for GRA financing can only be done following an activation of the 2020 BBAs. The activation process for the 2020 BBAs requires that:
  - (i) the Managing Director has notified the Executive Board that the Forward Commitment Capacity (FCC), taking into account all available uncommitted resources under the NAB (the "modified" FCC), is below SDR 100 billion;
  - (ii) the NAB is activated as of the time of the notification, or that there are no available uncommitted resources under the NAB as of that time;<sup>19</sup> and

<sup>15</sup> The "term" of a 2020 Borrowing Agreement prescribes the period during which: (i) the Fund may draw under the agreement to fund outright purchases made from the Fund's GRA, and (ii) the Fund may approve commitments of GRA resources under Fund arrangements that would be funded with drawings under that agreement, subject to the activation of the use of bilateral borrowed resources. For the latter, drawings to fund those approved commitments may be made even after the term expires, or when bilateral borrowing is no longer activated. In addition, the term of a 2020 Borrowing Agreement does not limit or affect drawings to fund encashment claims of other 2020 Borrowing Agreements.

<sup>16</sup> In the event that a 2020 BBA with a creditor is not yet effective when the Fund initiates an activation of the 2020 BBAs, and the agreement subsequently becomes effective, the 2020 BBA of such creditor would not be available for drawings to fund commitments approved under an activation of the 2020 BBAs before the BBA of that creditor became effective. The same mechanism is in place for the 2016 BBAs (see EBS/16/77, Supp. 1 at footnote 6).

<sup>17</sup> The use of 2020 BBAs to fund commitments approved under an activation of the 2016 BBAs or encashment calls under the 2016 BBAs is discussed in paragraph 20 below and Annex III.

<sup>18</sup> Drawings to fund those approved commitments may be made even after the term expires or when bilateral borrowing is no longer activated.

<sup>19</sup> "Available uncommitted resources" in this context does not include the 20 percent liquidity buffer, which can be used to fund potential encashment calls.

- (iii) creditors eligible to vote and representing at least 85 percent of the total credit amounts committed<sup>20</sup> under effective 2020 BBAs have consented to the activation.
- **Deactivation** (LA 112(c) and NPA 112(c)). The 2020 BBAs are automatically deactivated whenever the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, following notification by the Managing Director to the Board that the modified FCC has risen to SDR 100 billion or above, the 2020 BBAs would be deactivated if:
    - (i) the Board determines that activation of the 2020 BBAs is no longer necessary, or
    - (ii) for a period of six months since the date of such notification, the modified FCC has not fallen below SDR 100 billion.
  - **Estimates of drawings/purchases** (LA 113(a) and NPA 113(a)). No drawings shall be made under the 2020 BBA if the relevant member is not included, and is not being proposed by the Managing Director to be included, in the list of countries in the Fund's Financial Transactions Plan (FTP) for transfers of its currency. As in the case of the NAB and the 2016 BBAs, the Fund would not access a BBA with a creditor for drawings if the relevant member's balance of payments position weakens substantially during the FTP period. Specifically, no call shall be made on a creditor if, at the time of drawings, the relevant member's currency is not being used in transfers under the FTP because of the relevant member's balance of payments and reserve position. Moreover, a creditor may opt out from drawings under its agreement to fund commitments approved during an activation of the 2020 BBAs on which it was not eligible to vote because the relevant member was not included in the FTP at the time of the vote.
  - **Burden sharing** (LA 112(f) and NPA 112(f)). The 2020 BBAs would require the Fund to make drawings under the 2020 BBAs with the goal of achieving over time broadly balanced positions among all participating BBA creditors.
  - **Encashment** (LA 112(e) and 8 and NPA 112(e) and GTC 118). A creditor under a 2020 BBA would have the right to request early repayment of its claims in case of a representation of balance of payments need. Encashment would be supported by a reciprocity clause under which drawings from any 2020 BBA may be made, even after its term has expired or when the 2020 BBAs are no longer activated, to fund the encashment of outstanding claims under other 2020 BBAs. In addition, when a creditor is called upon to meet encashment requests but the relevant member has a currency that is not freely usable, the member would be required to exchange its currency for a freely usable currency of its choice in accordance with its exchange arrangement for use of

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<sup>20</sup> For purposes of the activation threshold, voting shares would be based on the eligible creditors' amounts at the time of a proposed activation. It is possible that a short "transition period" could arise when some creditors will have effective 2020 BBAs in place, while others may still be completing their domestic approval processes. As under the 2016 BBA framework, only creditors whose BBAs are effective, and where the relevant members are also included in the Financial Transactions Plan (FTP), would be eligible to vote on a proposed activation.

the member's currency in Fund lending transactions. These provisions are designed to ensure the reserve asset quality of any claims arising from drawings under the 2020 BBAs.<sup>21</sup>

- **Notice for the Fund's drawing** (LA ¶13(b) and NPA ¶13(b)). The Fund would normally give creditors at least five business days' notice and, in exceptional circumstances, three business days' notice of its intention to draw; however, under such exceptional circumstances, creditors would only be required to make "best efforts" to meet such a three-day call. The Fund is expected to inform creditors (generally well in advance) of the Fund's plan to draw from their BBAs.
- **Evidence of the Fund's indebtedness** (LA ¶14 and NPA GTC ¶13(b)). The standard method of evidencing the Fund's indebtedness would be the information made available to creditors via monthly statements of members' financial position in the Fund, which includes information on outstanding drawings under BBAs and the NAB. If requested, the Fund could also issue a non-negotiable instrument evidencing the Fund's indebtedness.
- **Maturity** (LA ¶15 and NPA GTC ¶14). Drawings under 2020 BBAs would have an initial three-month maturity that would be renewable at the Fund's discretion up to a maximum maturity of 10 years.<sup>22</sup> As was the case under the 2012/2016 BBAs, and with a view to securing longer maximum maturities of 2020 BBA claims in case of exceptional circumstances, creditors would also be asked to indicate that they stand ready to cooperate with the Fund in the spirit of IMFC/G-20 commitments<sup>23</sup> as needed and appropriate. As in the 2012 and 2016 BBAs, this expression of support could be conveyed as part of the 2020 BBA itself or through a separate communication (e.g., a letter from the authorities). In addition, or as an alternative, for those creditors who are willing to consider the possibility of an extension of the maximum maturity for up to another 5 years in exceptional circumstances, the 2020 BBAs would include such a clause.
- **Interest rate** (LA ¶16 and NPA GTC ¶15). Interest would be paid to creditors at the SDR interest rate on outstanding 2020 BBA claims or any higher interest rate that the Fund pays on comparable borrowings.
- **Denomination and media for repayment** (LA ¶17 and NPA ¶14 and 5, GTC ¶18). While the maximum commitment under the 2020 BBAs may be denominated in SDRs or in a member's currency, all drawings would be denominated in SDRs. The agreements would provide flexibility for the Fund as regards the media for repayment of borrowing but would require the creditor's

<sup>21</sup> The 2016 and 2012 BBAs contain similar encashment provisions. No claims for encashment have ever been made under any BBA.

<sup>22</sup> The Fund is deemed to exercise its discretion to renew automatically (until the maximum maturity date) unless it notifies the creditor otherwise.

<sup>23</sup> These commitments included that, should it become necessary for the Fund to use its BBA resources, adequate risk mitigation features, conditionality, and adequate burden sharing among creditors would apply, as approved by the Executive Board. See *Joint Statement by the International Monetary and Financial Committee and the Group of 20 Finance Ministers and Central Bank Governors on IMF Resources* (April 20, 2012).

consent for repayments that are not in the relevant member's own currency, SDRs, or a freely usable currency.

- **Transitional arrangements** (LA ¶15 and NPA ¶9). See discussions in paragraphs 19 and 20 below and in Annex III.

## 12. Other provisions that would remain unchanged from the 2016 BBAs include:

- **Transfer of claims** (LA ¶9 and NPA ¶6 and GTC ¶6). A creditor under the 2020 BBAs would have the right to transfer all or part of any claim on the Fund under its agreement to other qualified creditors, subject to certain conditions.
- **Effective exchange rate** (LA ¶10 and NPA ¶5(c) and GTC ¶9). The 2020 BBAs also establish methods for determining the exchange rates applicable to transactions, and the calculation of the value of drawings for the purposes of applying the limit on drawings under these agreements.
- **Non-subordination of claims** (LA ¶12 and NPA GTC ¶11). Creditors' claims under the 2020 BBAs would not be subordinate to claims on the Fund resulting from any other Fund borrowing.
- **Settlement of questions** (LA ¶13, and NPA ¶17 and GTC ¶12). Questions arising under the 2020 BBAs will be settled by mutual agreement between the relevant creditor(s) and the Fund.

**13. While the key substantive provisions described in paragraph 11 would be the same across all 2020 BBAs, limited drafting variations not affecting the substance of such terms could be accommodated as under the 2016 borrowing framework.** Such variations could be requested to accommodate concerns of individual creditors. Moreover, as the template agreements assume the creditor is a Fund member and the loan amount is expressed in SDRs, as under the 2016 framework, small adjustments to the agreements would be required in cases where the creditor is an institution of a member (e.g., its central bank) or the maximum loan amount is specified in a currency. As in 2016, strong efforts would be made to have broadly similar terms across agreements.

## PARTICIPATION IN THE 2020 BBAs, CREDIT AMOUNTS, AND INTERACTIONS BETWEEN BBAs AND THE NAB

*This section discusses the outcome of consultations with creditors on their participation in the 2020 BBAs and possible credit amounts. It also covers interactions between the 2016 BBAs, the 2020 BBAs, and the NAB, with further details provided in Annex III.*

### A. Creditor Participation

**14. Consultations with creditors have revealed broad support for participation in the 2020 BBAs.** All creditors who concluded 2016 Borrowing Agreements indicated their willingness to also

participate in the 2020 BBAs. In addition, two new creditors (Estonia and Lithuania) indicated a willingness to also provide resources under the 2020 BBAs. Creditors indicated that participation in the 2020 BBAs would be subject to the completion of domestic approval procedures.

## B. Credit Amounts

**15. Staff has explored a number of options for determining the 2020 BBA credit amounts in the event the doubling of the NAB becomes effective.** These include (i) a halving of current BBA amounts in view of the doubling of the NAB credit arrangements; (ii) a one-for-one adjustment under which the amount of the 2020 BBA for a creditor would be calculated so that the total exposure of a creditor to the Fund (increased NAB plus BBA) would remain unchanged for those 2020 BBA creditors who participate in the NAB; and (iii) a proportionate reduction in BBA amounts across all BBA creditors that would preserve existing BBA shares. Based on initial consultations with creditors, it was evident that no single approach would meet the preferences of all creditors. Many creditors, however, indicated flexibility, including an openness by some to consider higher contributions (compared with the above 3 options) if needed. Many creditors also stressed the desirability of simplicity and avoiding approaches that could lead to a protracted discussion of new BBA amounts.

**16. Based on this feedback, staff has conducted further consultations around a two-step approach that would be based on the second and third options above.** Under this approach:

- New credit amounts for all 2016 BBA creditors that are willing to participate in the 2020 borrowing framework would initially be determined based on a common proportional reduction relative to their respective 2016 BBA amounts to account for the doubling of the NAB, consistent with maintaining the Fund's overall resource envelope unchanged. For most creditors the amount so calculated would be acceptable as their new 2020 BBA credit amount.
- For five creditors (Brazil, Chile, China, India, and Russia), the credit amount would then be modified in line with the approach that maintains unchanged each creditor's overall maximum commitment exposure to the Fund (NAB plus BBA).<sup>24</sup> It should be noted that some other creditors would have also preferred this approach in calculating their own 2020 BBA amount but were willing to go along with a proportionate reduction in their 2016 BBA amount in the interest of facilitating an early consensus among creditors on a reasonable structure for the 2020 BBAs.
- The results of applying the above two step approach are shown in Table 2 (see post-NAB doubling columns). The final amounts are subject to further discussions with creditors and would be set out in each individual BBA, which will be subject to Board approval.

