EXECUTIVE BOARD MEETING

SM/20/88
Correction 1

April 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **IMF COVID–19 Response—A New Short-Term Liquidity Line to Enhance the Adequacy of the Global Financial Safety Net**

Board Action:	The attached correction to SM/20/88 (4/11/20) have been provided by the staff:
Typographical Errors	**Pages 3, 4, 5, 6, 8, 9, 10, 11, 14, 15**
Questions:	Mr. Steinberg, SPR (ext. 34808 Ms. Iancu, SPR (ext. 36098) Mr. Perks, SPR (ext. 37006) Mr. Unteroberdoerster, FIN (ext. 35448) Ms. Rosenberg, LEG (ext. 37790)

INTRODUCTION

1. **The ~~Covid~~COVID-19 pandemic has created severe disruption in the global financial system, with many emerging market and developing countries (EMDCs) facing liquidity shortages**. In recent weeks, global financial conditions have tightened dramatically, with markets effectively frozen in some cases. This has created sizable demands for U.S. dollar liquidity. In response, the systemic reserve currency-issuing central banks have activated their bilateral swap network. The U.S. Federal Reserve has also extended bilateral swaps to several smaller advanced economies and large emerging markets, largely replicating those seen during the global financial crisis. However, many EMDCs are still experiencing liquidity shortages and face the danger of a "sudden stop."

2. **In the context of intensified demand for liquidity and heightened global uncertainty, staff has revisited the 2017 proposal for a new facility to provide liquidity support to the Fund's membership.** Given current market conditions and the likelihood of a protracted period of uncertainty, staff has revisited the proposal for the Short-term Liquidity Swap (SLS) that was discussed by the IMF Executive Board in 2017. The SLS was itself a response to a critical gap highlighted by the Fund's work on the Adequacy of the Global Financial Safety Net (GFSN), particularly the lack of predictable and reliable funding for many countries, including systemic and gatekeeper countries. While the SLS did not garner the required support to be adopted in 2017,[1] many Directors noted that this type of facility could be an important addition to the Fund lending toolkit, and that several of the proposed features could act as a blueprint for future Board discussions.

3. **This paper proposes the establishment of a new Short-term Liquidity Line (SLL) as a special facility in the General Resources Account (GRA), based on the key features of the 2017 blueprint.**[2] The 2017 SLS blueprint represents the culmination of an extensive multi-year discussion by the Board, with convergence on many of the key features of the facility. In this context, and in light of the need to move quickly in response to the ~~Covid~~COVID-19 crisis, the SLL proposal includes all the key features of the blueprint. The SLL will provide predictable liquidity support to members with very strong policies to address potential short-term moderate balance of payments (BoP) needs, reflecting capital account pressures arising from external developments. For these countries, revolving access of up to 145 percent of quota is likely to provide cover against most repeated moderate shocks (see Figure 1). Successor arrangements may be approved for as long as the member has the special BoP need and continues to meet the qualification criteria. Qualification will be based on the same criteria as the Flexible Credit Line (FCL), facilitating the transition from the FCL to the SLL, if the special BoP need requirement is met (and vice-versa, if needed and warranted), subject to Board approval. Table

