July 28, 2022
Approval: 8/4/22

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 20/43-3

3:30 p.m., April 15, 2020

3. IMF COVID-19 Response-A New Short-Term Liquidity Line to Enhance the Adequacy of the Global Financial Safety Net

Documents: SM/20/88, and Cor. 1, and Sup. 1

Staff: Krueger, FIN; Liu, LEG; Koeva Brooks, and Steinberg, SPR

Length: 1 hour and 34 minutes

Executive Board Attendance

K. Georgieva, Chair

Executive Directors	Alternate Executive Directors
D. Mahlinza (AE)	
M. Raghani (AF)	
	R. Morales (AG), Temporary
N. Ray (AP)	
A. Bevilaqua (BR)	
Z. Jin (CC)	
L. Villar (CE)	
L. Levonian (CO)	
R. Kaya (EC)	
A. Buisse (FF)	
R. von Kleist (GR)	
S. Bhalla (IN)	
D. Fanizza (IT)	
T. Tanaka (JA)	
J. Mojarrad (MD)	
	S. Geadah (MI)
A. De Lannoy (NE)	
M. Poso (NO)	
A. Mozhin (RU)	
M. Mouminah (SA)	
A. Mahasandana (ST)	
P. Inderbinen (SZ)	
S. Riach (UK)	
M. Rosen (US)	

J. Lin, Secretary
O. Vongthieres, Summing Up Officer
E. Mannefred, Board Operations Officer
L. Nagy-Baker, Verbatim Reporting Officer

Also Present
African Department: A. Coronel Andrade, H. Teferra. Asia and Pacific Department: O. Brekk, A. Gulde. Communications Department: C. Rosenberg, O. Stankova. European Central Bank: R. Rueffer. European Department: I. Petrova, M. Pradhan. Fiscal Affairs Department: A. Arnoud. Finance Department: H. Hatanpaeae, T. Krueger, C. Mumssen, A. Tweedie, O. Unteroberdoerster. Institute for Capacity Development: R. Nord. Independent

Evaluation Office: C. Collyns. Legal Department: C. DeLong, Y. Liu, G. Rosenberg, J. Swanepoel, R. Weeks-Brown. Middle East and Central Asia Department: A. Arvanitis, N. Porter. Office of Risk Management: V. Arora. Research Department: G. Adler. Strategy, Policy, and Review Department: A. Iancu, M. Kamel Farid Mohamed Farid, P. Koeva Brooks, V. Kramarenko, N. Meads, M. Muhleisen, A. Paret Onorato, M. Perks, J. Shin, C. Steinberg. Statistics Department: J. Gonzalez-Garcia. Western Hemisphere Department: P. Alonso-Gamo, E. Perez Ruiz. Executive Director: A. Andrianarivelo (AF), I. Mannathoko (AE), P. Moreno (CE), P. Trabinski (SZ). Alternate Executive Director: M. El Qorchi (MD), A. Guerra (CE), C. Just (EC), W. Nakunyada (AE), L. Palei (RU), D. Ronicle (UK), B. Saraiva (BR), J. Sigurgeirsson (NO), F. Sylla (AF). Senior Advisors to Executive Directors: W. Abdelati (MI), M. Choueiri (MI), I. Fragin (GR), J. Garang (AE), M.Gilliot (FF), R. Goyal (IN), S. Keshava (SA), B. Lischinsky (AG), S. Potapov (RU), C. Quaglierini (IT), M. Sidi Bouna (AF), F. Spadafora (IT), N. Thiruvenkadam (IN). Advisors to Executive Directors: P. Al-Riffai (MI), D. Andreicut (UK), A. Arevalo Arroyo (CE), L. Cerami (IT), T. Chrimes (UK), D. Cools (NE), D. Fadhel (MI), Z. Huang (CC), A. Nainda (AE), F. Rawah (SA), D. Shestakov (RU), B. Singh (IN), I. Skrivere (NO), A. Tola (SZ), J. Barroso (BR).

3. IMF COVID-19 RESPONSE-A NEW SHORT-TERM LIQUIDITY LINE TO ENHANCE THE ADEQUACY OF THE GLOBAL FINANCIAL SAFETY NET

Ms. Levonian, Mr. Rosen, Ms. McKiernan, Ms. Pollard, Mr. Weil and Mr. Grohovsky submitted the following joint statement:

The COVID-19 outbreak has created a unique, fast-moving health and economic crisis. This crisis has required similarly novel responses from governments, central banks, and international financial institutions. The Short-term Liquidity Line is yet another tool that can assist members in tackling the economic fallout of the pandemic and prevent a liquidity crisis from becoming a solvency one. While it does not solve every problem the membership faces, it is likely to prove a useful additional tool for countries with strong policies and concerns about stigma and we support its establishment and the related decisions.

In particular, we thank staff for the amendments to the 2017 proposal, including appropriately reframing the facility as a liquidity line instead of a swap line. This reframing is helpful for increasing public understanding of the facility and sending a clearer signal to markets on how it will function. Additionally, given the temporary nature of the use of Fund resources as laid out in the Articles of Agreement, we appreciate the clarifications in this paper regarding exit. We particularly note that continued usage of the facility is contingent on a special balance of payments need and meeting the qualification criteria annually, subject to Board approval.

Regarding the criteria, we want to reiterate and support staff's emphasis that qualification will be based on very strong policy frameworks. As with the FCL, the absence of ex-post conditionality calls for a very high bar for qualification. We also think a high bar will provide a positive market signal for SLL countries. Potential disqualification during the annual review process, however unlikely, would need to be managed and communicated carefully.

We also appreciated the analysis surrounding the Forward Commitment Capacity (FCC) and risks that such a new facility may pose. Notably, we think some of the greatest value in the SLL may be if it allows FCL users to "step down" smoothly, freeing up space in the FCC. We thought that Table 2 which laid out scenarios and showed the minimal impact of the SLL on the FCC if FCL countries step down into an SLL was particularly helpful. We strongly encourage staff, following the crisis, to pursue opportunities to incentivize FCL users to use this step down, when and where appropriate. We also agree with the need to closely monitor the Fund's liquidity position and support frequent Board updates to ensure we are able to assess the situation in a timely manner.

We welcome that the review of the SLL, along with other precautionary facilities in 2022, and the renewal clause offer ample opportunity for the Board to assess our experience with the facility and make any needed adjustments. We support both of these decisions – review and renewal clause – and look forward to engaging in future SLL discussions as our experience unfolds.

We recognize that some of the SLL's more unique features have raised concerns among some chairs, including our own, but at this delicate moment it is important for chairs to approach this proposal with a spirit of flexibility and compromise. We look forward to hearing the timeline for the first set of countries likely to avail themselves of the facility, after approval.

Mr. Geadah and Ms. Abdelati submitted the following statement:

We support the establishment of the proposed SLS facility and support the proposed decision. We also support the process as described in Box 1, the proposed review and renewal clause, and the single signatory. We take note of the preliminary estimates of potential commitments under the SLL and implications for the Fund's Financial Transactions Plan (FTP), and that when combined with emergency financing, these requests could require activation of the NAB. We agree to the assessment of risks.

We fully agree with staff's assessment of the dire global liquidity conditions and that many EMs are still experiencing a liquidity shortage and face the danger of a sudden stop, as described in Paragraph 1. We also fully agree with the need to fill gaps in the Fund's lending toolkit and to help prevent liquidity problems turning into solvency problems for a large number of members.

We are ready to go along with the proposal as presented, but note that it does not address two concerns that were raised in the informal Board meeting:

The access level of 145 percent of quota is considered "likely to provide cover against most repeated moderate shocks". Figure 1 is supposed to provide evidence, based on the "largest 3-month portfolio outflows". However, we know that some shocks lead to more protracted outflows and the figure significantly underestimates actual outflows, including those related to loss of market confidence following a shock. Early experience may shed light on the adequacy of 145 percent of quota.