Creditors' participation in the 2020 BBAs is subject to their domestic approval procedures. If all creditors participate as shown in Table 2, the Fund's overall lending capacity would be broadly

<sup>24</sup> For all of these creditors except for China, this results in a smaller maximum BBA commitment than under the common proportional reduction described above.

**Table 2. 2020 Borrowing Agreements: Tentative Participation and Indicative Amounts 1/**  
(As of end-February 2020)

Member (Creditor)	Currency of commitment 2/	Amount (in billions) 3/			
		pre-NAB doubling		post-NAB doubling	
		Currency of commitment	SDRs	Currency of commitment	SDRs
Algeria (Bank of Algeria)	USD	5	3.6	2.2	1.6
Australia	SDR	4.61	4.6	2.0	2.0
Austria (Oesterreichische Nationalbank)	EUR	6.13	4.9	2.6	2.1
Belgium (National Bank of Belgium)	EUR	9.99	8.0	4.3	3.4
Brazil (Banco Central do Brasil)	USD	10	7.3	3.9	2.8
Brunei Darussalam	USD	0.3	0.2	0.1	0.1
Canada	SDR	8.2	8.2	3.5	3.5
Chile (Central Bank of Chile)	SDR	0.96	1.0	0.3	0.3
China (People's Bank of China)	USD	43	31.3	21.2	15.5
Czech Republic (Czech National Bank)	EUR	1.5	1.2	0.6	0.5
Denmark (Danmarks Nationalbank)	EUR	5.3	4.2	2.3	1.8
Estonia (Eesti Pank) 4/	EUR	0.4	0.3	0.2	0.1
Finland (Bank of Finland)	EUR	3.76	3.0	1.6	1.3
France	EUR	31.4	25.1	13.5	10.8
Germany (Deutsche Bundesbank)	EUR	41.5	33.2	17.9	14.3
India (Reserve Bank of India)	USD	10	7.3	3.9	2.8
Italy (Bank of Italy)	EUR	23.48	18.8	10.1	8.1
Japan	USD	60	43.7	25.8	18.8
Korea	USD	15	10.9	6.5	4.7
Lithuania (Bank of Lithuania) 4/	EUR	0.7	0.6	0.3	0.2
Luxembourg	EUR	2.06	1.6	0.9	0.7
Malaysia (Bank Negara Malaysia)	USD	1	0.7	0.4	0.3
Malta (Central Bank of Malta)	EUR	0.26	0.2	0.1	0.1
Mexico (Banco de Mexico)	USD	10	7.3	4.3	3.1
Netherlands (De Nederlandsche Bank NV)	EUR	13.61	10.9	5.9	4.7
New Zealand	USD	1	0.7	0.4	0.3
Norway (Norges Bank)	SDR	6	6.0	2.6	2.6
Peru (Central Reserve Bank of Peru)	SDR	1.1	1.1	0.5	0.5
Philippines (Bangko Sentral ng Pilipinas)	USD	1	0.7	0.4	0.3
Poland (Narodowy Bank Polski)	EUR	6.27	5.0	2.7	2.2
Russia (Central Bank of the Russian Federation)	USD	10	7.3	3.9	2.8
Saudi Arabia	USD	15	10.9	6.5	4.7
Singapore (Monetary Authority of Singapore)	USD	4	2.9	1.7	1.3
Slovak Republic	EUR	1.56	1.2	0.7	0.5
Slovenia (Bank of Slovenia)	EUR	0.91	0.7	0.4	0.3
South Africa (South African Reserve Bank)	USD	2	1.5	0.9	0.6
Spain	EUR	14.86	11.9	6.4	5.1
Sweden (Sveriges Riksbank)	SDR	7.4	7.4	3.2	3.2
Switzerland (Swiss National Bank)	CHF	8.5	6.4	3.7	2.8
Thailand (Bank of Thailand)	USD	4	2.9	1.7	1.3
Turkey (Central Bank of the Republic of Turkey)	USD	5	3.6	2.2	1.6
United Kingdom	SDR	9.17822	9.2	4.0	4.0
Total 5/			317.6		137.8
Number of creditors			42		42

Source: IMF Finance Department.

1/ Indicative amounts and participation for 2020 BBAs reflect staff's informal discussions with creditors and are subject to domestic procedures of each creditor.

2/ Assumed to be the same as each creditor's 2016 BBA, or EUR for Estonia and Lithuania.

3/ At end-February 2020 exchange rates.

4/ Creditors that do not participate in the 2016 BBAs.

5/ Equivalent to USD 436 billion pre-NAB doubling and USD 189 billion post-NAB doubling.

maintained at about SDR 715 billion or close to USD 1 trillion (given that the maximum credit amounts under the 2020 BBAs are likely to be denominated in different currencies, the precise amounts in SDRs can fluctuate over time in line with exchange rate movements).

**17. A safeguard is needed to avoid the risk of a decline in the Fund's lending capacity in the event of a delay in the effectiveness of the NAB Reform.** The 2020 BBAs are proposed to take effect from January 1, 2021, immediately after the 2016 BBAs expire and coinciding with the target date of the effectiveness of the NAB Reform. However, there is some uncertainty as to whether NAB participants will be able to finalize their domestic approval procedures in time to secure the necessary consents to the NAB Reform by the target date. If there were a delay, the Fund's overall resource envelope would decline at the beginning of 2021 if the above reduced 2020 BBA amounts were to come into effect on that date.

**18. To avoid a decline in the Fund's lending capacity, staff proposes that the credit amounts of the 2020 BBAs initially be established at the level of the 2016 BBAs in case the NAB Reform is not in effect on January 1, 2021.** Specifically, if there is a delay in effectiveness of the NAB Reform, the 2020 BBA for each creditor would provide for an initial credit amount at the level of the 2016 BBA amounts. Upon effectiveness of the increase in the NAB credit arrangement for that creditor as part of the NAB Reform,<sup>25</sup> the initial 2020 BBA credit amount would be automatically reduced to its new reduced 2020 BBA amount as described above.<sup>26 27</sup> The provision is motivated by the goal of safeguarding the Fund's overall resource envelope, so that a creditor's 2020 BBA rollback will only take place when its NAB increase has become effective. The 2020 BBA credit amounts of creditors not participating in the NAB would automatically be reduced upon effectiveness of the NAB Reform. The implementation of the rollback, including the folding in of any claims in the event that the 2020 or 2016 BBAs were activated and drawn prior to the entry into force of the NAB reform, is discussed below.

### C. Interactions Between the 2016 BBAs, the 2020 BBAs, and the NAB

**19. The design of the 2020 borrowing framework must take into account the implications of a possible activation of the 2016 BBAs before January 1, 2021, and also of a delay in the effectiveness of the NAB Reform and a potential activation of the 2020 BBAs prior to that effectiveness.** In particular, creditors would want assurances that their aggregate exposure from

<sup>25</sup> Any increase (doubling) in a NAB participant's credit arrangement would be considered "part of the NAB Reform" as long as it is part of the NAB doubling package proposed in December 2019, regardless of whether such increase (doubling) takes place at or after the effectiveness of the NAB Reform. See EBS/19/106 (in particular, paragraphs 21 and 22).

<sup>26</sup> For BBA creditors that do not participate in the NAB, including new 2020 BBA creditors, the rollback for these creditors would take effect when the NAB Reform enters into force.

<sup>27</sup> It should be noted that if the NAB Reform were not to take effect and the current NAB Decision were to expire by November 2022, the Fund may no longer access the credit line under the proposed 2020 BBAs to finance outright purchases or commitments made by the Fund thereafter. This reflects the third line of defense role of BBAs after quota and NAB resources. The Executive Board would be expected to consider IMF resource issues well ahead of any such adverse scenario.

outstanding claims under the 2016 and 2020 BBAs does not exceed the amount of their 2020 BBA, including when the 2020 BBAs are rolled back as a result of the effectiveness of their increased NAB credit arrangements. Second, regarding commitments under Fund arrangements that are approved during an activation of the 2016 and/or 2020 BBAs, the borrowing framework needs to ensure that such commitments can be funded when the NAB doubling becomes effective and the 2020 BBAs are rolled back. Third, encashment of outstanding claims under the 2016 and 2020 BBAs would need to be assured through the maintenance of adequate buffers to fund requests by BBA creditors for early repayment in case of balance of payments need. Fourth, the framework needs to ensure that the 2016 and 2020 BBAs serve as a third line of defense after quotas and NAB, which support the folding-in of any 2016 and 2020 BBA claims upon effectiveness of the increase in the NAB credit arrangements. Finally, operational complexity arising from the existence multiple borrowing sources should be limited.

**20. Specific provisions of the 2020 BBA are designed to address these issues and safeguard creditor interests** (LA ¶15 and NPA ¶19). As elaborated in Annex III and reflected in the provision on transitional arrangements in the borrowing agreements, the interaction of the 2016 BBAs, 2020 BBAs and NAB credit arrangement will be guided by the following principles:

- Fold-in of outstanding 2016/2020 BBA claims of each creditor related to an activation of these agreements prior to the effectiveness of the NAB Reform into the creditor's NAB credit arrangement upon effectiveness of the creditor's increase in its NAB credit arrangement, which is designed to ensure the role of BBAs as the third line of defense after the NAB, to help limit creditors' 2016/2020 BBA credit exposure, and to maintain an adequate buffer in the BBAs to fund encashment calls;<sup>28</sup>
- Closing of the 2016 BBAs for future drawings upon effectiveness of the 2020 BBAs, and use of the 2020 BBAs to fund any drawings under commitments made under an activation of the 2016 BBAs, including encashment calls;
- Repayment of any outstanding 2016/2020 BBA claims following NAB fold-in that would exceed the (reduced) 2020 BBA credit limits, which is designed to ensure that outstanding drawings under the 2016/2020 BBAs do not exceed the creditors' agreed maximum BBA credit exposures.

<sup>28</sup> If a creditor's 2020 BBA becomes effective before that creditor's increase in its NAB credit arrangement also becomes effective, any 2016 BBA claims would be folded into the 2020 BBA; and upon the effectiveness of the increase in the NAB credit arrangement, *outstanding* 2020 BBA claims related to an activation of the 2016 or 2020 BBA prior to the effectiveness of the NAB Reform would be folded into the NAB. *Future* claims related to an activation of the 2016 or 2020 BBA prior to the effectiveness of the NAB Reform, for example to fund commitments approved under arrangements during such activations, would also be folded into the NAB upon the drawing of the associated commitments. Any 2016 BBA claims, for which no room is available under a creditor's NAB credit arrangement, will be folded into the corresponding 2020 BBA.

## FINALIZING THE 2020 BBAs

*Following the endorsement by the Executive Board of the framework set out in this paper, staff will start discussions with bilateral creditors on the finalization of their borrowing agreements.*

**21. Discussions will be based on the template loan agreement and template note purchase agreement set out in Annexes I and II.** Unless indicated otherwise by a creditor, staff will base the initial draft for the 2020 BBA on the 2016 BBA with that creditor. After agreement has been reached with a creditor on the text of the 2020 BBA, the agreement will be submitted for Board approval, most likely in batches as was the case for the 2016 BBAs. Following Board approval, the agreements would be signed by both the Managing Director and the relevant creditor. Each agreement would provide for January 1, 2021 as the effectiveness date, or later when all effectiveness conditions specified in the agreement have been met. The objective would be for all the 2020 BBAs to be effective on January 1, 2021, when the 2016 BBAs expire.

## REVIEW OF THE BORROWING GUIDELINES

*This section provides background for a review the Fund's Borrowing Guidelines. Staff proposes no substantive changes to the Guidelines with updates limited to a few clauses that reflect the pending expiration of the 2016 BBAs and the envisaged new round of BBAs.*

**22. The Fund has developed a set of guidelines that govern its borrowing activities.** These guidelines are intended to assure members that the financing of the Fund would be managed in a prudent and systematic manner. The Borrowing Guidelines were first adopted in 1982, and have since been revised periodically, most recently in 2016. They indicate that 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.