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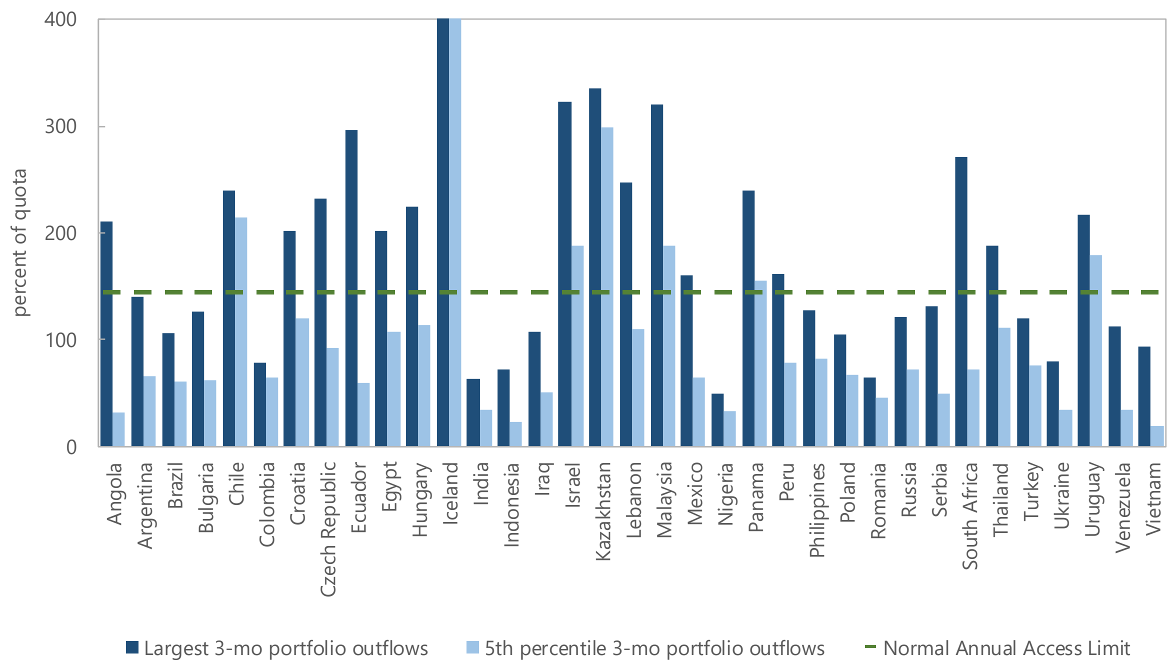
[1] An 85 percent majority of total voting power of the Executive Board was required for approval of the SLS due to the proposed special repurchase period and the proposal that purchases under the facility float against the reserve tranche (see further discussion in paragraph 18).

[2] These features are explained in detail in *Adequacy of the Global Financial Safety Net—Review of the Flexible Credit Line and Precautionary and Liquidity Line, and Proposals for Toolkit Reform,* discussed by the Executive Board on June 30, 2017 (SM/17/140, 06/02/2017). See also Supplement 1 to SM/17/140, and the Acting Chair's Summing up from Executive Board Meeting 17/56, June 30, 2017.

1 summarizes and compares the key features of the SLL and the FCL, while Box 1 sets out the detailed process for the approval and use of the SLL.

Figure 1. Large Portfolio Outflows vs. IMF Normal Access Limit 1/



Sources: EPFR/B~~O~~oP data, and IMF staff calculations.
1/ Bars represent peak quarterly outflows during the period from 2000Q1 to 2019Q2–Q4 for selected countries. For Iceland, the largest 3-month outflow was 1,176 percent of quota and the 5th percentile was 529 percent of quota.

4. Establishing the SLL now will provide support for some members during the pandemic crisis and benefit a broader set of countries during the recovery. The SLL would be of immediate use for members with very strong policy frameworks and fundamentals that still have potential (rather than actual) BoP needs. It could help prevent liquidity pressures developing into solvency crises, and spillovers to the broader membership. The benefits of filling the longstanding gap in the GFSN would become even more apparent as conditions stabilize. The SLL could play a critical role in smoothing the recovery and preventing further crises, as more countries are likely to face the required special BoP need. The SLL will also provide a vehicle for members to step down from higher-access FCLs, if the special Bo~~O~~P need and qualification criteria are met, thus helping to ensure a more efficient allocation of Fund resources in the long run.

5. The remainder of the paper provides additional analysis of several issues raised by Executive Directors in more recent discussions. The paper is organized as follows: section II sets out additional considerations regarding a potential renewal clause for the SLL and the authorities' signature of the written communication for the SLL; section III discusses resource~~s~~ implications; section IV highlights potential risks; and section V explains the proposed decision. If adopted, the proposed decision would establish the SLL and make the necessary changes to ancillary Fund policies to implement the proposed features of the SLL.