We expect staff to bring to the Board other proposals to meet the needs of members during this crisis time. Key among these is the request made by 17 Directors to consider emergency assistance "additional" and not subject to normal access norms during this crisis, which would also have implications for the Access Policy under the SLL as described on page 14. We would also welcome ways to help countries that are unable to benefit from the current toolkit or what has so far been proposed under the Covid-19 Response.

With these comments, we thank staff for their speedy work and comprehensive documents.

Mr. Chodos, Mr. Lischinsky, Mr. Morales and Ms. Moreno submitted the following statement:

We welcome the timely discussion of a proposal for a Short-term Liquidity Line (SLL) that would draw from the General Resource Account (GRA), in a period when global conditions are rapidly tightening, especially for EMDCs. The worldwide economic crisis triggered by the COVID-19 pandemic has made it evident that there is a need for an affordable and predictable liquidity support for countries with strong fundamentals and a sound economic policy framework. The new short-term liquidity line proposed today is based on the Short-Term Liquidity Swap originally discussed by the Board in 2017, not gathering sufficient support at the time, and addresses some of the key concerns raised in that discussion. In our view, the redesigned facility would fill an important gap in the Fund's toolkit by providing a less expensive predictable liquidity support for countries with strong fundamentals and policy framework.

Although access to the SLL is circumscribed to countries qualifying for the FCL, it clearly provides benefits to the broader membership. Not only would the SLL encourage countries showing a strong track record of preserving stability to maintain strong macro-policy frameworks, but it would also prevent liquidity pressures to turn into solvency crises, with positive spillovers effects. Moreover, it could enhance the catalytical role of Fund support, more tailored to the features of a dynamic global financial market, as it would help emerging market countries to count with a predictable liquidity backstop to tackle capital flow volatility, containing sudden stop risks.

The SLL features are appropriate to address short-term moderate balance-of-payment needs triggered by capital account pressures. In this regard, the SLL could be an appealing complement to the FCL given its short-term nature and lower cost, to be used conjointly with the FCL, or as an additional transition device when exiting from the FCL (and vice-versa). The report discusses the transition from one arrangement to the other in Box 1, but it would be useful if it could also elaborate on the possibility of a combined use of both facilities. In addition, we believe that liquidity needs would likely lie above historical liquidity patterns during the ongoing crisis period, which would justify holding a separate discussion to raise access temporarily to 200 of quota from 145 percent currently proposed until the time of the 2022 review of the FCL, PLL, and SLL.

We welcome the scenario analysis showing a relatively contained impact of the introduction of the SLL on forward commitment capacity. Potential commitments under the SLL are estimated at SDR 40 billion and would likely prompt the activation of the NAB, which was already evident from the discussion of the near-term outlook for Fund resources. We note that if users included in the Financial Transactions Plan (FTP) were to draw on the SLL they would be removed automatically from the FTP, with a potential additional SDR 25 billion impact on the Fund's liquidity. However, this second-round effect would be short-term by definition and the probability of drawing under such arrangements is expected to be low, which is confirmed by the experience with the FCL and the PLL. Still, the evolution of Fund's liquidity should be closely monitored in these particular circumstances where all countries are facing unprecedented challenges while implementing sizable stimulus packages and conducting substantial monetary relaxation by means of traditional and no-traditional tools.

Other structural elements of the SLL would expedite the process and make its potential use more flexible. We welcome the SLL's 12-month duration, lower cost, renewability subject to re-qualification, lack of ex-post conditionality, and its initiation via an extension as an "offer" by the Fund. However, the qualification process for new candidates could be arduous in this particular period, even for countries with strong fundamentals, given the elevated degree of uncertainty to prepare projections. It would be useful if staff could comment on how judgement would be applied in these cases. Looking ahead, we believe that five years is a prudent period before a comprehensive review of the facility, with a seven-year "sunset clause" for its expiration, which would reduce the risk of undermining the use of the instrument from the outset. After all, the Board maintains the prerogative to abolish the facility at any time with a simple majority of votes.

Mr. Jin and Mr. Huang submitted the following statement:

We thank staff for their tireless efforts to present the proposal to the Board of Directors in such a short period of time. We support the proposed decision to establish the Short-Term Liquidity Line (SLL) as a new facility in the General Resources Account (GRA) and would limit our comments to the following for emphasis.

The establishment of the SLL will fill the long-existing gap in the current Global Financial Safety Net (GFSN) by meeting member's actual demand for buffering short-term, moderate, and repeated capital flow volatility. However, this is not the end, and more should be done to further strengthen the GFSN. The introduction of the SLL could supplement, but should not substitute, the Fund's other efforts to support the membership in this moment of crisis, including the possibility of a general allocation of the SDR.

We underscore that the qualification criteria of the SLL should be objective and transparent to make the facility open to all qualified member countries. We see merit in the revolving access feature of the SLL but are concerned that no limit on successor arrangement will raise the possibility of a de facto permanent use of the SLL, which would indicate the failure of this instrument in fulfilling its purpose. We take good note of staff's clarification that the renewal of the arrangement is not automatic, but subject to continued satisfaction of the qualification criteria and the Board's approval. We stress that a repeated using and drawing under the SLL reveals structural vulnerabilities that the member country could maintain a plausible BOP balance only with the support of the SLL. In this case, other Fund instruments are more appropriate to assist the member country to perform the much-needed structural adjustments.

We can go along with the renewal clause for the SLL and reviewing the SLL in 2022 as part of the regular review of the Fund's precautionary instruments. We take note of the Fund's standards on who should sign the Letter of Intents (LOI) and written communications, and concur with staff that a central bank can sign as long as it meets the standards.

We welcome staff's preliminary estimation of the implication on the Fund's resources and look forward to continued and timely engagement with the Board on the adequacy of the Fund's resources in the future.

Mr. Buisse, Mr. Fanizza, Ms. Mahasandana, Mr. Ray and Ms. Riach submitted the following joint statement:

We thank staff for the clear and concise paper and engagement with our offices. With exceptionally high and protracted global uncertainty, many emerging markets and developing countries are experiencing liquidity shortages. This has reinforced the need for a "swap-like" IMF liquidity facility to provide predictable and appropriately priced liquidity support to members with very strong policies to address potential short-term moderate balance of payments needs. This enhancement of the IMF's toolkit would complement other layers of the Global Financial Safety Net, increasing the firepower of Regional Financing Arrangements in emerging markets and avoiding fragmentation of the International Monetary System. In the current circumstances, we also see this enhancement as sending a positive signal to global financial markets.

As considerable thought has already gone into reaching a consensus on many aspects during the 2017 consideration of this proposal, and given the urgency, we see the adoption of that proposal with minimal changes as a good way forward. Accordingly, we support the establishment of the Short-term Liquidity Line (SLL), the proposed access policy, and the other associated amendments as set out in the paper. We offer our comments on important aspects of the proposal below.

Qualification Criteria

We support the qualification criteria for the SLL being set at the same level as the Flexible Credit Line (FCL). This will send a strong signal to markets by ensuring that only countries with very strong economic fundamentals and policy frameworks can access the tool. It will also safeguard the Fund's resources, given there is no ex-post conditionality. Strong qualification criteria also reduce moral hazard and provide an incentive for countries to ensure they maintain, or work towards, achieving strong domestic policies. When determining qualification in line with the FCL criteria, staff should take a holistic view of a member's past and current policies as well as their economic soundness. Placing a disproportionate weight on a country's current macroeconomic situation may disqualify applicants in need of liquidity support who would have qualified pre-COVID 19. The same holistic approach should also apply when assessing continued qualification.

Stigma

Design features of the SLL have been carefully crafted to avoid stigma, critical for use of the tool to manage short-term volatility and liquidity shocks. These features include, for example, the name of the instrument and the process of extending an 'offer' of Fund assistance to a set of countries that prequalify. These design features encourage members to seek liquidity support when they need it.

