

**EXECUTIVE
BOARD
MEETING**

SM/20/159
Supplement 1

October 29, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Review of the Adequacy of the Fund's Precautionary Balances—Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Friday, October 30, 2020**

Publication: Proposed, with main paper

Questions
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IMF Executive Board Discusses the Adequacy of the Fund's Precautionary Balances

FOR IMMEDIATE RELEASE

WASHINGTON, DC – October 30, 2020 the Executive Board of the International Monetary Fund (IMF) reviewed the adequacy of the Fund's precautionary balances.¹

Precautionary balances, comprising the Fund's general and special reserves² and the Special Contingent Account (SCA-1), are one element of the IMF's multi-layered framework for managing financial risks. These balances provide a buffer to protect the Fund against potential losses, resulting from credit, income, and other financial risks. Thereby, they help protect the value of reserve assets represented by member countries' positions in the Fund and underpin the exchange of assets through which the Fund provides financial assistance to countries with balance of payments needs.

This review of the adequacy of the Fund's precautionary balances took place on the standard two-year cycle, although it was delayed by a few months to allow for an assessment of the impact of the COVID-19 pandemic on Fund financial risks. In conducting the review, the Executive Board applied the rules-based framework agreed in 2010. The framework includes an indicative range for precautionary balances, linked to a forward-looking measure of total IMF credit, that is used to guide decisions on adjusting the target for precautionary balances over time. The framework also allows for judgement in setting the target, taking into account a broad range of factors affecting the adequacy of precautionary balances.

Executive Board Assessment³

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¹ This press release summarizes the views of the Executive Board as expressed during the July 15, 2020 Executive Board discussion based on the paper entitled "Review of the Adequacy of the Fund's Precautionary Balances."

² Except the portion of the Special Reserve attributed to gold sales profits.

³ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.