**23. The Borrowing Guidelines must be reviewed by the Executive Board before end-June 2020.** The Borrowing Guidelines were last reviewed and amended in August 2016 in conjunction with the Fund's approval of the framework for the 2016 BBAs, with review of the Borrowing Guidelines envisaged before end-2019. When the Executive Board endorsed the one-year extension of the 2016 BBAs in May 2019, it was then envisaged that the review of the Borrowing Guidelines would take place in the context of the Executive Board's pending discussion on Fund resources.<sup>29</sup> The recent Board decision on the NAB reset the deadline for review of the Borrowing Guidelines to end-June 2020.<sup>30</sup>

**24. The proposed framework for the 2020 BBAs is consistent with the Borrowing Guidelines.** The 2020 BBAs would be temporary and would continue to operate as a third line of

<sup>29</sup> 2016 Borrowing Agreements—Proposed One-Year Extension of Terms (EBS/19/22, 4/22/2019).

<sup>30</sup> See DEC/16646.

defense to quota and NAB resources.<sup>31</sup> Furthermore, the 2020 BBAs maintain the activation mechanism introduced at the time of the 2016 BBAs and reflected in the Borrowing Guidelines.

**25. Staff is of the view that the Borrowing Guidelines remain broadly appropriate but proposes technical changes to update them.** There have been no drawings under borrowed resources (NAB or BBAs) since the last review of the Borrowing Guidelines in 2016. This said, the principles set out in the Borrowing Guidelines have served the Fund well and staff does not propose substantive changes. The following technical changes are proposed to the Borrowing Guidelines to update a few provisions that have become obsolete: (i) all references to the now-expired 2012 BBAs in paragraph 4(a) of the Borrowing Guidelines would be removed; (ii) the definition of 2020 BBAs would be included in paragraph 4(a), and the definition of ‘Bilateral Borrowing Agreements’ would be amended to refer to the 2016 BBAs, together with the 2020 BBAs; (iii) the activation mechanism would be specified for both the 2016 and 2020 BBAs in paragraph 4(b); (iii) the reference to “the Fifteenth General Review of Quotas” would be replaced with “the Sixteenth General Review of Quotas” in paragraph 5; and (iv) paragraph 8 would be revised to establish a new deadline for the review of the Borrowing Guidelines as of “December 31, 2023”, consistent with the proposal that the Executive Board take stock before the end of the initial three year term of the 2020 BBAs of whether the term of the agreements should be extended for a fourth year.

## ISSUES FOR DISCUSSION

**26. Directors may wish to comment on the following issues:**

- Do Directors support a new round of bilateral borrowing agreements (2020 BBAs) to become effective once the current 2016 BBAs expire?
- Do Directors agree with the proposed borrowing framework for the 2020 BBAs, which follows closely the framework for the 2016 BBAs?
- Do Directors consider that the proposed two-step approach outlined in this paper provides a reasonable basis for determining the credit amounts for the 2020 BBAs?
- Can Directors confirm their indications concerning the willingness of creditors to participate in the 2020 BBAs?
- Do Directors agree that the Borrowing Guidelines remain broadly appropriate in most respects? Do Directors support the proposed limited updates of the Guidelines, addressing provisions that have become obsolete?

<sup>31</sup> Indeed, over the past decade, the Fund activated the NAB on ten occasions between April 2011 and February 2016 (when the last activation was terminated) but did not activate the 2012 BBAs and has so far also not activated the 2016 BBAs.

## Proposed Decision

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. 15176-(12/58), adopted June 15, 2012, as amended, are further amended to read as follows:

### **GUIDELINES FOR BORROWING BY THE FUND**

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 crisis prevention, adjustment, sustainable growth, and financial stability. Against this background, the following guidelines shall apply for 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. (a) For purposes of these guidelines, bilateral borrowing agreements concluded by the Fund as part of the 2016 borrowing exercise and consistent with the modalities approved in August 2016 are referred to as “2016 Borrowing Agreements”. Bilateral borrowing agreements entered into or amended by the Fund pursuant to the borrowing framework approved in March 2020 shall be referred to as the “2020 Borrowing Agreements.” The 2016 Borrowing Agreements, together with the 2020 Borrowing Agreements, shall be collectively referred to herein as the “Bilateral Borrowing Agreements”.

(b) The Bilateral Borrowing Agreements shall be activated for use by the Fund under the terms of such agreements only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April 20, 2011, taking into account all available uncommitted resources under the New Arrangements to Borrow (the “modified FCC”), is below SDR 100 billion (the “activation threshold”); provided however that the Managing Director shall not provide such notification to the Executive Board unless:

(i) the New Arrangements to Borrow (“NAB”) are activated as of the time of the notification, or there are no available uncommitted resources under the NAB as of that time; and

(ii) the activation of the 2016 or 2020 Bilateral Borrowing Agreements has been approved by creditors representing at least 85 percent of the total credit amount committed under the 2016 or 2020 Borrowing Agreements, respectively, by creditors eligible to vote on such activation. For

the purposes of conducting a poll of eligible creditors on such activation, the Managing Director shall propose in writing to eligible creditors the activation of the 2016 or 2020 Bilateral Borrowing Agreements, as applicable, and request the creditors' vote on the activation. Only creditors under the 2016 or 2020 Bilateral Borrowing Agreements, respectively, may vote on the activation, except that any such creditor shall not be eligible to vote if, at the time of the vote, its Bilateral Borrowing Agreement is not effective or the relevant member is not included in the Fund's Financial Transactions Plan for transfers of its currency.

(c) If the Bilateral Borrowing Agreements are activated pursuant to paragraph 4(b) above, they shall automatically be deactivated when the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, the Bilateral Borrowing Agreements shall be deactivated if the Managing Director has notified the Executive Board that the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has risen above the activation threshold, and: (i) the Executive Board determines that activation is no longer necessary; or (ii) six months have elapsed since the date of the Managing Director's notification and, within that period, the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has not fallen below the activation threshold. If, after the deactivation of the Bilateral Borrowing Agreements under this paragraph 4(c), the modified FCC were to fall below the activation threshold, the provisions of paragraph 4(b) will apply.

5. The Fund is expected to use any quota increases under the Sixteenth General Review of Quotas to reduce and, depending on the size of the quota increases and the Fund's liquidity, eliminate its reliance on bilateral borrowing agreements.

6. In the context of approval of the Financial Transactions Plan, the Executive Board shall determine (a) the appropriate mix between borrowed resources and quota resources, and (b) the appropriate amounts to be drawn across different sources of borrowed resources. In making these determinations, the Fund shall take into account the Fund's liquidity needs and the expected availability of borrowed and quota resources, among other relevant considerations.

7. The Fund shall aim to maintain equitable burden sharing among creditors in accordance with the burden sharing rules that are applicable to each source of borrowed resources under the relevant agreements and decisions applicable to that source, including equitable burden sharing among creditors under all Bilateral Borrowing Agreements.

8. The Executive Board shall review these guidelines by December 31, 2023."

## Annex I. Template for 2020 Loan Agreement

### Loan Agreement between [Member] and the International Monetary Fund<sup>1</sup>

#### 1. Purposes and Amounts.

(a) To enhance the resources available on a temporary basis to the International Monetary Fund (the “Fund”) for crisis prevention and resolution through bilateral borrowing, [Member] agrees to lend to the Fund up to the equivalent of SDR [amount] billion (the “Loan Amount”); provided however that, upon the effectiveness of the increase in the credit arrangement of [Member] under the Fund’s New Arrangements to Borrow (the “NAB”) as part of the reform of the NAB approved by the Fund under Decision No. xx-(20/xx), adopted January 16, 2020 (the “NAB Reform”), the Loan Amount will be automatically reduced to the equivalent of SDR [amount] billion (the “Rolled Back Loan Amount”).

(b) This agreement is based on Article VII, Section 1(i) of the Fund’s Articles of Agreement, which authorizes the Fund to borrow from Fund members or other sources if it deems such action appropriate to replenish its holdings of any member’s currency in the General Resources Account (“GRA”). This agreement must be considered in light of the Guidelines for Borrowing by the Fund, which make clear that quota subscriptions are and should remain the basic source of Fund financing, and that the role of borrowing is to provide a temporary supplement to quota resources.

(c) This agreement and other bilateral borrowing agreements that the Fund has entered into or amended pursuant to the borrowing framework approved by the Fund in [March 2020] shall be referred to each as a “2020 Borrowing Agreement” and collectively as the “2020 Borrowing Agreements.” Each bilateral borrowing agreement that the Fund entered into pursuant to the borrowing framework approved by the Fund in August 2016 shall be referred to as a “2016 Borrowing Agreement” and collectively as the “2016 Borrowing Agreements.” The 2020 Borrowing Agreements and the 2016 Borrowing Agreements shall be collectively referred to as the “Bilateral Borrowing Agreements”.

#### 2. Term of the Agreement and Use.

(a) The term of this agreement shall end on December 31, 2023; provided that the Fund may extend the term of this agreement for one further year through December 31, 2024 by a

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<sup>1</sup> Language in square brackets in the template indicates that it should be personalized to each creditor. This template is designed for a 2020 BBA creditor that participates in the 2016 BBAs and the NAB; and it would need to be adjusted for new 2020 BBA creditors or 2016/2020 BBA creditors that are not NAB participants.

decision of the Executive Board, taking into account the Fund's overall liquidity situation and actual and prospective borrowing requirements, and with the consent of [Member].

(b) The 2020 Borrowing Agreements may be activated only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April 20, 2011, taking into account all available uncommitted resources under the New Arrangements to Borrow (the "modified FCC"), is below SDR 100 billion (the "activation threshold"); provided, however, that the Managing Director shall not provide such notification unless (i) the New Arrangements to Borrow (the "NAB") is activated as of the time of the notification, or there are no available uncommitted resources under the NAB as of that time, and (ii) the activation of the 2020 Borrowing Agreements has been approved by creditors representing at least 85 percent of the total credit amount committed under the 2020 Borrowing Agreements by creditors eligible to vote on such activation. For purposes of conducting a poll of eligible creditors, the Managing Director shall propose in writing the activation of the 2020 Borrowing Agreements and request the creditors' vote. A creditor shall not be eligible to vote on the activation if, at the time of the vote, its 2020 Borrowing Agreement is not effective, or the relevant member is not included in the Fund's Financial Transactions Plan for transfers of its currency. Nothing in this paragraph 2(b) shall preclude the Managing Director from approaching creditors before the modified FCC is below the activation threshold, if extraordinary circumstances so warrant in order to forestall or cope with an impairment of the international monetary system.

(c) If the 2020 Borrowing Agreements are activated pursuant to paragraph 2(b), they shall be automatically deactivated whenever the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, the 2020 Borrowing Agreements shall be deactivated if the Managing Director has notified the Executive Board that the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has risen above the activation threshold and: (i) the Executive Board determines that activation is no longer necessary; or (ii) six months have elapsed since the date of the Managing Director's notification and, within that period, the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has not fallen below the activation threshold. If, after the deactivation of the 2020 Borrowing Agreements under this paragraph 2(c), the modified FCC were to fall below the activation threshold, the provisions of paragraph 2(b) will apply.

(d) During any period after the activation of the 2020 Borrowing Agreements as provided under paragraph 2(b) and for as long as the 2020 Borrowing Agreements remain activated in accordance with paragraphs 2(b) and 2(c), the Fund may (i) use the resources available under this agreement to fund any outright purchases made from the GRA during the term of this agreement and (ii) approve, during the term of this agreement, commitments of GRA resources under Fund arrangements whose purchases could be funded by drawings under this agreement at any time during the period of such commitments, including after the expiration of the term of this agreement and during any period in which this agreement is no longer activated in accordance with paragraph 2(c) of this agreement; provided however that the commitments covered under this clause (ii) shall also include any commitment whose approval caused the activation threshold to be reached.

(e) Following an activation specified in paragraph 2(b), the resources available under this agreement may also be used by the Fund to fund the early repayment of claims under other 2020 Borrowing Agreements if the relevant creditors under those other agreements request the early repayment of their claims in the circumstances specified in paragraph 8. Drawings may be made under this agreement to fund such early repayment of other creditors' claims for as long as claims under the 2020 Borrowing Agreements remain outstanding, including after the expiration of the term of this agreement or during any period in which this agreement is no longer activated in accordance with paragraph 2(c).