Review

We note that the SLL will be reviewed as part of the regular review of the FCL and Precautionary and Liquidity Line (PLL) in 2022, and that this review will consider the SLL's purpose, fit within the toolkit, design and impact on Fund resources. We note the importance of treating the 2022 review as a stock-taking exercise and not as a decision-point on the continuation of the SLL. We are concerned that a sunset provision could undermine the signal sent by the SLL and would prefer a simple review process. In the interest of reaching agreement, we can go along with staff's proposal for a renewal clause, where the facility would expire after 7 years should a decision be taken not to keep the facility at the 5-year review. The 7-year expiry period is important to reinforce the legitimacy of the instrument and so its signaling potential and to avoid undermining the use of the instrument from its outset. We also underscore that the 2025 review should take a wholistic view and consider the effectiveness of the SLL in serving the membership, the overall risk landscape, and the adequacy of the Global Financial Safety Net at that time. We acknowledge however that the Executive Board can decide at any time to terminate the facility.

Fund Resources

We agree that staff should continue to closely monitor the Fund's liquidity position given the potentially high impact on the Fund's resources of SLL-committed credits.

Mr. Poso and Ms. Skrivere submitted the following statement:

The COVID-19 pandemic is causing severe disruptions in the global financial system and has triggered capital outflows from emerging market and developing economies (EMDEs) with unprecedented speed and scale. We share the Fund's concern regarding the global liquidity shortages. To strengthen the global financial safety net, as a signal of multilateral support to the stability of the global financial system, and also as a useful complement to the Fund's toolkit, we support the establishment of the Short-term Liquidity Line (SLL).

Many of the design features of the SLL are appropriate. Namely, it has very strong qualification criteria, low access levels, a short duration, and a short repurchase period. The new instrument also has beneficial functionality that complements the Fund's toolkit. It can help members with strong policies to manage short episodes of moderate capital flow volatility, reduce reliance on excessive foreign exchange reserves, and also potentially facilitate exit from prolonged use of the Fund's high-access precautionary arrangements. While its features may not be best suited to address the current urgent challenges of EMDEs, we see that the SLL could play an important role during the stabilization and recovery phase of the current crisis.

We would have strongly favored a sunset clause for the SLL, but we can go along with a renewal clause as a safeguard for the establishment of a new facility. A review together with the FCL and the PLL in 2022 and an additional review after five years of establishment will importantly allow the Board to assess carefully the merits of the instrument and make a decision on its continuing fit in the Fund's toolkit. We also note that the Board can decide to abolish the SLL at any time by a simple majority of votes cast if it is assessed not to serve its purpose or is found to have adverse effects on Fund resources.

We do not support having an option for a sole central bank signatory for the SLL. Qualification for the SLL requires that the member commits to maintaining strong policies, including fiscal policies. This is one of the key elements of the instrument to support market confidence. An independent central bank cannot commit to policies on behalf of the government and vice versa. Thus, we would require signatures for the Letter of Intent from both the Ministry of Finance and the Central Bank to ensure the credibility of the policy commitment. Furthermore, we note that the counterpart obliged to repay the Fund is the member, and not an individual agency of the member. Could staff comment on the legal validity of the suggestion that the Central Bank could communicate on behalf of the government of their commitment to maintaining policies that fall outside of the remit of the central bank and whether this practice corresponds with the Fund's view of Central Bank independence?

We have concerns over tying up the Fund's scarce resources to prolonged use of precautionary arrangements. The risk that a broad uptake of the SLL could crowd out non-precautionary lending should be carefully analyzed. While we are generally open towards the renewable feature of the SLL for qualifying members, we would call for a very prudent assessment of the special potential BoP need in the discussions of successor SLL arrangements to ensure proper expectations of exit when such a special need no longer exists. Could staff elaborate how to manage the possible market reactions of an exit in a case when a country with an SLL no longer meets the qualification criteria and thus cannot renew the arrangement?

We support full scoring of commitments under the SLL in the Fund's forward commitment capacity (FCC). Staff's preliminary estimate of potential SLL commitments of about SDR 40 billion appears moderate. Specifically, we don't fully understand the rationale to exclude members with standing swap agreements with the Fed from the calculations and thus would ask staff to provide estimates which include these members as well. We also note that the potential impact on Fund liquidity would be much higher, albeit temporarily, if the second-round effects through FTP participation are taken into consideration in a situation when qualifying members draw on their SLL arrangements. This is an immediate concern as this would be the case particularly during global distress when broader drawings from the facility would be expected.

Risks related to the SLL need to be prudently managed and monitored. High qualification criteria and low access levels are particularly important to moderate the credit risk to the Fund. Could staff comment on the potential impact on the adequacy of precautionary balances from broad uptake of the SLL? Strong and regular surveillance through Article IV consultations is paramount to ensure proper monitoring of developments in SLL countries and should candidly flag any issues that could risk the quality of macroeconomic fundamentals and policies going forward. We consider the fee structure to be appropriate to manage risks to Fund income.

We are concerned about the reference to applying minimum circulation time for Board documentation (48-72 hours) under exceptional circumstances. Does this refer to the streamlined procedures approved for a three-month period in response to COVID-19? Could staff clarify?

Mr. Villar, Mr. Guerra, Mr. Moreno, Ms. Arevalo Arroyo and Mr. Montero submitted the following statement:

We support the establishment of a Short-Term Liquidity Line (SLL). We thank staff for the comprehensive report and their expedited work in this proposal. The current juncture has aligned the incentives to fill a longstanding gap in the Fund's lending toolkit. As the pressing needs for a liquidity facility have been more evident in this context, the development of a liquidity line could have an effective and supportive role for the membership. While we have expressed a difference in views on some of the distinct features of the facility, we can go along with the decision in a spirit of compromise. That said, we would like to offer some qualifications to our overall support.

We agree with staff that any residual risks of adding the SLL to the IMF toolkit are significantly outweighed by the risks of not taking action to address members' needs and fill an important gap in the IMF financing framework. We regard the creation of the SLL as a useful addition to provide predictable liquidity support to members with short-term moderate balance of payment needs, which, at the same time, might give additional flexibility to the precautionary financial framework by complementing the roles played by both the Flexible Credit Line (FCL) and the Precautionary Liquidity Line (PLL).

We view the SLL and the FCL as different instruments which should not be treated as substitutes but rather as complements, as they are designed to address different problems. In this vein, we do not see in the proposal a "natural transition" from one facility to the other. The former would serve as insurance against relatively more frequent and probable risks, while the latter as insurance against less frequent and probable but also more extreme risks, or tail risks. The objective of the new facility is to serve a larger portion of the membership by providing buffers and avoiding a global suboptimal scenario where all countries accumulate reserves individually to hedge against frequent liquidity risks. In this regard, we consider the analysis of risks in the staff's document incomplete. We believe that the absence of an effective short-term precautionary facility could undermine the Fund's crisis-prevention objectives and risk damaging the reputation of the Fund.

In this vein, staff points out the potential role of the SLL as a vehicle to exit FCLs. However, this assumption is contradicted by the transition procedure, which treats both facilities as different instruments. If the SLL was an actual vehicle for an FCL step-down, then the transition should be automatic, as the qualification criteria are already met. As described in the document, the expectation that the member continues to qualify would only contribute to "expedite" the process. Moreover, it is unclear how this would be accelerated if a cancellation of the current arrangement would entail going through the process again. Additionally, we do not find a reason why FCL countries are in principle not considered in the "offer" group. We see here a logical inconsistency in staff's proposal that should be addressed.