Table 1. Comparison of the Key Features of the SLL and FCL

	SLL **Short-term Liquidity Line**	**FCL** **Flexible Credit Line**
Facility	Special facility	Credit tranches
Objective	Provide "swap-like" liquidity support to very strong members for special Bo~~O~~P needs	Allow very strong members to deal with any type of Bo~~O~~P needs
Bo~~O~~P need	Potential moderate short-term Bo~~O~~P difficulties reflected in pressure on the capital account and the member's reserves resulting from volatility in international capital markets	Any
Qualification	Based on an assessment of: • Very strong fundamentals and institutional policy frameworks • Very strong policies: in the past, currently, and commitment to maintaining them	
Repurchase period	12 months	3¼–5 years
Access	Up to 145 percent of quota; revolving access	No access limit
Duration of arrangement	12 months	1 or 2 years
Charges and fees	A special fee structure would apply: • Nonrefundable commitment fee (8bps) • Service charge (21 bps) • Normal rate of charge • Normal schedule for level-based surcharges. SLL does not count towards time-based surcharges	The usual charges and fees that apply under the credit tranches: • Normal schedule for commitment fees that are refundable on drawings (15 bps up to 115 percent of quota, 30 bps from 115 to 575, and 60 bps above 575) • Normal service charge (50 bps) • Normal rate of charge • Normal surcharge schedule
Activation	Board approves the "extension of an offer," and the arrangement enters into effect upon the Fund confirming receipt of the signed written communication from the member, including the acceptance of the "offer" and policy commitments; no prior informal Board meeting required	Upon Board approval of the request for the arrangement; prior informal Board meeting required
Signatory	Given the more limited anticipated adjustment (if needed), sole central bank signatory of the written communication possible in certain cases	Both the central bank and the government generally sign the written communication given the broad nature of Bo~~O~~P needs that can be addressed under the FCL
Ex-post conditionality	None	None
Reviews	None	Annual review to assess qualification for two-year arrangements
Successor arrangements	No restrictions, upon Board assessment of continued qualification and existence of special potential BoP need	Exit expected as global risk declines

Box 1. SLL Process

The proposed process for the approval and use of an SLL arrangement largely follows the process for FCL arrangements, with two notable differences: the extension of an "offer" by the Fund to those members that qualify, and the absence of a prior informal Board meeting. The main steps are the following, with operational modalities to be clarified further in a staff g~~G~~uidance ~~N~~note:

- ***Initial confidential consultation.*** Staff discusses with the authorities their interest in pursuing an SLL arrangement and the likelihood of meeting the qualification criteria. The expression of interest in being assessed is informal (e.g., could be verbal or written) and serves the purpose of eliminating the members that do not want to be assessed. Discussions are confidential and could happen at any point during the year.
- ***Assessment of qualification.*** Staff begins the assessment process once the authorities have indicated their wish to be assessed.[1] Staff carries out a preliminary assessment of qualification and the level of access that might be warranted based on the latest information. If further consultation with the authorities is required, it could take place via a staff visit or video teleconferencing. Once the assessment is complete, management will assess if access to Fund resources is appropriate. Staff will make clear to the member that the Executive Board takes the final decisions on qualification and access.[2]
- ***Preparation of the Board paper***. If a member confirms its intention to proceed, staff prepares the staff report setting out the basis for the Board to approve an arrangement. The report includes: (i) the assessment of qualification; and (ii) the assessment of the potential BoP need, appropriateness of the proposed level of access, and repayment capacity.
- ***Formal Board meeting to consider the case for an offer and conditional approval of an arrangement.*** In contrast to other Fund instruments where the Executive Board may approve a request for the use of Fund resources, the Board instead approves the "extension of an offer" to the member by the Board's conditional approval of the arrangement. The offer is contingent on the authorities' "acceptance" within a specified period, which requires the authorities' written confirmation that the member wishes to avail itself of the arrangement, and their commitment to maintaining very strong economic policies and responding appropriately to shocks that may arise. If, after the Board meeting, there are concerns about market-sensitive leaks or misinformation regarding the offer, the member could request that the Fund issue a press release indicating the Board's conditional approval of an arrangement. The press release would take care not to prejudge the authorities' decision on whether to avail themselves of the arrangement.
- ***Extension of an "offer."*** The Board's conditional approval of the arrangement, with a specified access level, is communicated to the authorities no later than the end of the business day following the Board meeting. The authorities are required to respond within two weeks from the date of the conditional approval. The two-week acceptance window is designed to be long enough to provide the authorities sufficient time to respond, recognizing that there may be good reasons why an immediate response is not possible, while short enough to provide assurance that there should not have been a deterioration in the member's situation in the time since the conditional approval of the arrangement.