(f) Drawing under this agreement shall be made with the goal of achieving over time broadly balanced positions among creditors under all Bilateral Borrowing Agreements relative to their commitments under these agreements.

### 3. Estimates, Notices, and Limits on Drawings.

(a) Prior to the beginning of each plan period for the use of bilateral borrowed resources, the Fund shall provide [Member] with its best estimates of the amounts that it expects it will draw under this agreement during the forthcoming period, and shall provide revised estimates during each period where this is warranted. [Member] shall not be included in the periodic plan, and no drawings shall be made under this agreement, if [Member] is not included and is not being proposed by the Managing Director to be included in the list of countries in the Financial Transactions Plan for transfers of its currency. Moreover, no drawings shall be made under this agreement if [Member] was included in the periodic plan but, at the time of drawing, [Member's] currency is not being used in transfers under the Financial Transactions Plan because of [Member's] balance of payments and reserve position. Where [Member] was not included in the Financial Transactions Plan at the time of the vote on the activation of the 2020 Borrowing Agreements and is subsequently included in the Financial Transactions Plan, drawings may be made under this agreement to fund purchases made and commitments approved during the activation period unless and for so long as [Member] notifies the Fund that it does not wish to be drawn upon for these purposes.

(b) The Fund shall give [Member] at least five business days' ([capital of Member]) notice of its intention to draw, and shall provide payment instructions at least two business days (Fund) prior to the value date of the transaction by a rapid authenticated means of communication (e.g., SWIFT), provided that in exceptional circumstances where it is not possible to provide at least five business days' ([capital of Member]) notice, notification of intent to draw would be made at least three business days ([capital of Member]) in advance of the value date, and [Member] would make best efforts to meet such a call.

### 4. Evidence of Indebtedness.

(a) The outstanding drawings under this agreement will be included in the statements of [Member's] position in the Fund that are published monthly by the Fund.

(b) At the request of [Member], the Fund shall issue to [Member] non-negotiable instruments evidencing the Fund's indebtedness to [Member] arising under this agreement. Upon repayment of the amount of any instrument issued under this subparagraph and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as the old instrument.

## 5. Maturity

(a) Except as otherwise provided in this paragraph 5 and in paragraph 8, each drawing under this agreement shall have a maturity date of three months from the drawing date. The Fund may in its sole discretion elect to extend the maturity date of any drawing or of any portion thereof by additional periods of three months after the initial maturity date, which extension the Fund shall automatically be deemed to have elected with respect to the maturity dates for all drawings then outstanding unless, at least five business days (Fund) before a maturity date, the Fund notifies [Member] by a rapid authenticated means of communication (e.g., SWIFT) that the Fund does not elect to extend the maturity date of a particular drawing or portion thereof; provided however (i) that the maturity date of any drawing to fund purchases from the GRA shall not be extended to a date that is later than the tenth anniversary of the date of such drawing, and (ii) that the maturity date for any drawings to fund early repayments of other creditors' claims in accordance with paragraph 2(e) shall be a single common maturity date that is the longest remaining maximum maturity of any claim for which such early repayment has been requested or the tenth anniversary of the date of the relevant drawing to fund early repayment, whichever is earlier. [Notwithstanding the maturity deadlines in the preceding sentence, following an Executive Board determination that exceptional circumstances exist as a result of a shortage of Fund resources in relation to Fund obligations falling due, the Fund, with the agreement of [Member], may extend the maximum maturity for drawings under this agreement up to an additional five years.]

(b) The Fund shall repay the principal amount of each drawing or relevant part thereof on the maturity date applicable to that drawing or part thereof pursuant to subparagraph (a).

(c) After consultation with [Member], the Fund may make an early repayment in part or in full of the principal amount of any drawing prior to its maturity date in accordance with subparagraph (a), provided that the Fund notifies [Member] at least five business days (Fund) before any such repayment by a rapid authenticated means of communication (e.g., SWIFT).

(d) Repayments of drawings shall [not] restore *pro tanto* the amount that can be drawn under this agreement. The extension of the maturity of a drawing or of any part thereof pursuant to subparagraph (a) shall not reduce the amount that can be drawn under this agreement.

(e) If a maturity date for a drawing is not a business day in the place where payment is to be made, then the payment date for the principal amount of such drawing will be the next business day in that place. In such cases, interest will accrue up to the payment date.

6. Rate of Interest.

(a) Each drawing shall bear interest at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement; provided however that, if the Fund pays an interest rate higher than the SDR interest rate on outstanding balances from any other borrowing on comparable terms that has been effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement, and for as long as the payment of such higher interest rate remains in effect, the interest rate payable on drawings under this agreement shall be equivalent to the interest rate paid by the Fund on such other comparable borrowing.

(b) The amount of interest payable on each drawing shall be calculated on the basis of the outstanding amount of the drawing. Interest shall accrue daily and shall be paid promptly by the Fund after each July 31, October 31, January 31, and April 30.

7. Denomination, Media and Modalities of Drawings and Payments.

(a) The amount of each drawing and corresponding repayment under this agreement shall be denominated in SDRs.

(b) Unless otherwise agreed between the Fund and [Member], the amount of each drawing shall be paid by [Member], on the value date specified in the Fund's notice under paragraph 3, by transfer of the SDR equivalent amount of [Currency of Member] to the account of the Fund at the designated depository of [Member]; provided that for drawings in accordance with paragraph 2(e), [Member] shall ensure that balances drawn by the Fund that are not balances of a freely usable currency can be exchanged for a freely usable currency of its choice, and, with respect to balances drawn by the Fund that are balances of a freely usable currency, shall collaborate with the Fund and other members to enable such balances to be exchanged for another freely usable currency.

(c) The obligations of [Member] under Article V, Section 3(e) and Article V, Section 7(j) of the Fund's Articles of Agreement concerning exchanges of its currency purchased or to be used in repurchases from the Fund shall apply, respectively, to purchase and repurchase transactions in the General Resources Account involving its currency used in drawings and to be used in repayments of principal under this agreement.

(d) Except as otherwise provided in paragraph 8, repayment of principal shall be made, as determined by the Fund, in the currency borrowed [whenever feasible], in [the currency of Member], in special drawing rights (provided that it does not increase [Member's] holdings of special drawing rights above the limit under Article XIX, Section 4 of the Fund's Articles of Agreement unless [Member] agrees to accept special drawing rights above that limit in such repayment), in freely usable currencies, or with the agreement of [Member] in other currencies [that are included in the Fund's Financial Transactions Plan for transfers].

(e) Payments by the Fund of interest under this agreement shall normally be made in SDRs; provided that the Fund and [Member] may agree that interest payments will be made in [Currency of Member].

(f) All payments made by the Fund in [Currency of Member] shall be made to an account specified by [Member] or by debiting the Fund's account with the designated depository of [Member], as determined by the Fund. Payments in SDRs shall be made by crediting [Member's] account in the Special Drawing Rights Department. Payments in any other currency shall be made to an account specified by [Member].

8. Early Repayment at Request of the [Member].

At the request of [Member], [Member] shall obtain early repayment at face value of all or a portion of the drawings outstanding under this agreement, if (i) [Member] represents that its balance of payments and reserve position justifies such repayment, and (ii) the Fund, having given this representation the overwhelming benefit of any doubt, determines that there is a need for the early repayment as requested by [Member] in light of its balance of payments and reserve position. After consultation with [Member], the Fund may make repayments pursuant to this paragraph 8 in SDRs or a freely usable currency as determined by the Fund or, with the agreement of [Member], in the currencies of other members [that are included in the Fund's Financial Transactions Plan for transfers].

9. Transferability.

(a) Except as provided in subparagraphs (b) through (h), [Member] may not transfer its obligations under this agreement or any of its claims on the Fund resulting from outstanding drawings under this agreement, except with the prior consent of the Fund and on such terms or conditions as the Fund may approve.

(b) [Member] shall have the right to transfer at any time all or part of any claim on the Fund resulting from outstanding drawings under this agreement to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Fund's Articles of Agreement ("other fiscal agency"), or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

(c) The transferee of a claim transferred pursuant to subparagraph (b) shall, as a condition of the transfer, assume the liability of [Member] pursuant to paragraph 5(a) regarding the extension of the maturity of drawings related to the transferred claim [and regarding the extension of the maximum maturity of drawings under this agreement in exceptional circumstances]. More generally, any claim transferred pursuant to subparagraph (b), shall be held by the transferee on the same terms and conditions as the claim was held by [Member], except that (i) the transferee shall acquire the right to request early repayment under paragraph 8 only if it is a member, or the central bank or other fiscal agency of a member, and at the time of transfer the member's balance of

payments and reserve position is considered sufficiently strong in the opinion of the Fund that its currency is used in transfers under the Financial Transactions Plan, (ii) if the transferee is a member, or the central bank or other fiscal agency of a member, the reference to [Currency of Member] in paragraph 7 shall be deemed to refer to the currency of the relevant member, and in other cases it shall be deemed to refer to a freely usable currency determined by the Fund, (iii) payments related to the transferred claim shall be made to an account specified by the transferee, and (iv) references to business days ([capital of Member]) shall be deemed to refer to business days in the place where the transferee is situated.

(d) The price of a claim transferred pursuant to subparagraph (b) shall be as agreed between [Member] and the transferee.

(e) [Member] shall notify the Fund promptly of the claim that is being transferred pursuant to subparagraph (b), the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

(f) A transfer notified to the Fund under subparagraph (e) shall be reflected in the Fund's records if it is in accordance with the terms and conditions of this paragraph 9. The transfer shall be effective as of the value date agreed between [Member] and the transferee.

(g) If all or part of a claim is transferred during a quarterly period as described in paragraph 6(b), the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

(h) If requested, the Fund shall assist in seeking to arrange transfers.

#### 10. Effective Exchange Rate.

(a) Unless otherwise agreed between [Member] and the Fund, all drawings, exchanges, and payments of principal and interest under this agreement shall be made at the exchange rates for the relevant currencies in terms of the SDR established pursuant to Article XIX, Section 7(a) of the Fund's Articles of Agreement and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the transfer, exchange or payment. If this exchange rate determination date is not a business day in [capital of Member], such date shall be the last preceding business day of the Fund that is also a business day in [capital of Member].

#### 11. Changes in Method of Valuation of SDR.

If the Fund changes the method of valuing the SDR, all transfers, exchanges and payments of principal and interest made two or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation.

12. Non-Subordination of Claims.

The Fund agrees that it will not take any action that would have the effect of making [Member's] claims on the Fund resulting from outstanding drawings under this agreement subordinate in any way to claims on the Fund resulting from any other borrowing effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement.

13. Settlement of Questions.

Any question arising under this agreement shall be settled by mutual agreement between [Member] and the Fund.

[14. Cooperation with the Fund.

[Member] stands ready to cooperate with the Fund in the spirit of IMFC/G-20 commitments as needed and appropriate.]

15. Transitional arrangements in case of an activation of the 2016 or 2020 Borrowing Agreements prior to the effectiveness of the NAB Reform

(a) Regardless of whether this agreement is activated or not, the Fund: (i) subject to paragraph 15(b) below, shall make drawings under this agreement to repay any outstanding claims under [Member]'s 2016 Borrowing Agreement, and (ii) may make drawings under this agreement to fund purchases under commitments approved by the Fund during an activation of the 2016 Borrowing Agreements or to fund early repayment of claims under other 2016 Borrowing Agreements in case the creditor represents a balance of payments need; provided that notwithstanding paragraph 5(a) of this agreement the maximum maturity date of the claim from the repayment herein shall be the residual maximum maturity date of the claim that is repaid with drawings under this agreement; and provided further that any claims under this agreement that result from the repayment herein shall be considered claims under the 2016 Bilateral Borrowing Agreements for purposes of funding the early repayment of these claims in case of balance of payments need in accordance with the 2016 Borrowing Agreements, and for purposes of special calls under paragraph 23 of the Fund's Decision No. xx-(20/xx), adopted January 16, 2020.