While qualification criteria should be strong, we still believe that PLL criteria would have been more suitable to foster eligibility and support a larger part of the membership. This would strike a reasonable balance between the required strength of fundamentals and policies and an increased possibility for access by a broader group of member countries, which we deem essential under the current crisis in the face of massive and historical financial outflows in emerging countries. This would also be consistent with the fact that SLL conditions imply lower risks because of its shorter repayment terms and smaller size in terms of quota.

We agree with the proposed timeline for the reviews of the SLL in five-year time. We consider this is a reasonable timeframe that would allow to adequately assess the performance of the instrument during and after the COVID-19 crisis. We also find the 7-year expiration period appropriate in order to avoid disincentivizing usage and to provide enough time to prepare for exit. We also believe that a stocktaking of the SLL in the next regular review of the FCL and PLL will provide useful insights on the future of the facility and on working towards the proposed SLL review in five years' time. As such, the review should be guided by an independent and stand-alone process whereby any modifications are to be based on the experience with the use of the instruments. However, we consider that assessing the SLL jointly with the regular review of the FCL and PLL should not lead to joint decisions, especially when those facilities are not substitutes but rather different instruments addressing different needs. While the resource implications of the SLL seem manageable under alternative scenarios, we agree with staff that potential demand for other Fund facilities due to the COVID-19 pandemic could put pressure on the Fund's liquidity and would require the activation of the NAB.

Mr. Mahlinza, Mr. Nakunyada and Ms. Nainda submitted the following statement:

We thank staff for an informative report, that provides additional analysis on issues raised by Directors in the informal briefing early this month. We support the decision to adopt the Short-Term Liquidity Line (SLL) as an important addition to the Fund's lending toolkit. The coverage provided by the SLL will be especially beneficial to countries with short term liquidity shortages that have been amplified by the impact of the COVID-19 pandemic on financial markets.

The introduction of renewable and reliable liquidity support against potential short-term volatility of capital flows provides an important signal of the Fund's comprehensive response to meet the urgent financing needs of its diverse membership. Many emerging market and developing economies (EMDEs), including strong performers that are currently facing severe liquidity challenges, have limited access to reliable swap lines and regional financing arrangements (RFAs). In this regard, the need for an appropriate facility to avert a full-blown solvency crisis in EMDEs and ensure the stability of the global financial system, cannot be overemphasized. That said, further considerations should be made to completely close the gap in the GFSN for emerging market countries that may not meet the qualification criteria for the FCL and the SLL.

Given concerns about the Fund's experience with the use of precautionary facilities, we could go along with the proposed review clause as an important compromise to balance important views raised on this issue. Specifically, we view the proposed 2022 review of the SLL alongside other precautionary facilities, as important to allow the Board to strengthen the effectiveness of the instrument and assess its impact on Fund resources. The five-year review timeline, though short, will also be key in determining the business continuity of the instrument and afford countries ample time to prepare to exit from the facility. Further clarity is, however, required on how subsequent reviews to the SLL will be aligned with those of the FCL and PLL. Staff comments are welcome.

More clarity is needed on the staff proposal that the central bank will remain the sole signatory for the SLL. While staff's clarification seems to suggest that nothing has changed on the signatory to the written communication, we find the specific mention and prominence attached to the central bank signature puzzling, unlike in other instruments and somehow indicating a departure from normal practice. This is clearly demonstrated in Table 1 on the comparison between the features of the SLL and the FCL, which shows that, indeed, there is a notable difference. Given that Fund resources are extended to a sovereign and not an institution, we urge staff to provide more clarity on this issue. In addition, the role of Ministry of Finance remains critical to guarantee future implementation of sound macroeconomic policies, including by providing a supportive fiscal policy framework.

We agree that the risks of not taking decisive actions to address EMDEs severe short-term liquidity challenges, outweigh residual risks but emphasize the need to mitigate enterprise risks. If the current crisis persists, we note that the demand for overall GRA resources will increase, and combined with the SLL liquidity commitments, may undermine the Fund's liquidity position, and require the activation of the NAB. This potential risk highlights the need to constantly monitor the Fund's liquidity position, particularly in view of the significant uncertainty on the future progression of the current crisis, including in advanced economies. In addition, the Fund's continued surveillance mechanism would be important to help guide members on corrective policy measures and minimize credit risks, given the revolving nature of the SLL, and the possibility of deterioration in macroeconomic conditions in borrower countries. Moreover, subsequent access to the SLL should not be automatic and remain conditional on a short-term BoP need, and commitment to continued implementation of sound policies. Could staff explain the adjustment of the SLL funding requirements from the initial SDR50 billion to SDR40 billion? Further, we would appreciate a list of countries that could potentially qualify for the SLL.

Mr. Mojarrad submitted the following statement:

We thank staff for their work and we broadly support establishing a Short-Term Liquidity Line (SLL) to further strengthen the Fund's lending toolkit and the global financial safety net. We agree that the SLL would be helpful in providing EMDCs, with very strong policy frameworks and fundamentals, subject to recurrent episodes of "sudden stop", a predictable liquidity support to cover special short-term BoP needs. We support the proposed Decision.

We consider that the design features discussed in 2017 remain appropriate, including retaining the FCL ex-ante qualification criteria, with no ex-post conditionality, although we would have preferred aligning the SLL qualification criteria to those of the PLL to further expand its users' base.

Having said this, we would like to make the following points:

First, staff is suggesting that once the Board extend an offer to a qualified member, the latter will have to respond within two weeks. While we can go along with this timeline, it is not clear to us why the two weeks window will also apply to cases where the Board is asked to consider, in exceptional circumstances, the request within 48 to 72 hours after the circulation of the documentation. In our view, the exceptional circumstances should also apply to the member and the two weeks window should also be reduced. Staff clarifications would be welcome.

Second, in Box 1 on the SLL Process, it is indicated in the bullet point on "Purchase":

"As is the case with all other Fund financing, while the Fund would not challenge a representation of need by a member for a purchase requested under the SLL, the member's drawings would have to be commensurate with its actual BoP need at the time of the purchase, notwithstanding the available amount of approved access."

While in the proposed Decision, it is indicated that:

"The Fund shall not challenge a representation of need by a member for a purchase requested under an SLL arrangement."

We are concerned that the underlined wording in Box 1 could be misinterpreted to suggest that purchases under the SLL are not automatic. Staff clarifications would be welcome.

Third, staff is making the point that the SLL could serve as an exit vehicle from the FCL. This may be true, but what about the opposite? For example, what would be staff reaction if a country after receiving an offer from the Board for an SLL decides instead to request an FCL? After all, both facilities share the same qualification criteria and the country could be attracted by the unlimited access under the FCL which could cover any BoP needs, compared to the more limited "special BoP needs" of the SLL. Staff elaborations would be welcome.

Finally, we would like to express our special thanks to the Legal Department for the extra efforts being made to explain each paragraph of the proposed Decision and highlight the amendments that will affect all existing Decisions and Rules of the Fund.

Mr. von Kleist and Mr. Fragin submitted the following statement:

We thank staff for the concise paper for today's meeting and, in general, for their excellent and exceptionally hard work to support member countries in times of crisis. In light of the current crisis and in the spirit of global consensus and cooperation we support the temporary establishment of the Short-term Liquidity Line (SLL) as proposed by staff, including importantly the provision that "The SLL shall terminate seven years after the date of adoption of this Decision, provided that by end-2025 the Executive Board would be expected to decide whether to extend the SLL beyond the seven-year period" (with a 85% majority of total voting power). This provision is an essential safeguard given the potential far-reaching consequences of this novel facility for the Fund's lending policies and its finances and associated risks to its financiers.

We welcome the clarifications regarding the signature of the written communication for the SLL, especially the expectation that both, Central Banks and Ministries of Finance, would typically sign, as well as regarding the conditions for a sole signature by a central bank (para 9). However, we would expect special scrutiny if, within the reviews of the or request for a further SLL, a Central Bank was the sole signatory. Should policy implementation have lagged behind the expectations/agreements or go beyond the need for solely central bank policy measures, a joint signature by Central Banks and Ministries of Finance should apply in future arrangements. Non-complying purchases need to be avoided.