[1] Given the SLL's low access limit and the fact that the member communicates its decision to avail of the SLL arrangement after the Executive Board conditionally approves the arrangement, it is envisaged that an informal Board meeting will not be required. In contrast, an informal meeting to consult with the Board prior to Board approval is a requirement for the FCL and the Precautionary and Liquidity Line (PLL), given the potential for much higher access levels.
[2] As in the case of the FCL, there would be no full safeguards assessment and safeguard procedures would be limited to a review of the most recent external audit of the central bank.

and impact on Fund resources. A Board decision, adopted by a majority of votes cast, would be required to complete the review.

7. Staff proposes an additional review of the SLL after five years from its establishment.[3] At that time the Executive Board would conduct a review and decide whether to keep the facility in the Fund's lending toolkit (with an 85% majority of total voting power). To the extent that the Board decides not to keep the facility at this review, staff proposes that the facility will expire 7 years from the time of its establishment. This longer 7-year period would avoid undermining the use of the instrument from the outset, i.e., by creating an expectation that Fund support under the SLL may not be available after a few years. At the same time, the shorter (5-year) decision point would enable the Board to phase out the use of a facility if it no longer commands the required support of the Board, but still provides users with sufficient time to prepare for exit from the facility.

8. As any other facility, the SLL could be abolished at any time with a simple majority of votes. The Executive Board could decide at any time (even after the 5-year decision point) to terminate the facility by a simple majority of the votes cast, if, for example, the SLL were assessed at that time as not serving its purpose or having an adverse effect on Fund resources.

B. Signature of the Written Communication for the SLL

9. With respect to the signature of Letters of Intent~~s~~ (LOI) and written communications, the Fund does not prescribe who should sign on behalf of the member. Rather, the Fund follows a two-pronged standard that any LOI or written communication must meet. First, as the approval of a Fund arrangement gives rise to immediate financial obligations on behalf of the member, the LOI or written communication must be signed by the agency that has the domestic legal authority to enter into such obligations on behalf of the member.[4] Second, the LOI or written communication must be signed by those agencies of the member that are responsible for implementing the policy commitments set forth therein. As the Ministry of Finance and the Central Bank are generally responsible for implementing these policy commitments under Fund arrangements, both typically sign.

10. A Central Bank can sign the LOI and written communication on behalf of the member for an SLL arrangement if the requirements outlined above are met. While the option for a sole Central Bank signatory may help address certain stigma concerns raised by some potential SLL users, its appropriateness would depend on the individual circumstances of the member. First, the Central Bank would need to have the domestic legal authority to bind the member to the financial obligations to the Fund, including the payment of the commitment fee.[5] Second, the Central Bank

[3] In light of the frequent reviews envisaged, including a first review within less than 2 years in 2022, staff no longer proposes a separate clause discussed in 2017 that envisaged a review of the SLL if the combined commitments under the SLL and FCL exceed SDR 150 billion.

[4] In practice, this is generally either the Ministry of Finance or the Central Bank of a member.

[5] Staff will generally rely on the member's representation regarding its domestic legal authority.

must have the exclusive responsibility for implementing all actions necessary to address a BoP need of the moderate nature that the SLL is designed to help address (i.e., adjustment of a monetary and exchange rate nature). Moreover, as the SLL requires for the purposes of qualification that the member commit to maintaining current policies, including fiscal policies, the Central Bank must also be able to communicate, on behalf of the government of the member, its commitment to maintaining very strong policies that fall outside the remit of the Central Bank.[6] If the above conditions are not satisfied, the written communication would also need to be signed by a representative of the government that can commit to maintaining fiscal policies (i.e., the Ministry of Finance).[7] It is also important to emphasize that in all cases, and irrespective of the signatory of the written communication, the counterpart obliged to repay the Fund is the member, and not an individual agency of the member. Any financial transaction with the Fund would be made through the designated fiscal agent.