(b) To the extent that claims under [Member]'s 2016 Borrowing Agreement or this agreement are outstanding when the increase in the NAB credit arrangement of [Member]'s becomes effective, [Member] shall be deemed to request, in accordance with paragraph 23 of the Fund's Decision No. 11428-(97/6), adopted January 27, 1997 on the NAB, as amended, that the Managing Director make calls under the NAB credit arrangement of [Member] up to the maximum available amount, taking into account the Fund's need for maintaining prudential balances, to fund the repayment of such claims; provided that if the increase in the NAB credit arrangement of [Member] and this agreement enter into effect at the same time, the repayment of [Member]'s outstanding claims under [Member]'s 2016 Borrowing Agreement shall be funded first with calls under [Member]'s NAB credit arrangement before drawings are made under this agreement

pursuant to paragraph 15(a) above]. [For non-revolving 2020 BBAs only: “Notwithstanding paragraph 5(d) above, repayments of claims resulting from drawings under this agreement in accordance with this paragraph 15(b) shall restore *pro tanto* the amount that can be drawn under this agreement.”]

(c) If following the repayment of outstanding claims under [Member]’s 2016 Borrowing Agreement and this agreement as provided in paragraph 15(b) above, [Member]’s outstanding claims under these agreements remain in excess of the Rolled Back Loan Amount, the Fund shall repay any outstanding claims under [Member]’s 2016 Borrowing Agreement and this agreement in excess of the Rolled Back Loan Amount; provided that claims with shorter remaining maximum maturities shall be repaid before those with longer remaining maximum maturities.

(d) After the entry into force of this agreement, the Fund may make no further drawing under [Member]’s 2016 Borrowing Agreement.

(e) No drawing under this agreement shall be made that would cause [the cumulative amount drawn] [total outstanding drawings] under both this agreement and the 2016 Borrowing Agreement between [Member] and the Fund to (i) exceed the Loan Amount prior to the effectiveness of the increase in [Member]’s NAB credit arrangement, or (ii) exceed the Rolled Back Loan Amount upon and after the effectiveness of the increase in [Member]’s NAB credit arrangement; provided that drawings beyond the Rolled Back Loan Amount under (ii) herein are authorized, if within the same day of these drawings any resulting claim that would exceed the Rolled Back Loan Amount is repaid with a special call under [Member]’s NAB credit arrangement, and [Member] hereby requests the Managing Director to make such calls to fund the repayment in accordance with paragraph 23 of the Fund’s Decision No. 11428-(97/6), adopted January 27, 1997 on the NAB, as amended.

#### 16. Final Provisions.

(a) This agreement may be executed in duplicate counterparts, each of which shall be deemed an original and both of which together shall constitute but one and the same instrument.

(b) This agreement shall become effective on the date last signed below or on January 1, 2021, whichever is later.

For [Member]:

\_\_\_\_\_  
[Name]

[Title]

\_\_\_\_\_  
Date

For the International Monetary Fund:

\_\_\_\_\_  
Kristalina Georgieva  
Managing Director

\_\_\_\_\_  
Date

## Annex II. Template for 2020 Note Purchase Agreement

### Note Purchase Agreement between [Member] and the International Monetary Fund<sup>1</sup>

This Note Purchase Agreement (this “Agreement”) is entered into between [Member] and the International Monetary Fund (the “Fund”).

#### 1. Purposes and Amounts.

(a) To enhance the resources available on a temporary basis to the Fund for crisis prevention and resolution through bilateral borrowing, [Member] agrees to purchase from the Fund promissory notes, which shall be issued in accordance with the terms of this Agreement and the General Terms and Conditions for International Monetary Fund Series E Notes attached as Annex 1 to this Agreement (the “Notes”). Notes in a [total][cumulative] principal amount up to the equivalent of SDR [amount] billion (“Principal”) shall be issued under this Agreement; provided however that, upon the effectiveness of the increase in the credit arrangement of [Member] under the Fund’s New Arrangements to Borrow (the “NAB”) as part of the reform of the NAB approved by the Fund under Decision No. xx-(20/xx), adopted January 16, 2020 (the “NAB Reform”), the Principal will be automatically reduced to the equivalent of SDR [amount] billion (the “Rolled Back Principal”).

(b) This Agreement and other bilateral borrowing agreements that the Fund has entered into or amended pursuant to the borrowing framework approved by the Fund in [March 2020] shall be referred to each as a “2020 Borrowing Agreement” and collectively as the “2020 Borrowing Agreements”. Each bilateral borrowing agreement that the Fund entered into pursuant to the borrowing framework approved by the Fund in August 2016 shall be referred to as a “2016 Borrowing Agreement” and collectively as the “2016 Borrowing Agreements.” The 2020 Borrowing Agreements and the 2016 Borrowing Agreements shall be collectively referred to as “Bilateral Borrowing Agreements”.

#### 2. Term of the Agreement and Use.

(a) The term of this Agreement shall end on December 31, 2023; provided that the Fund may extend the term of this Agreement for one further year through December 31, 2024 by a

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<sup>1</sup> Language in square brackets in the template indicates that it should be personalized to each creditor. This template is designed for a 2020 BBA creditor that participates in the 2016 BBAs and the NAB; and it would need to be adjusted for new 2020 BBA creditors or 2016/2020 BBA creditors that are not NAB participants.

decision of the Executive Board, taking into account the Fund's overall liquidity situation and actual and prospective borrowing requirements, and with the consent of [Member].

(b) The 2020 Borrowing Agreements may be activated only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April 20, 2011, taking into account all available uncommitted resources under the New Arrangements to Borrow (the "modified FCC"), is below SDR 100 billion (the "activation threshold"); provided, however, that the Managing Director shall not provide such notification unless: (i) the New Arrangements to Borrow ("NAB") is activated as of the time of the notification, or there are no available uncommitted resources under the NAB as of that time, and (ii) the activation of the 2020 Borrowing Agreements has been approved by creditors representing at least 85 percent of the total credit amount committed under the 2020 Borrowing Agreements by creditors eligible to vote on such activation. For purposes of conducting a poll of eligible creditors, the Managing Director shall propose in writing the activation of the 2020 Borrowing Agreements and request the creditors' vote. A creditor shall not be eligible to vote on the activation if, at the time of the vote, its 2020 Borrowing Agreement is not effective, or the relevant member is not included in the Fund's Financial Transactions Plan for transfers of its currency. Nothing in this paragraph 2(b) shall preclude the Managing Director from approaching creditors before the modified FCC is below the activation threshold, if extraordinary circumstances so warrant in order to forestall or cope with an impairment of the international monetary system.

(c) If the 2020 Borrowing Agreements are activated pursuant to paragraph 2(b), they shall be automatically deactivated whenever the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, the 2020 Borrowing Agreements shall be deactivated if the Managing Director has notified the Executive Board that the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has risen above the activation threshold and: (i) the Executive Board determines that activation is no longer necessary; or (ii) six months have elapsed since the date of the Managing Director's notification and, within that period, the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has not fallen below the activation threshold. If, after the deactivation of the 2020 Borrowing Agreements under this paragraph 2(c), the modified FCC were to fall below the activation threshold, the provisions of paragraph 2(b) will apply.

(d) During any period after the activation of the 2020 Borrowing Agreements as provided under paragraph 2(b) and for as long as the 2020 Borrowing Agreements remain activated in accordance with paragraphs 2(b) and 2(c), the Fund may (i) use the resources available under this Agreement to fund any outright purchases made from the General Resources Account ("GRA") during the term of this Agreement and (ii) approve, during the term of this Agreement, commitments of GRA resources under Fund arrangements whose purchases could be funded by issuing Notes for purchase under this Agreement at any time during the period of such commitments, including after the expiration of the term of this Agreement and during any period in which this Agreement is no longer activated in accordance with paragraph 2(c); provided however

that the commitments covered under this clause (ii) shall also include any commitment whose approval caused the activation threshold to be reached.

(e) Following an activation specified in paragraph 2(b), the resources available under this Agreement may also be used by the Fund to fund the early repayment of claims under other 2020 Borrowing Agreements if the relevant creditors under those other agreements request the early repayment of their claims in the circumstances specified in paragraph 7 of the General Terms and Conditions for International Monetary Fund Series E Notes. Notes for purchase may be issued under this Agreement to fund such early repayment of other creditors' claims for as long as claims under the 2020 Borrowing Agreements remain outstanding, including after the expiration of the term of this Agreement or during any period in which this Agreement is no longer activated in accordance with paragraph 2(c).

(f) Notes for purchase under this Agreement shall be issued with the goal of achieving over time broadly balanced positions among creditors under all Bilateral Borrowing Agreements relative to their commitments under these agreements.

### 3. Estimates, Notices and Limits on Issuance of Notes.

(a) Prior to the beginning of each plan period for the use of bilateral borrowed resources, the Fund shall provide [Member] with its best estimates of the amounts of the Notes that it expects it will issue for purchase under this Agreement during the forthcoming period, and shall provide revised estimates during each period where this is warranted. [Member] shall not be included in the periodic plan, and no Notes shall be issued for purchase under this Agreement, if [Member] is not included and is not being proposed by the Managing Director to be included in the list of countries in the Financial Transactions Plan for transfers of its currency. Moreover, no Notes shall be issued for purchase under this Agreement if [Member] was included in the periodic plan but, at the time of the issuance of these Notes, [Member's] currency is not being used in transfers under the Financial Transactions Plan because of [Member's] balance of payments and reserve position. Where [Member] was not included in the Financial Transactions Plan at the time of the vote on the activation of the 2020 Borrowing Agreements and is subsequently included in the Financial Transactions Plan, Notes may be issued for purchase under this Agreement to fund purchases made and commitments approved during the activation period unless and for so long as [Member] notifies the Fund that it does not wish to have such issuance for these purposes.

(b) The Fund shall give [Member] at least five business days' [(capital of Member)] notice of its intention to issue Notes for purchase, and shall provide payment instructions at least two business days (Fund) prior to the value date of the transaction by a rapid authenticated means of communication (e.g., SWIFT), provided that in exceptional circumstances where it is not possible to provide at least five business days' [(capital of Member)] notice, notification of intent to issue Notes for purchase would be made at least three business days [(capital of Member)] in advance of the value date, and [Member] would make best efforts to meet such a call.

(c) Payment by the Fund of the principal amount of a Note shall [not] restore *pro tanto* the amount of Notes that may be issued under this Agreement. The extension of the maturity of a Note, or of any part thereof, in accordance with paragraph 4(a) of the General Terms and Conditions for International Monetary Fund Series E Notes shall not reduce the amount of Notes that may be issued under this Agreement.

4. Denomination and Price.

Notes shall be denominated in the special drawing right (SDR). Notes shall be issued in multiples of SDR 10 million. The purchase price for each Note shall be 100 percent of the principal amount thereof.

5. Payments for Purchases, Exchanges of Currencies and SDR Valuation.

(a) Unless otherwise agreed between the Fund and [Member], the purchase price of each Note shall be paid by [Member] on the value date specified in the Fund's notice under paragraph 3, by transfer of the SDR equivalent amount of [Currency of Member] to the account of the Fund with the designated depository of [Member]; provided that for Notes purchased in accordance with paragraph 2(e), [Member] shall ensure that balances used in the purchase that are not balances of a freely usable currency can be exchanged for a freely usable currency of its choice, and, with respect to balances used in the purchase that are balances of a freely usable currency, [Member] shall collaborate with the Fund and other members to enable such balances to be exchanged for another freely usable currency.

(b) The obligations of [Member] under Article V, Section 3(e) and Article V, Section 7(j) of the Fund's Articles of Agreement concerning exchanges of its currency purchased or to be used in repurchases from the Fund shall apply, respectively, to purchase and repurchase transactions in the GRA involving its currency used in the purchase of Notes and to be used in payments of Principal under this Agreement.