Notwithstanding our support for today's decision, our fundamental skepticism towards such a Short-Term Liquidity Line persists. The current proposal retains many of the novel design features from the 2017 SLS proposal that we consider alien to the Fund. These represent a fundamental departure from the Fund's lending principles (for detailed comments, see our Gray statement for the informal presentation on the SLL on April 8, 2020), and leave a number of questions open (see below).

We do not share the view put forward by staff in support of the new instrument – in particular the claim that "the persistent failure to fill this well-recognized gap in the toolkit would continue to undermine the Fund's crisis-prevention objectives and risk damaging the reputation of the Fund" (para 17). This seems ad odds with the role of the Fund in the past, including past crisis situations, and its main tool for crisis prevention, namely its surveillance, as well as the "seal of approval" character of regular IMF programs, which other financiers consider a precondition for their own financial contribution, rather than an obstacle. We also do not agree to the notion in the document that the access level to the SLL is "low". In our view such normative descriptions are mistaken and misleading – inflicting by themselves damage to the Fund's reputation – and should ideally be deleted or revised before the publication of this document.

In addition, the document leaves a number of issues open and we would kindly ask staff for further clarifications on the following aspects:

Firstly, we are not convinced of the necessity for or actual benefits of the envisaged complex and highly unusual procedure in the run-up to a SLL agreement with a member country. It threatens to undermine the role of the Board, because it deviates from the well-established common practices of Board involvement regarding a formal request, which are, by the way, also specifically mentioned in the Articles of Agreement (Art. XII (3a)). To address the concerns of country authorities, the strictly confidential proceeding as prescribed should in itself be sufficient. Particularly, the proposal imposes an awkward procedure on the Executive Board, which is supposed to provide a conditional approval of a SLL agreement without certainty about a subsequent positive signal by a country, which may only come up to two weeks later.

Secondly, it remains unclear how the proposal – given the deliberate design of the SLL as providing open-ended access to use IMF resources when conditions are met – ensures the continued compliance with the Articles of

Agreement, which in Articles I and V prescribe a temporary use of Fund resources only.

Thirdly, the impact on overall Fund resources remains unclear. Staff seems quite optimistic that the NAB (and subsequently the BBAs) will not be subject to supply factors resulting from the use of the SLL, i.e. that countries which provide NAB credit lines to the Fund will not be among those making drawings under the SLL and thus their NAB and / or BBA credit line will always be available. We question the validity of this assumption (page 12, second para: "all participants are available for calls on NAB resources"), since the SLL is foreseen for countries with very strong policy frameworks and fundamentals, which currently applies to very many countries who provide NAB credit lines.

Fourthly, in this context, the robustness of the projected demand for resources under the SLL, based on the assumptions referred to by staff, seems unclear. Assuming, as has been done, to leave aside the 40 countries which provide NAB credit lines (combined quota share of 81.2%), how many other member countries in staff's view are assessed to currently have very strong policy frameworks and fundamentals and have a combined quota share of about 5.5% (SDR 38 bn demand projection at 145% of quota represents 26.2 bn SDR in total quotas or a 5.5% share of total quotas)? Staff comments on these issues are welcome, specifically also regarding which countries would be potential SLL users, due to their very strong policies?

Fifthly, we agree that the level surcharge policy should also apply to SLL drawings, and would also favor a corresponding application of the time-based surcharge policy in order to avoid further increasing the complexity of the charges policy and creating unnecessary exceptions. We would welcome some additional insights, which particular (hypothetical) cases have informed staff's proposal on surcharges? Is it about countries having a regular IMF program before – or after – the SLL, or is it about cases of "stepping up/down" to a FCL?

Mr. De Lannoy, Mr. Cools and Mr. Hanson submitted the following statement:

We agree the SLL is an important addition to the Fund's toolkit. The SLL provides members with very strong fundamentals with a predictable and renewable liquidity backstop against short-term, moderate and repeated potential capital flow volatility.

During the informal board we raised questions about the renewal clause, the option for a sole central bank signatory and resource implications. Staff's answers to our questions in the board and the informative board paper provided helpful answers to these questions. We believe the proposed features of the SLL, based on the 2017 proposal, reflect the consensus in the board and we support the proposed decisions.

Renewal Clause

The SLL includes innovative features, such as the absence of an exit expectation and “the extension of an offer” by the Fund. We believe such novel features call for a timely review. At the same time, we also recognize the arguments brought forward by other Directors that the SLL can only be an alternative to the accumulation of FX reserves if there is sufficient certainty that the facility will be available for a reasonable period of time. We look forward to a holistic discussion on the FCL, PLL and SLL in the 2022 review of the Fund’s precautionary toolkit, and an assessment and evaluation of the SLL in the 2025 review, to allow the board to decide on the renewal of the SLL.

Sole Central Bank Signatory

We understand that a sole central bank signatory is not possible in cases where the central bank does not have the responsibility to implement commitments in the Letter of Intent, or where the central bank does not have the legal authority to bind the member to the financial obligations to the Fund. This explanation addresses our concerns about the option of a sole central bank signatory. The experiences with the central bank as sole signatory would need to be assessed in the review of the SLL.

Resource Implications

We welcome the helpful discussion of the possible implications of the introduction of the SLL on the Fund’s resources, including second-round effects. Table 2 in the paper was particularly useful. Scenario B in table 2 shows that the impact of the SLL on the Fund’s resources depends on the interplay with the FCL. We hope that the SLL will help FCL users to exit from their FCL and will thereby contribute to freeing up space in the FCC. We invite staff to continuously assess the impact of the SLL on Fund resources and welcome regular board engagement on the adequacy of the Fund’s resources.

Mr. Raghani, Mr. Sylla and Mr. Sidi Bouna submitted the following statement:

We thank staff for their well-articulated report on a new Short-Term Liquidity Line (SLL) to enhance the adequacy of the global financial safety net (GFSN).

We welcome the opportunity to revisit the Short-Term Liquidity Swap (SLS), initially proposed in 2017. The new facility, the SLL, which draws from the 2017 SLS could help emerging market economies facing market liquidity pressures by providing predictable funding to qualifying members. However, while the establishment of the SLL is unlikely to help address the immediate economic impact of the ongoing crisis given that it is intended for countries with very strong fundamentals, the facility will likely be used more frequently once economies recover from the crisis, as it is expected that uncertainty will remain elevated for the foreseeable future.

More broadly, the approval of the SLL would, in our view, contribute to strengthening the GFSN, and, in particular, the facility will be a useful complement to the Flexible Credit Line (FCL). We note that the potential impact on the Fund's resources from adding the SLL to the Fund's toolkit is estimated at SDR 40 billion, and we welcome the illustrative scenarios to that effect presented in paragraph 12. However, we also note that some of the members that could qualify under the SLL are also contributors to the Financial Transactions Plan (FTP). Therefore, the contributions to the FTP from members that draw from the SLL cannot be used to provide financing to other members and thus, the subsequent impact on available Fund resources could be potentially significant. Against this backdrop, we underscore the importance of monitoring the situation closely and providing regular updates to the Board on the level of resources drawn by members.

Regarding the issue of the signature of the Letter of Intent (LOI) and other written communications to the IMF, we believe that both the Central Bank and the Ministry of Finance should sign those documents, in light of the requirement that potential qualifying members maintain strong policies which would entail not only a continued commitment to a sound monetary policy but also, importantly, to prudent fiscal policies. In addition, the requirement of the dual signature of the LOI has been underlined by several chairs during the Board's earlier discussions on this subject.