11. In light of the requirements outlined above, it would be expected that the LOIs under other Fund arrangements would continue to be signed generally by both the Ministry of Finance and the Central Bank. Unlike the SLL, other Fund arrangements generally support a member's program involving substantial adjustment comprising both monetary and fiscal policy measures, and are monitored by ex-post conditionality. The LOI needs to be signed by those agencies of the member that are responsible for implementing those policy measure. Thus, both the Ministry of Finance and the Central Bank would be expected to sign the LOI in such cases.

RESOURCES

12. Staff's preliminary estimates indicate that potential commitments under the SLL could amount to about SDR 40 billion. Solely for purposes of doing the resource needs assessment and without implications for future qualification assessments, staff has considered a tentative list of potential qualifiers, using the qualification framework described in the June 2017 paper.[8] The resulting list was used to construct two scenarios for possible resource implications (Table 2). Both scenarios assume that members that opt in receive the maximum access under the facility of 145 percent of quota and that the arrangements are fully scored against the Fund's forward

[6] As an additional safeguard, staff would also engage in bilateral discussions with the Ministry of Finance to confirm its intentions regarding fiscal policies over the course of the arrangement. Moreover, the track record requirement under the SLL arrangement provides staff with assurance that the member will maintain very strong policies of both a monetary and fiscal nature.

[7] Specifically, to the extent that a Central Bank is not in a position to relay the commitment of the government to maintain very strong fiscal policies, the Ministry of Finance would also sign.

[8] Qualification is assessed against nine criteria as well as the strength of the member's policy track record, its institutional policy framework, and the overall assessment of policies in the most recent Article IV staff report. The assessment was done for the full membership, except reserve currency issuers (or countries with access to a reserve currency-issuing central bank, in the case of the Euro area) and countries with standing swap agreements with the U.S. Federal Reserve. Any final assessment would require further in-depth consultation with area departments and would also be subject to Board approval.

commitment capacity (FCC) in line with any other precautionary arrangements.[9] In practice, access under individual SLL arrangements will be tailored to the potential BoP needs faced by that member.

- Scenario A assumes that potentially qualifying members, except those with current active FCL arrangements or active swap arrangements with the U.S. Federal Reserve, decide to avail themselves of SLL arrangements. This would give rise to Fund commitments of about SDR 38 billion.

Table 2. Potential Resources Implications
(Billions of SDR)

	Commitments				Maximum~~g~~ second round effects 3/	
	SLL 1/	FCL /2	Total	Net impact on FCC	SLL	FCL
Scenario A	38	52	90	-38	-16	-9
Scenario B	54	0	54	-1	-25	0

1/ Potential SLL commitments assuming maximum commitment of 145 percent.
2/ Current FCL commitments (Mexico and Colombia). They are already reflected in the current FCC.
3/ Assumes all members with an SLL are participating in the FTP, and all members with an SLL or an FCL draw simultaneously.

- Scenario B assumes that once their current arrangements expire, the two current FCL users would qualify and opt in for an SLL arrangement. In this case, commitments under the SLL would rise to around SDR 54 billion, but aggregate Fund commitments under the SLL and FCL arrangements would fall considerably relative to Scenario A, by about SDR 36 billion, containing the net negative impact on the Fund's FCC to some SDR 1 billion.