(c) Unless otherwise agreed between the Fund and [Member], all purchases of Notes and exchanges of currency pursuant to this Agreement shall be made at the exchange rate for the relevant currency in terms of the SDR established pursuant to Article XIX, Section 7(a) of the Fund's Articles of Agreement and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the purchase or exchange. If this exchange rate determination date is not a business day in [capital of Member] such date shall be the last preceding business day of the Fund that is also a business day in [capital of Member].

(d) If the Fund changes the method of valuing the SDR, all purchases and exchanges of currency made two or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation.

6. Transferability.

[Member] may not transfer any of its rights or obligations under this Agreement except with the prior written consent of the Fund; provided however that transfers of Notes may be effected pursuant to, and subject in any event to the transfer restrictions and other limitations on transfers of the Notes set forth in, the General Terms and Conditions for International Monetary Fund Series E Notes.

7. Settlement of Questions.

Any question arising under this Agreement shall be settled by mutual agreement between [Member] and the Fund.

8. [Cooperation with the Fund.]

[Member] stands ready to cooperate with the Fund in the spirit of IMFC/G-20 commitments as needed and appropriate.]

9. Transitional arrangements in case of an activation of the 2016 or 2020 Borrowing Agreements prior to the effectiveness of the NAB Reform

(a) Regardless of whether this Agreement is activated or not, the Fund: (i) subject to paragraph 9(b) below, shall issue Notes for purchase under this Agreement to repay any outstanding claims under [Member]’s 2016 Borrowing Agreement, and (ii) may issue Notes for purchase under this Agreement to fund purchases under commitments approved by the Fund during an activation of the 2016 Borrowing Agreements or to fund early repayment of claims under other 2016 Borrowing Agreements in case the creditor represents a balance of payments need; provided that, notwithstanding paragraph 4(a) of the General Terms and Conditions for International Monetary Fund Series E Notes annexed to this Agreement, the maximum maturity date of the claim from the repayment herein shall be the residual maximum maturity date of the claim that is repaid with Notes issued under this Agreement; and provided further that any Notes issued under this Agreement that result from the repayment under herein shall be considered claims under the 2016 Bilateral Borrowing Agreements for purposes of funding the early repayment of these Notes in case of balance of payments need in accordance with the 2016 Borrowing Agreements, and for purposes of special calls under paragraph 23 of the Fund’s Decision No. xx-(20/xx), adopted January 16, 2020.

(b) To the extent that claims under [Member]’s 2016 Borrowing Agreement or this Agreement are outstanding when the increase in the NAB credit arrangement of [Member]’s becomes effective, [Member] shall be deemed to request, in accordance with paragraph 23 of the Fund’s Decision No. 11428-(97/6), adopted January 27, 1997 on the NAB, as amended, that the Managing Director make calls under the NAB credit arrangement of [Member] up to the maximum available amount, taking into account the Fund’s need for maintaining prudential balances, to fund the repayment of such claims; provided that if the increase in the NAB credit arrangement of

[Member] and this Agreement enter into effect at the same time, the repayment of [Member]’s outstanding claims under [Member]’s 2016 Borrowing Agreement shall be funded first with calls under [Member]’s NAB credit arrangement before Notes are issued for purchase under this Agreement pursuant to paragraph 9(a) above]. [For non-revolving 2020 BBAs only: “Notwithstanding paragraph 3(c) above, repayments of claims resulting from Notes issued under this Agreement in accordance with this paragraph 9(b) shall restore *pro tanto* the amount of Notes that can be issued under this Agreement.”]

(c) If following the repayment of outstanding claims under [Member]’s 2016 Borrowing Agreement and this Agreement as provided in paragraph 9(b) above, [Member]’s outstanding claims under these agreements remain in excess of the Rolled Back Principal, the Fund shall repay any outstanding claims under [Member]’s 2016 Borrowing Agreement and this Agreement in excess of the Rolled Back Principal; provided that claims with shorter remaining maximum maturities shall be repaid before those with longer remaining maximum maturities.

(d) After the entry into force of this Agreement, the Fund may no longer issue any Notes under [Member]’s 2016 Borrowing Agreement.

(e) No Note shall be issued under this Agreement that would cause the [cumulative] [total] principal amount of Notes issued under both this agreement and the 2016 Borrowing Agreement between [Member] and the Fund to (i) exceed the Principal prior to the effectiveness of the increase in [Member]’s NAB credit arrangement, or (ii) exceed the Rolled Back Principal upon and after the effectiveness of the increase in [Member]’s NAB credit arrangement; provided that Notes issued in an amount beyond the Rolled Back Principal under (ii) herein are authorized, if within the same day of the issuance any resulting claim that would exceed the Rolled Back Principal is repaid with a special call under [Member]’s NAB credit arrangement, and [Member] hereby requests the Managing Director to make such calls to fund the repayment in accordance with paragraph 23 of the Fund’s Decision No. 11428-(97/6), adopted January 27, 1997 on the NAB, as amended.

#### 10. Final Provisions.

(a) This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original and both of which together shall constitute but one and the same instrument.

(b) This Agreement shall become effective on the date last signed below or on January 1, 2021, whichever is later.

For [Member]:

\_\_\_\_\_  
[Name]  
[Title]

\_\_\_\_\_  
Date

For the International Monetary Fund:

\_\_\_\_\_  
Kristalina Georgieva  
Managing Director

\_\_\_\_\_  
Date

## **ANNEX 1. General Terms and Conditions for International Monetary Fund Series E Notes**

1. Definitions. These are the General Terms and Conditions for International Monetary Fund Series E Notes that are referred to in the Applicable Note Purchase Agreement, as defined below, and in the Notes described therein and herein. The following definitions apply for purposes of these General Terms and Conditions:

- (a) “Applicable Note Purchase Agreement” for any Note means the Note Purchase Agreement between the Fund and the original Eligible Purchaser to whom the Fund (i) had issued the Note, or (ii) had issued any Note in cancellation of which the Note (or one or more Notes previously cancelled in exchange for the Note) had been issued.
- (b) “Borrowing Guidelines” means the Guidelines for Borrowing by the Fund.
- (c) “Eligible Purchaser” means (i) a member of the Fund, and (ii) the central bank of a member of the Fund.
- (d) “Eligible Holder” means (i) an Eligible Purchaser, (ii) a fiscal agency designated by a member of the Fund for purposes of Article V, Section 1 of the Fund’s Articles of Agreement (hereinafter referred to as the “fiscal agency of a member”), and (iii) an official entity that has been prescribed as a holder of special drawing rights (SDRs) pursuant to Article XVII, Section 3 of the Fund’s Articles of Agreement (hereinafter referred to as a “prescribed SDR holder”).
- (e) “Notes” mean the promissory notes (International Monetary Fund Series E Notes) that are subject to these General Terms and Conditions.
- (f) “Permitted Holder” means (i) an Eligible Holder, and (ii) any other official entity in respect of whom the Fund has consented in writing to a transfer of Notes pursuant to subparagraph 6(b) of these General Terms and Conditions.
- (g) “Relevant Member” means, in the case of a Permitted Holder that is the central bank or fiscal agency or other official institution of a member of the Fund, that member of the Fund.

2. Eligible Purchasers and Permitted Holders of Notes.

The Fund will issue Notes solely to Eligible Purchasers. Each Eligible Purchaser will enter into a Note Purchase Agreement with the Fund governing the terms of its purchases of Notes from the Fund. Permitted Holders shall be the only authorized holders of the Notes.

### 3. Form, Delivery and Custody of Notes.

(a) Notes will only be issued in book entry form. The Fund will establish and maintain in its records a book entry account in the name of each Permitted Holder recording pertinent details of all Notes issued, including the number, issue date, principal amount, series, and maturity date. As of the value date of each purchase or transfer of a Note, the Fund will make an appropriate entry in its records regarding details of the Note purchased or transferred. The making of such an entry in the records of the Fund shall constitute a taking of delivery of the Note by the purchaser or transferee.

(b) Upon the request of a Permitted Holder, the Fund will issue to the Permitted Holder a registered Series E Note substantially in the form set out in Annex 2, including without limitation the legend regarding restrictions on transfer of Notes. Each such registered Note will bear as its issue date the value date of the purchase of the Note and shall be issued in the name of the relevant Permitted Holder. Unless otherwise agreed between a Permitted Holder and the Fund, the Fund will keep registered Notes in custody for the Permitted Holder, and acceptance of custody by the Fund shall constitute delivery of Notes to the Permitted Holder.

### 4. Maturity.

(a) Except as otherwise provided in this paragraph 4 and in paragraph 7(b)(ii), each Note shall have a maturity date that is three months from its issue date. The Fund may in its sole discretion elect to extend the maturity date of any Note or of any portion thereof by additional periods of three months after the initial maturity date, which extension the Fund shall automatically be deemed to have elected with respect to the maturity dates then in effect for all Notes unless, at least five business days (Fund) before a maturity date, the Fund notifies a Permitted Holder by a rapid authenticated means of communication (e.g., SWIFT) that the Fund does not elect to extend the maturity date of the particular Note or portion thereof; provided however (i) that the maturity date of any Note purchased to fund GRA purchases shall not be extended to a date that is later than the tenth anniversary of the date of such Note, and (ii) that the maturity date for any Notes purchased to fund the early repayment of other creditors' claims in accordance with paragraph 2(e) of the Applicable Note Purchase Agreement shall be a single common maturity date that is the longest remaining maximum maturity of any claim for which such early repayment has been requested or the tenth anniversary of the date of the relevant Notes being issued to fund early repayment, whichever is earlier. [Notwithstanding the maturity deadlines in the preceding sentence, following an Executive Board determination that exceptional circumstances exist as a result of a shortage of Fund resources in relation to Fund obligations falling due, the Fund, with the agreement of the Permitted Holder, may extend the maximum maturity for Notes purchased up to an additional five years.]

(b) The Fund shall pay the principal amount of each Note on the maturity date that is applicable to that Note in accordance with subparagraph (a). If a maturity date for a Note is not a business day in the place where payment is to be made, then the payment date for such principal

amount will be the next business day in that place. In such cases, interest will accrue up to the payment date.

(c) The Fund may at its option make an early payment in part or in full of the principal amount of any Note prior to its maturity date, after consultation with the relevant Permitted Holder, provided that the Fund notifies Permitted Holder at least five business days (Fund) before any such payment by a rapid authenticated means of communication (e.g., SWIFT).

(d) The Fund will cancel a Note upon payment of the principal amount of the Note and all accrued interest. If the Fund makes early payment of less than the principal amount of a Note, the Fund will cancel the Note and issue a new Note for the remainder of the amount, with the same maturity date as the cancelled Note. If the maturity date of a Note is extended with respect to less than the principal amount of the Note, the Fund will cancel the Note and issue a new Note for the remainder of the amount, with the extended maturity date.

(e) Any Note to be cancelled by the Fund that is not already in the custody of the Fund shall be surrendered by the Permitted Holder to the Fund for cancellation.

#### 5. Rate of Interest.

(a) Each Note bears interest at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement; however, if the Fund pays an interest rate higher than the SDR interest rate on outstanding balances from any other borrowing on comparable terms that has been effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement, and for as long as the payment of such higher interest rate remains in effect, the interest rate payable on each Note will be equivalent to the interest rate paid by the Fund on such other comparable borrowing.

(b) The amount of interest payable on each Note is calculated on the basis of the principal amount of the Note (including the principal amount of any Note issued in substitution of a Note cancelled pursuant to paragraph 4(d)). Interest accrues daily and is to be paid promptly by the Fund after each July 31, October 31, January 31, and April 30.

#### 6. Transferability of Notes.

(a) A Permitted Holder has the right to transfer at any time all or part of any Note to any Eligible Holder. If requested, the Fund will use its best efforts to arrange such transfers to one or more Eligible Holders identified by the Fund or by the transferor Permitted Holder.

(b) Transfers by a Permitted Holder of all or part of any Note to an official entity other than an Eligible Holder shall require the prior written consent of the Fund, and may only take place on such additional terms and conditions as the Fund may approve.