On the process of approval of the SLL by the Executive Board, we note that after the initial "extension of an offer" to a member, the facility is renewed every 12 months without the need for Board approval, as long as the country continues to qualify. Conversely, we would like to ask staff whether the decision to discontinue a member's access to the SLL will be submitted to the Board for approval once staff assesses that the country does not qualify anymore to the facility due, to a deterioration in its fundamentals, for example.

Finally, we support the renewal clause and can go along with the proposed reduction in the review of the SLL to five years after its establishment, as called for by many Directors during the April 8, 2020 informal session to engage.

Mr. Tanaka, Mr. Harada and Mr. Shimada submitted the following statement:

We thank staff for the paper as well as their efforts to swiftly prepare the proposal of introducing a new facility, namely Short-Term Liquidity Line (SLL), in the current difficult situation. Given that emerging countries has been experiencing capital-outflow pressure on their balance of payments, it is imperative to add a new Fund toolkit to support temporary liquidity needs as soon as possible. In this context, it is paramount to reach an agreement at this Board meeting and therefore we support the establishment of the SLL based on the 2017 SLS proposal with the Renewal Clause as a package.

We believe that the SLL features of the flexible accessibility and of the non-conditionality contribute to not only improving liquidity provision to member countries, but also mitigating the stigma from IMF programs. In this regard, the "offer from the Fund" scheme and the two weeks window of the offer acceptance are important designs to overcome the stigma. Especially, the two weeks window may be a key because countries considering the Fund's offers have time to accept them in a coordinated manner and thereby, they may be able to manage domestic criticism. As a prerequisite, we underscore the importance of well-communication and consensus building in practice between the authorities and the Fund during initial consultation and qualification process.

We strongly encourage potentially qualified members to seriously consider seeking liquidity support by the SLL. Once the Executive Board approves the establishment of the SLL, the Fund will be ready to support the member countries which have been struggling with the stigma. In order to conquer the lingering stigma, it is high time that the countries make best efforts to move forward by using support from the Fund. In this regard, we expect that the Fund will continue to closely collaborate with the countries on this issue.

Lastly, we encourage staff to closely monitor the implication on the Fund's resource by the introduction of the SLL as well as by increase in the request for the existing lending toolkits.

Mr. Bevilaqua, Mr. Fachada and Mr. Saraiva submitted the following statement:

We are very much supportive of this proposal to establish a Short-term Liquidity Line (SLL), which fills a relevant gap in the Fund's toolkit and will provide supplemental support to members in the current crisis. We thank management and staff for bringing this proposal to the Board for consideration in such a short timeframe.

The innovative features of this facility are ingenious and address specific needs of the membership subject to moderate-sized, relatively frequent shocks. Those features enhance the attractiveness for potential beneficiaries. However, they are equally protective of the collective interest of the membership, enhancing resilience globally and supporting more efficient allocation of global savings and Fund's resources. In particular, the facility provides strong incentives for members to maintain strong policies and sound economic fundamentals. We agree with staff that the risks to the facility are manageable and outweighed by the potential benefits for the membership.

Retaining the key features of the original 2017 proposal is a wise decision. More specifically, we underscore three valuable features: (i) the revolving access, which makes the facility fit to cope with frequent events and helps a better management of risk by policymakers, potentially reducing costs for members; (ii) the extension of offer mechanism, which helps mitigate stigma concerns; (iii) the streamlined renewal process, provided qualification criteria is met and the member wishes to continue to access the facility, which offers some confidence to members that can rely on the facility to complement their reserves.

The review of the facility in five years and the 7-year sunset clause is a sensible compromise. While we would have preferred not to set any expiration day for the facility, the proposed period can reassure members of the availability of the facility for a sufficiently long time not to curtail its attractiveness at the outset. We trust the review will be able to improve the characteristics of the facility, based on the experience after a sufficient period of time, and maintain it as a permanent piece of our toolkit.

We are ready to go along with the proposed qualification criteria, but caution that the application of the criteria should avoid making eligibility to the facility excessively and unduly stringent. As Mr. Villar and colleagues in their statement, we still believe that PLL criteria would strike a better balance between strong qualification requirements and support to a broader segment of the membership. Having the facility covering a more substantial group of strong performers would generate more positive spillovers to the global economy in the current circumstance of an unprecedented reversal in capital flows to emerging market economies.

In closing, we want to thank all chairs for the cooperative spirit and the effort to build consensus. While we would have a clear preference for some different features of the facility, we are very pleased to go along with consensus and approve the proposal as is.

Mr. Mouminah, Mr. Alkhareif and Mr. Rawah submitted the following statement:

We thank staff for the well-focused paper and the opportunity to revisit the 2017 proposal for a new facility to provide liquidity support to members against potential moderate short-term BoP difficulties in the face of capital flow volatility. We would like to make the following remarks.

We support the establishment of a new Short-term Liquidity Line (SLL) and the associated decision. In this vein, we agree that the SLL would be an important addition to the Fund toolkit providing predictable and reliable funding to support countries facing liquidity shortages since the inception of the Covid-19 crisis. In addition, we take positive note that the SLL could also serve in facilitating a possible exit from the FCL. At the same time, it is evident that transition from an FCL arrangement to an SLL arrangement, or vice versa, is not automatic and will be subject to qualification reassessment and Board approval as noted in Box 1.

We broadly agree with the key features of the SLL and would reiterate our support to establishing stringent qualification requirements for arrangements without ex-post conditionality. In this regard, we support the proposal to fully align SLL qualification standards and framework with those of the FCL. This is an important safeguard to ensure that the use of the SLL is limited to members with very strong fundamentals and institutional policy frameworks. Moreover, we agree that an extension of a SLL offer, and the approval of a successor arrangement would depend on the existence of a special balance of payments need outlined in paragraph 3 and Table 1. We also welcome staff's risk assessment analysis that offers a useful discussion particularly regarding the enterprise risks in light of SLL's design features. That said, we would have benefited more from additional elaboration on the change management risks associated with the new tool.

We fully support the proposed review in 2022 and the renewal clause as they will give an opportunity to fully reflect on the SLL experience. This is important as a number of concerns remain with implications yet to be comprehensively understood, including the resource implications and the possible tie up of resources for a prolonged period, among others, calling for a thorough review of the SLL to assess its effectiveness as important complementary tool to other GFSN layers. In our view, the proposal is a sensible compromise given the absence of a sunset clause.

We appreciate staff's analysis on the potential resource implications, including second round effects, and found Table 2 to be particularly insightful. Due to the high uncertainty regarding the Fund's liquidity position considering the potential commitments under the SLL together with Covid-19-related potential demand for GRA resources, we agree with staff on the importance of close monitoring the Fund's liquidity position as well as providing periodic updates to the Board.

Overall, we are positive about reaching consensus on SLL among the membership building on the impressive momentum of the recently approved decisions to strengthen the Fund's response to the COVID 19 crisis. Here, we urge the Fund to ensure timely communication highlighting the introduction of SLL as part of the Fund response to strengthen the GFSN and support the membership to address the COVID-19 crisis during this critical time along with other actions already taken such as increasing the RCF/RFI access limits and approving the augmentation of CCRT and providing debt service relief to 25 countries.

Mr. Inderbinen and Mr. Tola submitted the following statement:

We thank staff for their efforts to present the proposal to the Board in such short period of time. We welcome the temporary introduction of a new SLL instrument with the proposed features, subject to a sunset clause.

We consider the instrument's safeguards as sufficiently strong, if implemented as intended. We thank staff for a very helpful paper providing clarity on key aspects of the new instrument and their implications for the Fund's lending framework. Given the uncertainty on how the innovative features of the SLL will play out, the high qualification criteria and the sunset clause are important mitigating factors with respect to the Fund's enterprise risks. We underscore that the observance of the specificity of the balance of payments need is also a key mitigating factor.