13. The liquidity impact of SLL commitments could become higher if members with SLL arrangements were to draw on their arrangements. Members meeting the SLL qualification criteria would generally be expected to also have sufficiently strong external positions to be included in the Financial Transactions Plan (FTP).[10] As in the case of the FCL, if users included in the plan were to draw on the SLL, they would be removed automatically from the FTP, since they would not be in a position to provide resources to other members when they have actual BoP needs

[9] Directors discussed this issue extensively in the context of the 2017 deliberations on the SLS~~L~~ and *"generally supported full scoring of precautionary arrangements in calculating the Fund's forward commitment capacity (FCC) to provide clear assurance that committed resources will be available to the membership in all circumstances. Nevertheless, a few Directors saw some scope for flexibility in scoring these commitments against the FCC, given the low probability of drawing under such arrangements"* (Acting Chair's Summing, BUFF17/54). Staff's background work at the time had highlighted that partial scoring would not increase the Fund's overall resource envelope, but signal that the Fund is willing to commit more resources than it has available when part of these commitments are precautionary in nature (see, for example, SM/17/140 (06/02/2017), Annex VIII). This could be justified in particular if the Fund's exposures under precautionary arrangements were sufficiently well diversified to assure, with a high degree of confidence, that only a fraction of its total commitments would be drawn upon within a short period of time. However, staff argued at the time that the Fund was unlikely to have such a diversification of risk exposure, and this consideration seems even more relevant against the backdrop of the unfolding Covid-19 pandemic, when shocks are likely to impact many if not all potential SLL participants simultaneously.

[10] Under the policies and procedures adopted by the Executive Board, the assessment of the strength of members' external positions for the purpose of selecting their currencies for transfers during an FTP period is conducted in consultation with members and, while anchored in a number of indicators, is ultimately a matter of judgment.

themselves.[11] This, in turn, would reduce the FCC, giving rise to a second-round effect on the Fund's liquidity.[12] Such second-round effects of SLL commitments could be significant, albeit temporary given the anticipated short-term nature of the special BoP need. For instance, in Scenario B, the maximum temporary second-round effects (for as long as credit purchased under the SLL remained outstanding) would reach SDR 25 billion in the extreme event where all members with SLL arrangements in that scenario made purchases.

14. Notwithstanding adequate overall Fund resources, the potential commitments under the SLL together with ~~Covid~~COVID-19-related potential demand for GRA resources could quickly reduce current Fund liquidity and require activation of the New Arrangements to Borrow (NAB).

- The Fund's FCC, measuring resources available to finance new commitments over the next 12 months, currently stands at SDR 198 billion (or USD 277 billion). At this point, quota resources of FTP members are the only source of financing included in the FCC as neither the NAB nor the bilateral borrowings are activated.

- Staff estimates that total near-term potential demand for GRA resources from emergency financing under the Rapid Financing Instrument (RFI) and comparable augmentations could increase to up to a total of some SDR 60 billion (some USD 82 billion).[13] Substantial additional (drawing and precautionary) demand for the Fund's regular instruments (Stand-By Arrangement (SBA), Extended Fund Facility (EFF), FCL, and PLL) could also arise, especially if the impact of the pandemic is to become protracted.

- As with the SLL, additional *demand* for Fund resources under emergency financing and other facilities could also impact the *supply* of such resources, as the Fund would no longer draw on FTP members' resources once they request the use of Fund resources and draw under their respective arrangements.[14]

- Therefore, while the current, quota-based FCC appears adequate to address near-term RFI-related emergency financing needs, the outlook could change quickly should there be significant demand for new Fund-supported programs, including under FCL and SLL

[11] If a member repurchases the credit outstanding under the SLL in full and continues to have an SLL arrangement, it could be added back to the next FTP to be adopted after full repayment subject to the strength of the member's external position and in consultation with the member.

[12] The second-round effects on Fund liquidity of purchases made by members that are included in the FTP comprise two elements: (i) the reduction in the Fund's holdings of currencies that are available to finance purchases, and (ii) conversely, the reduction in the Fund's need to set aside quota resources as a prudential balance. While the second-round effects depend on the level of members' Reserve Tranche Positions and Fund holdings of currencies and fluctuate over time, for the purposes of this paper it is assumed at 80 percent of a member's quota.

[13] This includes RFIs for all EMDCs and RFI portion of blended access by some 20 Poverty Reduction and Growth Trust~~PRGT~~-eligible countries, except for the largest and longest standing participants in the FTP and for EMs currently covered by IMF precautionary arrangements.