(c) In no event shall any Permitted Holder have the right to sell, assign, dispose of or otherwise transfer any Note or any part of any Note, directly or indirectly, to any entity that is not (i) an Eligible Holder, or (ii) an official entity in respect of which the Fund has consented in writing to the transfer pursuant to subparagraph (b).

(d) Derivative transactions in respect of any Note, and transfers of participation interests in any Note, are prohibited.

(e) The transferee of a Note transferred pursuant to this paragraph 6 shall, as a condition of the transfer, assume in full the obligations of a Permitted Holder pursuant to paragraph 4(a) regarding extensions of the maturity of the Note [and regarding the extension of the maximum maturity of the Note in exceptional circumstances]. More generally, any Note or part thereof transferred pursuant to this paragraph 6 shall be held by the transferee on the same terms and conditions as the Note was held by the transferor, except as provided in paragraph 7 with respect to the right to early payment at the request of a Permitted Holder.

(f) The price of a Note transferred pursuant to this paragraph 6 will be as agreed between the transferor and the transferee.

(g) Transfers made pursuant to subparagraph (a) that are in accordance with the terms and conditions of this paragraph 6 will be effected by a duly authenticated notice of transfer from the transferor to the Fund stating the name of the transferee and the Note being transferred, the transferee's eligibility for a transfer pursuant to subparagraph (a), and the value date of the transfer.

(h) For all transfers under this paragraph 6, the Fund will cancel the Note that has been transferred in whole or in part and, if the Note is a registered Note, the transferor shall, as a condition for the transfer, surrender for cancellation any such registered Note that is not already in the custody of the Fund. Upon cancellation of the relevant Note, the Fund will issue a new Note in the name of the transferee for the principal amount transferred and, where appropriate, a new Note in the name of the transferor for any part of the principal amount retained by it. The issue date of each new Note will be the issue date of the cancelled Note, and the new Notes will have the same maturity date (including any maturity date resulting from extensions of a previous maturity date) that is applicable to the cancelled Note pursuant to paragraph 4. The form and delivery of each new Note will be as specified in paragraph 3.

(i) If all or part of a Note is transferred during a quarterly period as described in paragraph 5(b), the Fund will pay interest to the transferee on the principal amount of the Note for the whole of that period.

## 7. Early Payment by the Fund at Request of Certain Permitted Holders.

(a) The rights provided in subparagraph (b) shall apply only to Permitted Holders of Notes that are either (i) Eligible Purchasers in respect of such Notes, or (ii) transferees of such Notes

pursuant to paragraphs 6(a) or 6(b) for which the following conditions are met: (A) the transferee is a member of the Fund, or the central bank or fiscal agency of a member of the Fund, and (B) at the time of transfer, the balance of payments and reserve position of the member or Relevant Member, as the case may be, was considered sufficiently strong in the opinion of the Fund that its currency was being used in transfers under the Financial Transactions Plan.

(b) A Permitted Holder described in subparagraph (a) shall obtain early payment at face value of all or a portion of the principal of Notes as described in subparagraph (a) that are held by such Permitted Holder, if (i) the Permitted Holder represents that its balance of payments and reserve position (the balance of payments and reserve position of the Relevant Member if the Permitted Holder is the central bank or fiscal agency of a member) justifies early payment, and (ii) the Fund, having given this representation the overwhelming benefit of any doubt, determines that there is a need for early payment as requested by the Permitted Holder in light of the balance of payments and reserve position of the Permitted Holder or the Relevant Member, as the case may be.

(c) After consultation with the Permitted Holder, the Fund may make payments pursuant to this paragraph 7 in SDRs or a freely usable currency as determined by the Fund or, with the agreement of the Permitted Holder, in the currencies of other members [that are included in the Fund's periodic Financial Transactions Plan for transfers].

## 8. Media and Modalities of Payments on the Notes.

(a) Except as otherwise provided in paragraph 7, payments by the Fund of the principal amount of Notes shall be made to a Permitted Holder, as determined by the Fund, in (i) the currency borrowed [whenever feasible], if the Permitted Holder is the original purchaser, (ii) the currency of the Permitted Holder, if the Permitted Holder is a member of the Fund, (iii) the currency of the Relevant Member, if the Permitted Holder is the central bank or fiscal agency of a member of the Fund, or is a prescribed SDR holder that is an official institution of a member, (iv) special drawing rights, if the Permitted Holder is covered by clauses (ii) or (iii) or is otherwise a prescribed SDR holder (provided that it does not increase the member's holdings of special drawing rights above the limit under Article XIX, Section 4 of the Fund's Articles of Agreement unless the member agrees to accept special drawing rights above that limit in such payment, in the case of a Permitted Holder covered by clause (ii)), (v) any freely usable currency determined by the Fund in the case of any Permitted Holder, or (vi) other currencies [that are included in the Fund's periodic Financial Transactions Plan for transfers], with the agreement of the Permitted Holder.

(b) Payments by the Fund of interest on the Notes will normally be made in SDRs if the Permitted Holder is a member of the Fund or a central bank or fiscal agency of such a member, or a prescribed SDR holder; provided that in the case of a member of the Fund or a central bank or fiscal agency of such a member, the Fund and the Permitted Holder may agree that interest payments will be made in the currency of the Relevant Member. Payments of interest to other Permitted Holders will be made in a freely usable currency as determined by the Fund.

(c) All payments made by the Fund to a Permitted Holder in currency will be made by crediting the amount due to an account specified in advance by the Permitted Holder for purposes of receiving such payments, or, in the case of a Permitted Holder that is a Fund member, by debiting the Fund's account with the designated depository of that member, as determined by the Fund. Payments in SDRs will be made by crediting the SDR Department account of the Permitted Holder or of the Relevant Member as the case may be.

9. Effective Exchange Rate for Payments.

Unless otherwise agreed between a Permitted Holder and the Fund, all payments in currency of principal and interest under these General Terms and Conditions will be made at the exchange rates for the relevant currencies in terms of the SDR established pursuant to Article XIX, Section 7(a) of the Fund's Articles of Agreement and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the payment. If this exchange rate determination date is not a business day in the Permitted Holder's principal location, then such date will be the last preceding business day of the Fund that is also a business day in the Permitted Holder's principal location.

10. Changes in Method of Valuation of SDR.

If the Fund changes the method of valuing the SDR, all payments of principal and interest on the Notes made two or more business days of the Fund after the effective date of the change will be made on the basis of the new method of valuation.

11. Non-Subordination of Claims.

The Fund will not take any action that would have the effect of making a Permitted Holder's claim on the Fund resulting from any Note subordinate in any way to claims on the Fund resulting from any other borrowing effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement.

12. Settlement of Questions.

Any question arising under any Note shall be settled by mutual agreement between the relevant Permitted Holder and the Fund.

## ANNEX 2. Form of Registered Series E Note

Number \_\_\_\_\_

SDR \_\_\_\_\_

INTERNATIONAL MONETARY FUND

REGISTERED NOTE

Issue Date: \_\_\_\_\_

Maturity Date: [to include description of automatic extensions of maturity and extension option in exceptional circumstances]

The INTERNATIONAL MONETARY FUND ("the Fund"), for value received, hereby promises to pay to \_\_\_\_\_, being the registered holder of this note, an amount equivalent to

\_\_\_\_\_ Special Drawing Rights (SDR \_\_\_\_\_)

on the maturity date specified above and to pay interest thereon as set forth below.

This Note is one of a series of "Series E Notes" issued in accordance with the General Terms and Conditions for International Monetary Fund Series E Notes (the "General Terms and Conditions") and the Applicable Note Purchase Agreement as such term is defined in the General Terms and Conditions. Each holder of this Note is deemed to have agreed to the General Terms and Conditions and relevant terms of the Applicable Note Purchase Agreement, including without limitation the maturity date (including the terms on which it may be extended at the sole option of the Fund from time to time), the interest rate, the terms and conditions of early payment at the request of the Fund or the holder hereof, and the terms and conditions of transfer of this Note or any part thereof.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION.

IN NO EVENT SHALL ANY HOLDER OF THIS NOTE SELL, ASSIGN, DISPOSE OF OR OTHERWISE TRANSFER THIS NOTE, DIRECTLY OR INDIRECTLY, TO ANY ENTITY THAT IS NOT (I) A MEMBER OF THE FUND OR THE CENTRAL BANK OF A MEMBER OF THE FUND, (II) A FISCAL AGENCY DESIGNATED BY A MEMBER OF THE FUND FOR PURPOSES OF ARTICLE V, SECTION 1 OF THE FUND'S ARTICLES OF AGREEMENT, (III) AN OFFICIAL ENTITY THAT HAS BEEN PRESCRIBED AS A HOLDER OF SPECIAL DRAWING RIGHTS PURSUANT TO ARTICLE XVII, SECTION 3 OF THE FUND'S ARTICLES OF AGREEMENT, OR (IV) ANY OTHER OFFICIAL ENTITY IN RESPECT OF WHICH THE FUND HAS CONSENTED IN WRITING TO A TRANSFER PURSUANT TO PARAGRAPH 6(B) OF THE GENERAL TERMS AND CONDITIONS.

ANY DERIVATIVE TRANSACTIONS IN RESPECT OF THIS NOTE, AND TRANSFERS OF PARTICIPATION INTERESTS IN THIS NOTE, ARE PROHIBITED.

Interest shall accrue daily on the principal amount of this Note at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement; provided however that, if the Fund pays an interest rate higher than the SDR interest rate on outstanding balances from any other borrowing on comparable terms that has been effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement, and for as long as the payment of such higher interest rate remains in effect, then the interest rate payable on this Note shall be equivalent to the interest rate paid by the Fund on such other comparable borrowing. Interest shall be paid promptly after each July 31, October 31, January 31, and April 30. Payments of interest shall normally be made in SDRs if the registered holder is a member of the Fund, or a central bank or fiscal agency of a member of the Fund, or a prescribed holder of SDRs, provided that the Fund and such registered holder may agree that interest payments will be made in the currency of the Relevant Member, or in a freely usable currency as determined by the Fund in the case of other registered holders. Payments in SDRs shall be made by crediting the SDR Department account of the registered holder, or of the member for which the registered holder serves as central bank or fiscal agency in the case of registered holders that are the central bank or fiscal agency of a member of the Fund.

[Signatures]

### Annex III. Interaction of the 2020 BBAs, 2016 BBAs, and NAB—Illustrative Scenarios

*In order to take into account the implications of a possible activation of the 2016 BBAs before January 1, 2021, and also of a delay in the effectiveness of the NAB doubling and a potential activation of the 2020 BBAs prior to that effectiveness, below are the details of transitional arrangements in a number of scenarios which would be operationalized under the proposed 2020 borrowing framework. While these scenarios are not exhaustive, they illustrate the key principles of (i) closing the 2016 BBAs as the 2020 BBAs become effective, (ii) folding, to the extent possible, any claims related to an activation of the 2016 and 2020 BBAs into the NAB, and (iii) ensuring that aggregate drawings do not exceed the agreed credit amounts under a creditor's BBAs and NAB credit arrangement.*

#### **1. Activation of the 2016 BBAs and effectiveness of a creditor's 2020 BBA prior to the effectiveness of the increase in its NAB credit arrangement**

In this scenario, the following would apply to the creditor's 2016 and 2020 BBAs, and its NAB credit arrangement:

- (i) The creditor's 2020 BBA would become effective with the initially established maximum credit amount at the same level as the creditor's 2016 BBA (LA ¶1(a); NPA ¶1(a)).<sup>1</sup>
- (ii) Following the effectiveness of the 2020 BBA, and regardless of whether the 2020 BBAs are activated or not, the creditor's outstanding 2016 BBA claims would be repaid with drawings under its 2020 BBA (fold-in), and the Fund would also be authorized to access the 2020 BBA to fund commitments under Fund arrangements approved during an activation of the 2016 BBAs and to fund requests for encashment by other 2016 BBA creditors<sup>2</sup> (LA ¶15(a); NPA ¶19(a)).
- (iii) Following the effectiveness of the creditor's 2020 BBA, the Fund may no longer draw from the creditor's 2016 BBA (LA ¶15(d); NPA ¶19(d)).
- (iv) If the creditor requests encashment of outstanding claims under its 2020 BBA resulting from the repayment of 2016 BBA claims that were folded into its 2020 BBA, or from calls on its

<sup>1</sup> For a new 2020 BBA creditor that did not participate in the 2016 BBAs or the NAB, see paragraph 4 below.