Given the absence of ex-post conditionality, establishing high qualification criteria is essential. We emphasize that the qualification standards and frameworks for the SLL need to be fully aligned with those of the FCL. We also underscore the importance of strong bilateral surveillance to ensure adequate monitoring and assessment of potential balance of payments need.

We can materially agree with the proposed "renewal clause". While we agree with the clause in the spirit of consensus, we have a strong preference for retaining the "sunset clause" terminology for the sake of clarity. The term "renewal clause" entails a priori expectations that are not in line with the purpose of the clause.

The protracted use of the SLL should be discouraged. Protracted use would imply risks to the Fund's resources and would reduce the incentive to implement reforms. Repeated use of the SLL could point to weaknesses that should be addressed with a regular Fund program. Also, the non-exit expectation, combined with revolving access, may weaken the advantages of the proposed short-term repurchase period.

Sole central bank signatory will depend on country circumstances. We note that sole signature might help alleviating perceptions of stigma in certain cases. We thank staff for clarifying that, in cases where the 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 the Letter of Intent. We also note that staff will in any case engage in bilateral discussions with the fiscal authorities.

Mr. Kaya and Mr. Bayar submitted the following statement:

The global economy is going through unprecedented times with most of the Fund membership coming under tremendous economic and financial stress. At this extremely difficult juncture, many members have turned to the Fund for financial assistance, and concurrently, the international community has called on the Fund to scale-up its crisis response in a flexible and timely manner. In this respect, we appreciate the recent steps by the Management to recalibrate the institutional toolkit and streamline the operational practices, which are steps in the right direction. We see the new Short-Term Liquidity Line (SLL) proposal in this context and are ready to support the new facility, which aims to fill a crucial gap in the global financial safety net.

We understand the convenience of keeping the old Short-Term Liquidity Swap (SLS) design mostly intact to make it more easily acceptable to the broad membership. Most of these features are key to the value proposition of this new tool – such as the revolving nature of access, pre-qualification and absence of ex-post conditionality, as well as a reasonable cost structure.

We also take note of the clarifications in the background paper to several design parameters, reflecting the Directors' feedback from the earlier informal engagement with the Board (on April 8th). As such, we

Appreciate the provision to unequivocally secure the role of the Board in the renewal decisions,

See the new proposal on the review mechanism as a smart design and ready to support it, and

Welcome the further elaboration on the `sole-signatory` feature. We can go along with this provision as long as it is defined flexibly as an option, rather than a normative prescription, to better suit the country-specific circumstances.

Nonetheless, as we noted during the informal Board engagement, the emerging market economies of our Chair would have preferred to see more flexibility in two specific design features, namely the eligibility criteria and access limit. We acknowledge the difficult trade-offs involved with these parameters but underscore that `a crisis like no other` calls for `a response like no other`. Therefore, we reiterate our suggestion to adjust the qualification criteria to match that of the PLL, to make this step really matter for those countries that would actually need it. We continue to believe that such an arrangement would also appropriately safeguard the Fund resources and incentivize sound policy making.

On the proposed access limit, we believe the normal access level is a plausible proposal under normal circumstances. However, what we would agree this week, would be judged by the international community vis-à-vis the severity of the crisis facing us right now. So similar to the flexibility we have introduced to the access levels under the Fund's emergency tools, we consider raising the access limits under the SLL temporarily, would have been a plausible idea.

Finally, we take note of the detailed elaboration on the resource implications, including the second-round effects that could arise if the countries under the Financial Transactions Plan were to make purchases through this new window. While the baseline scenario indicates a relatively contained demand under the SLL, it would still likely prompt the activation of the NAB. Given the possibility that the overall demand for the Fund resources remain at elevated levels for some time, we call on staff to closely monitor the developments in the liquidity position and provide timely updates to the Board.

Mr. Mozhin and Mr. Potapov submitted the following statement:

We are broadly supportive of establishing this new Short-term Liquidity Line instrument and thank staff for their exceptionally hard work in such exceptionally hard times. We also have no fundamental objections to the proposed modalities of the new instrument, although some of them may require further elaboration or clarification.

At the same time, we recognize that this new instrument is addressing the membership needs in the normal times rather than in the exceptional times the membership is facing now. The very purpose of the SLL, which is to address short-term capital account pressures of a moderate size, its precautionary nature, and the level of access make it clear that this is not an instrument, which is intended to address the global crisis "like no other".

Under the present circumstances many members are experiencing a desperate need for large-scale additional fiscal resources to finance their rapidly increasing fiscal deficits. These needs arise as a result of a massive increase in the necessary fiscal spending at the time of rapidly declining fiscal revenues. Obviously, the new instrument is not addressing these needs. At the same time, unlike in most advanced economies, many emerging market economies will struggle to finance their enlarged fiscal deficits. Fortunately, the Fund has at its disposal a set of existing instruments that can be employed to provide significant financial assistance to such members, including by the application of exceptional access provision when needed.

Given the scale of capital outflows and the sudden stop, many emerging market economies are also experiencing very strong balance of payments pressures. It is clear that the level of access under the SLL and its precautionary nature make this new instrument not the kind of the balance of payments support that is needed. Perhaps, the option of a rapid transition from the SLL to the FCL is a possible answer. However, since the FCL is also designed as a precautionary instrument, it would be more appropriate to employ other existing instruments to provide the balance of payments support to members in need.

When advocating the wider use of traditional Fund instruments, we would suggest that it is necessary to have a hard look at how the traditional ex-post conditionality associated with these instruments could be significantly relaxed in view of exceptional circumstances of the most severe global crisis. The Fund is clearly struggling with the need to adjust the performance criteria and structural benchmarks under the existing programs in view of the rapidly changing circumstances and prevailing enormous uncertainty. It is for that reason that the Fund is now frequently replacing regular program tranches by disbursements under the RFI.

The impact of the new instrument on the Forward Commitment Capacity (FCC) of the Fund is difficult to predict, especially in view of the possible transitions from the SLL to the FCL. In particular, we do not know how many members among the current participants in the Financial Transactions Plan (FTP) may decide to request the SLL. Also, like Mr. von Kleist, we wonder which members, who are not among the current FTP participants, have "very strong frameworks and fundamentals" and why do they not participate in the FTP if they do?

Like Mr. Mojarrad, we are not sure that we fully understand the degree of automaticity of drawings under the CLL. It is indicated in Box 1 of the SLL Process that members' drawings should be commensurate with their balance of payments needs at the time of purchase. Who and when will be determining these balance of payments needs? Also, are there similar requirements for drawings under the FCL and the PLL? So far, there have been two cases of drawings under the PLL – North Macedonia and now Morocco. Do we even know how these purchases were used?

We can accept that in some cases the SLL documents could be signed by central bank governors only, but reluctantly. It is clear that central banks' commitment to the continuation of strong policies is not sufficient, since many policies fall outside their remit.

Finally, we can accept the proposed modalities of the review and renewal process.

Mr. Bhalla, Mr. Goyal, Mr. Natarajan and Mr. Singh submitted the following statement:

We thank the staff for a comprehensive note. We agree that the Covid-19 pandemic has created severe disruption in the global financial system, with many emerging market and developing countries (EMDCs) facing liquidity shortages. Several economies, especially developing economies, are witnessing huge capital outflows, even if they have strong fundamentals, and for no macro policy fault of their own. The proposal to establish a new Short-term Liquidity Line (SLL) as a special facility in the General Resources Account (GRA) would certainly provide predictable liquidity support to members with strong economies to address potential short-term, and moderate, balance of payment (BoP) needs. Notably, the Line provides revolving and renewable access, and there is little conditionality. As the proposed scheme would align with members' requirements, it would also allow the Fund to use its resources more effectively and efficiently.

The staff note mentions that while the Fund would not challenge a representation of need by a member for a purchase requested under the SLL, the member's drawings would have to be commensurate with its actual BoP need at the time of the purchase, notwithstanding the available amount of approved access. We would welcome further elaboration/clarity by the staff on this.