[14] For example, under the near-term potential RFI-related demand scenario of SDR 60 billion, the supply effect alone would reduce the FCC by up to SDR 27 billion and reduce the FCC, ceteris paribus, to some SDR 110 billion.

in effect (paragraph 5). The process for approval, including the authorization to access audited financial information, is outlined in paragraph 6. Purchases under the SLL would not count against a member's reserve tranche position (paragraph 7). The SLL would have a repurchase obligation of 12 months (paragraph 8). A review of the SLL, alongside the FCL and the PLL, is proposed within two years (paragraph 11). As noted above, it is proposed that the SLL be established for a period of seven years, provided that by end-2025, the Executive Board would be expected to take a decision whether to extend the facility beyond the seven-year period (paragraph 12). An extension of the SLL facility would require approval by an 85 percent majority of the total voting power.

- **Access Policy (Section B of the Proposed Decision)**. Section B would carve out access under the SLL from the access limits set forth in the policy on overall access to the Fund's resources in the G~~eneral~~ R~~esources~~ A~~ccount~~. This is because, unlike other Fund arrangements, which define access on a flow basis, access under the SLL would be defined as a limit on the stock of Fund credit committed or outstanding, up to a maximum of 145 percent of quota. A member would be able to purchase at any given time up to the amount of approved access under the SLL, minus outstanding purchases. Repurchases would reconstitute access up to the approved access amount for the SLL arrangement in effect at the time of the repurchase (paragraph 4 of Section A). However, outstanding amounts under the SLL would count towards the access limits if a member subsequently requests access to Fund resources under another Fund facility.

- **Article IV Consultation Cycle (Section C of the Proposed Decision)**. Section C would amend the Decision on Article IV Consultation Cycles to clarify that members with an SLL arrangement must remain or be placed on the 12-month Article IV consultation cycle.

- **Transparency Policy (Section D of the Proposed Decision)**. Section D would amend the Decision on Publication of Reports to account for the SLL arrangement's approval process, which differs from other Fund arrangements in that the Executive Board would approve on a conditional basis an SLL arrangement and the arrangement would become effective on the date on which the Fund confirms receipt of a written communication from the member that it wishes to avail of the arrangement. In this regard, changes would be made so that: (a) the publication deadline of the press release and staff report starts from the effective date of a member's SLL arrangement, rather than the date the underlying staff report is discussed; and (b) the effectiveness of a member's SLL arrangement is conditioned on the member's consent to publish when it confirms that it wishes to avail of the SLL arrangement, unlike other requests for Fund arrangements, which require that the member consent to publication for management to recommend approval of an arrangement by the Executive Board.

- **Allocation of Repurchases (Section E of the Proposed Decision)**. Section E would amend the Decision on Attribution of Reductions in the Fund's Holdings of Currencies, for administrative purposes, to clarify that a member's repurchases under the SLL will be applied first to the longest outstanding purchase under the SLL (i.e., a "first out, first in" rule will apply) as outlined in Box 5 of Adequacy of the Global Financial Safety Net—Review of the Flexible

Credit Line and Precautionary and Liquidity Line, and Proposals for Toolkit Reform (SM/17/140, 06/02/2017).

- **Surcharges (Section F of the Proposed Decision)**. Section F would amend the level-based surcharge policy to include outstanding purchases under the SLL. Fund holdings of a member's currency over 187.5 percent of quota resulting from purchases in the credit tranches, under the SLL and the E~~xtended ~~F~~und ~~F~~acility~~ would be subject to a surcharge of 200 basis points per annum above the basic rate of charge. The proposed decision reflects staff's view that the purchases under the SLL should not be subject to the time-based surcharge because of their short-term repurchase obligation.

- **Service Charge and Commitment Fee (Section G of the Proposed Decision)**. Section G would amend Rules I-1 and I-8 to set the service charge for purchases under the SLL at 21 basis points~~bps~~ (Rule I-1) and the commitment fee for the SLL at 8 basis points on a non-refundable basis (Rule I-8). The proposed decision specifies that the commitment fee would be charged at the beginning of each SLL arrangement, and would not be refunded if the member makes purchases under the arrangement. A pro-rata portion of the commitment fee would be refunded, however, if the member cancels its arrangement before expiry.