<sup>2</sup> 2020 BBA claims originating from the folded in 2016 BBA claims and from funding encashment requests by other 2016 BBA creditors will have the same residual maximum maturity dates as the original claims.

2020 BBA to fund commitments approved during an activation of the 2016 BBAs or to fund encashment requests by other 2016 BBA creditors, such claims would be considered 2016 BBA claims for purposes of the encashment clause under other 2016 BBAs (see 2016 BBA templates, ¶2(e)).<sup>3</sup> Accordingly, to fund such encashment request, the Fund may draw from 2020 BBAs with creditors which participated in the 2016 BBAs (see (ii) above) and from the 2016 BBAs with creditors which at that time do not have effective 2020 BBAs<sup>4</sup> (LA ¶15(a); NPA ¶9(a)).

- (v) Following the effectiveness of the increase in the creditor's NAB credit arrangement, any outstanding claims under the 2020 BBA (consisting of the creditor's 2016 BBA claims that were folded into the creditor's 2020 BBA, and the creditor's claims related to an activation of the 2020 BBAs prior to the effectiveness of the NAB Reform) would be folded into the creditor's NAB credit arrangement, in accordance with paragraph 23 of the NAB Decision,<sup>5</sup> up to the maximum limit of the NAB credit arrangement taking into account the Fund's need for maintaining prudential balances, provided that claims with shorter remaining maximum maturities shall be repaid before those with longer remaining maximum maturities, and provided further that these claims shall maintain their residual maximum maturity (LA ¶15(b); NPA ¶9(b)).
- (vi) At the time of the effectiveness of the increase in the creditor's NAB credit arrangement, the 2020 BBA maximum credit amount ("credit limit") would be automatically reduced to the new, reduced credit limit (LA ¶1(a); NPA ¶1(a)).
- (vii) If at the time of the fold-in of 2020 BBA claims into the NAB credit arrangement, a creditor's remaining outstanding 2020 claims (after the fold-in) would exceed the creditor's (reduced) 2020 BBA credit limit, the Fund would repay this excess amount (LA ¶15(c); NPA ¶9(c)).
- (viii) The Fund may draw from the creditor's 2020 BBA in an amount in excess of its reduced 2020 BBA credit limit if the excess amount would be repaid the same day by a special call to

<sup>3</sup> EBS/16/77 Supp. 4 (9/16/2016).

<sup>4</sup> At the same time, encashment calls requested by a 2016 BBA creditor that does not or may not yet participate in the 2020 BBAs may be financed by the Fund's drawings from 2016 BBAs that are not (yet) folded into the 2020 BBAs and, as described in paragraph 1(ii) of this Annex, from the 2020 BBAs into which other 2016 BBAs were folded.

<sup>5</sup> Under the NAB Decision (¶23), an NAB participant has the right to request the use of its unused NAB resources to fund the repayment of its BBA claims, and the 2020 BBA would include a provision which would operate as such a request.

fold this amount into the creditor's NAB credit arrangement, in accordance with paragraph 23 of the NAB Decision<sup>6</sup> (LA ¶15(e); NPA ¶9(e)).

## **2. Activation of 2016 BBAs and effectiveness of a creditor's 2020 BBA at the same time or after the effectiveness of the increase in the creditor's NAB credit arrangement**

In this scenario, the following would apply to the creditor's 2016 and 2020 BBAs, and its NAB arrangement:

- (i) The creditor's 2020 BBA would become effective with the reduced 2020 BBA maximum credit amount (LA ¶1(a); NPA ¶1(a)).
- (ii) Following the effectiveness of the creditor's 2020 BBA, any outstanding claims under its 2016 BBA would be folded into the creditor's NAB credit arrangement, as described in paragraph 1(v) of this Annex (LA ¶15(b); NPA ¶9(b)).
- (iii) After the NAB fold-in, any remaining outstanding 2016 BBA claims would be folded into the 2020 BBA, as described under paragraph 1(ii) of this Annex (LA ¶15(a); NPA ¶9(a)).
- (iv) Following the effectiveness of the creditor's 2020 BBA, the Fund may no longer draw from the creditor's 2016 BBA (LA ¶15(d); NPA ¶9(d)).
- (v) If not all outstanding 2016 BBA claims can be folded into the creditor's NAB creditor arrangement and 2020 BBA, then any remaining outstanding 2016 BBA claims would be repaid (LA ¶15(c); NPA ¶9(c)).
- (vi) Following the fold-ins described in (ii) and (iii) above, the same provisions described in paragraph 1(iv) and 1(viii) of this Annex would apply if similar scenarios would arise.

## **3. 2016 BBA creditors with 2020 BBAs but not participating in NAB—Activation of 2016 BBAs<sup>7</sup>**

In this scenario, the following would apply to the creditor's 2016 and 2020 BBAs:

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<sup>6</sup> In an extreme tail scenario, where the NAB was largely exhausted and thus not activated when commitments to finance Fund-supported arrangements were made, the Fund would not be able to draw from the NAB to fund such commitments even after the increases in the NAB resources following the effectiveness of the NAB Reform. This proposed provision under paragraph 1(viii) of this Annex would help mitigate this risk. Another safeguard would be to have the NAB activated at the time of the BBA activation even if NAB resources were largely exhausted.

<sup>7</sup> For creditors in this group, the relevant template paragraphs (LA ¶1 and ¶15; NPA ¶1 and ¶9) will be adjusted accordingly.

- (i) If the creditor's 2020 BBA becomes effective before the effectiveness of the NAB Reform, the creditor's initial 2020 BBA maximum credit amount would be established at the initial credit amount equal to the credit limit of the creditor's 2016 BBA (LA ¶1(a); NPA ¶1(a)).
- (ii) Following the effectiveness of NAB Reform, the 2020 BBA's credit amount would be automatically reduced (LA ¶1(a); NPA ¶1(a)).
- (iii) If the creditor's 2020 BBA becomes effective at or after the effectiveness of the NAB Reform, the creditor's 2020 BBA maximum credit amount would be established at the new, reduced 2020 BBA credit limit (LA ¶1(a); NPA ¶1(a)).
- (iv) Following the effectiveness of the creditor's 2020 BBA, any outstanding 2016 BBA claims and any future and potential claims under the 2016 BBA would be folded into the 2020 BBA, similar to what is described under paragraph 1(ii) of this Annex.
- (v) Following the effectiveness of the creditor's 2020 BBA, the Fund may no longer draw from the creditor's 2016 BBA (LA ¶15(a); NPA ¶9(a)).
- (vi) If after the fold-in described in (iii) above and also after the rollback of the 2020 BBA credit limit in the case described in (i) above, the creditor's outstanding 2020 claims would exceed its (reduced) 2020 BBA credit amount or if there still remain 2016 BBA claims outstanding, such excess amount of 2020 BBA claims or 2016 BBA claims would be repaid (LA ¶15(c); NPA ¶9(c)).
- (vii) Following the fold-in described in (iv) above, the same provision described in paragraph 1(iv) of this Annex would apply if similar scenarios would arise.

#### **4. New 2020 BBA creditors that do not have 2016 BBA and are not NAB participants**

In this scenario, the following would apply to each creditor's 2020 BBA:<sup>8</sup>

- (i) If the 2020 BBA becomes effective before the effectiveness of the NAB Reform, the creditor's 2020 BBA maximum credit amount would be established at the initial maximum credit amount, which would be automatically reduced upon the effectiveness of NAB Reform (LA ¶1(a); NPA ¶1(a)). If the 2020 BBAs are activated before the rollback, then after the rollback, any outstanding 2020 BBA claims in excess of the new, reduced 2020 BBA credit amount would be repaid (LA ¶15(c); NPA ¶9(c)).

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<sup>8</sup> For creditors in this group, the relevant template paragraphs (LA ¶1 and ¶15; NPA ¶1 and ¶9) will be adjusted accordingly.

- (ii) If the 2020 BBA becomes effective at or after the effectiveness of the NAB Reform, the creditor's 2020 BBA maximum credit amount would be established at the new, reduced 2020 BBA credit limit (LA ¶1(a); NPA ¶1(a)).
- (iii) If there is an encashment call under a 2016 BBA, or under a 2016 BBA that has been folded into a 2020 BBA, the 2020 BBA of this new creditor will not be available for drawings for such encashment calls (LA ¶15(a); NPA ¶19(a)).

## Annex IV. Guidelines for Borrowing by the Fund

(Redline)

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 crisis prevention, adjustment, sustainable growth, and financial stability. Against this background, the following guidelines shall apply for 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. (a) For purposes of these guidelines, bilateral borrowing agreements concluded by the Fund as part of the 2016 borrowing exercise and consistent with the modalities approved in August 2016 are referred to as "2016 Borrowing Agreements". **Bilateral borrowing agreements entered into or amended by the Fund pursuant to the borrowing framework approved in March 2020 shall be referred to as the "2020 Borrowing Agreements."** The 2016 Borrowing Agreements, together with the 2020 Borrowing Agreements, shall be collectively referred to **herein** as the "Bilateral Borrowing Agreements".

(b) The Bilateral Borrowing Agreements shall be activated for use by the Fund under the terms of such agreements only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April 20, 2011, taking into account all available uncommitted resources under the New Arrangements to Borrow (the "modified FCC"), is below SDR 100 billion (the "activation threshold"); provided however that the Managing Director shall not provide such notification to the Executive Board unless:

- (i) the New Arrangements to Borrow ("NAB") are activated as of the time of the notification, or there are no available uncommitted resources under the NAB as of that time; and

(ii) the activation of the 2016 or 2020 Bilateral Borrowing Agreements has been approved by creditors representing at least 85 percent of the total credit amount committed under the 2016 or 2020 Borrowing Agreements, respectively, by creditors eligible to vote on such activation. For the purposes of conducting a poll of eligible creditors on such activation, the Managing Director shall propose in writing to eligible creditors the activation of the 2016 or 2020 Bilateral Borrowing Agreements, as applicable, and request the creditors' vote on the activation. Only creditors under the 2016 or 2020 Bilateral Borrowing Agreements, respectively, may vote on the activation, except that any such creditor shall not be eligible to vote if, at the time of the vote, its Bilateral Borrowing Agreement is not effective or the relevant member is not included in the Fund's Financial Transactions Plan for transfers of its currency.

(c) If the Bilateral Borrowing Agreements are activated pursuant to paragraph 4(b) above, they shall automatically be deactivated when the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, the Bilateral Borrowing Agreements shall be deactivated if the Managing Director has notified the Executive Board that the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has risen above the activation threshold, and: (i) the Executive Board determines that activation is no longer necessary; or (ii) six months have elapsed since the date of the Managing Director's notification and, within that period, the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has not fallen below the activation threshold. If, after the deactivation of the Bilateral Borrowing Agreements under this paragraph 4(c), the modified FCC were to fall below the activation threshold, the provisions of paragraph 4(b) will apply.

5. The Fund is expected to use any quota increases under the Sixteenth General Review of Quotas to reduce and, depending on the size of the quota increases and the Fund's liquidity, eliminate its reliance on bilateral borrowing agreements.

6. In the context of approval of the Financial Transactions Plan, the Executive Board shall determine (a) the appropriate mix between borrowed resources and quota resources, and (b) the appropriate amounts to be drawn across different sources of borrowed resources. In making these determinations, the Fund shall take into account the Fund's liquidity needs and the expected availability of borrowed and quota resources, among other relevant considerations.

7. The Fund shall aim to maintain equitable burden sharing among creditors in accordance with the burden sharing rules that are applicable to each source of borrowed resources under the relevant agreements and decisions applicable to that source, including equitable burden sharing among creditors under all Bilateral Borrowing Agreements.

8. The Executive Board shall review these guidelines by December 31, 2023."