Though the proposed facility has several noteworthy features, we want to record a caution. There has always been reluctance on the part of economies, particularly those with very strong fundamentals, to approach the IMF for funding due to a stigma being attached to such a request. Accordingly, the design of the proposed SLL has attempted to guard against this aspect and unlike other Fund instruments, it is an 'extension of offer' which the member country accepts. Although this is commendable, we note that authorities are required to send a Letter of Intent (LOI) indicating acceptance and giving policy commitments and this written communication would be part of the Press Release. Given that policy is intended to guard against 'Stigma', it would be desirable that Press Release may indicate acceptance of offer but avoid publishing the LOI.

The Chair made the following statement:

Today's topic is a new Short-term Liquidity Line to enhance the adequacy of the global financial safety net in response to COVID-19.

We had the first discussion just a short while ago. Last week, when we briefed the Board, it was very clear where there may be space to build consensus given that Board's engagements were focused and specific. After the meeting, I asked staff to propose the very best that unites us after this meeting. Judging by the gray statements, it seems that we are finding this place of commonality of purpose. We have found a good place on the renewal clause issue, and with that being achieved, we are in a good place to bring a conclusion today just prior to the IMFC meeting tomorrow.

It is one additional element to the toolkit of the Fund at a time when we want to be enriched in what we can do so we can do more for the membership. Given that in a short period of time we have achieved consensus, it sends a signal that as a community we are together, and it helps build confidence.

The Deputy Director of the Strategy, Policy, and Review Department (Ms. Koeva Brooks) made the following statement: [1]

I am going to take one of the two remaining questions that were not addressed in the answers to the technical questions. Namely, I am going to talk about the question that a few Directors inquired about. They wanted to hear about the timeline for the first set of countries to use the Short-Term Liquidity Line (SLL).

Staff is reaching out on a confidential basis to potential users. At this stage, however, it is difficult to say precisely when we could see the first arrangements. What we can say, though, is that on our side, even when that first arrangement comes, we can move very quickly. It could take as little as 2 1/2 weeks to proceed from a member's initial expression of interest to enter into an SLL arrangement, to the actual entry. This is assuming that the member would not take the full two weeks afforded by the process, but instead assuming it happens in two days. On our side, the process is such that we can move very quickly.

The Deputy Director of the Finance Department (Mr. Krueger) made the following statement:

First, let me also thank Directors for the feedback they gave us on the paper in general, and in particular on my side on the resource part and to stress again that the estimates that we provide there on resources, are hypothetical and not some stylized estimates of potential demand-and-supply effect. It is not a forecast that we do at this point. It is really sort of a hypothetical scenario.

[1] Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to the minutes.

Turning to the questions that remain, the first one was on the resource side and in particular whether some supply effects could arise in addition to what is shown in the paper, and that is for the case where an SLL participant is also a participant in the NAB and the bilateral borrowing arrangement (BBA). The short answer here is: yes. In the table, the demand-supply effects we show are really for the current environment where the Fund only draws on quota resources to supply resources for drawings under Fund programs. To the extent that an SLL member also has a NAB or is a participant in bilateral borrowing, if those were ever activated and we would draw on those and then the SLL member itself draws on the SLL, those resources from this SLL member would no longer be used to Fund other members' drawings. So that covers, again, if an SLL member had also a NAB or a BBA that could be a potential future second-round effect.

The second question, we did not really have time to answer, is whether it is actually possible that a member has an FCL but would not participate in the Financial Transactions Plan (FTP), and the question was more or less how can that be for a member having an SLL?

Briefly, as Directors know, the criteria for the Flexible Credit Line (FCL) and also SLL selection cover a broad range of policy areas, so it is different areas, framework, policies, and fundamentals. For participation in the Financial Transactions Plan, it is very narrowly focused on the balance of payments (BOP) position of a country, and the rules for that are set out in the Articles and in guidelines adopted by the Board. It is, indeed, possible that a member is not in the FTP but could in principle qualify for the FCL or the SLL, and that typically would be the case when a member had balance of payments pressure recently, would not yet have been back in the FTP, but meets the qualification bar. We obviously would expect that most members that meet the bar for the SLL would also be participants in the FTP.

Just a final point, I want to stress again that we very much agree with Directors' view that the liquidity position of the Fund should be monitored very closely, and we will involve Directors very much in that process, as we already indicated earlier, and come back after the Spring Meetings with some scenarios, and we expect future briefings also that will continue this close monitoring of the Fund's liquidity position in this highly volatile situation where things could actually change quite quickly.

Mr. Bevilaqua made the following statement:

First, I want to congratulate management and staff for the excellent job done. Of course, we are bringing to life a proposal that had already been fleshed out in the past. This fact, however, does not diminish the merit of building up a very good case for why now and giving momentum to the idea that was dormant on the shelf, making the needed adjustments, ironing out the wrinkles, and helping to strike a balance that allowed a fast and effective consensus to be reached. Here, I am proud to say that the Board also did its job, leaving aside differences, in supporting a proposal and remarkably by doing it in a timely manner. I do not want to make it sound dramatic, but, indeed, today is a historical day. We are proving something innovative and hopefully effective to help members to get to the other side of this crisis and support the eventual recovery. I suspect we are exploring paths that will have very consequential developments in the way the Fund does its core business with the membership.

I trust, Madam Managing Director, that collectively we will be able to ensure that the very high qualification bar we are setting today is not applied in too stringent a manner. It is important not only for the members that qualify, but for the membership as a whole, that a group sufficiently large of countries be covered by this new facility. Such a critical mass will be crucial for the positive spillover of the extended protection provided by the facility to take effect.

Finally, I take the opportunity to touch upon another critical issue for the effectiveness of our toolkit in these very difficult and challenging times. Many Directors have forcefully and perhaps relentlessly made the case about the need to ensure additionality of our emergency financing. I want to acknowledge, Chair's leadership and responsiveness to the membership. A good leader listens, and Chair has listened and is acting upon our requests. I was very glad to hear that staff is working to deliver on the issue of additionality shortly after the Spring Meetings.

Finally, on communication, I believe the proposed text is very straightforward and fair to the spirit of our decision today. Hence, I would support keeping its terms as they were presented.

The Chair made the following statement:

I second what you said about the Board stepping up, coming together. And, yes, we only together can come up fast with the right decisions to serve the membership.

Ms. Mahasandana made the following statement:

We thank staff for working expediently to get this proposal on the table in time for the Spring Meetings. On balance, the paper did a bold yet measured job in addressing all the considerations raised during the informal session last week. We already issued a gray statement with Mr. Buisse, Mr. Fanizza, Mr. Ray, and Ms. Riach detailing our strong support for the proposed decision, so I will be brief.

SLL fills an important gap in the global financial safety net (GFSN) for emerging markets. It will provide a timely response to the crisis at hand, as well as an important backstop during the normal times for those susceptible to short-term liquidity shock and repeated capital flow volatility, as highlighted by Mr. Jin and others.

Also, of significance is that its introduction into the Fund lending toolkit would make the whole greater than the sum of its parts, as put forth by Mr. Villar and Mr. Chodos very well in their gray statement, on the SLL's positive externality for the broader membership.

As emphasized by staff, there are reputational risks of not taking action to fill the gap in the toolkit to address members' needs at this critical moment. It is essential for all of us to approach this proposal with the spirit of flexibility and compromise. In this regard, we would like to express our appreciation to Managing Director, for her leadership, to management and staff, for working tirelessly on this, and also to all Directors for coming together to build consensus at this critical time. Based on the gray statements, we see a good chance for consensus today.

Lastly, like Mr. Mouminah, we view that the Fund's timely communications on the SLS introduction and its benefit is a key part of the Fund's crisis response. We underscore the need for the Fund to play a strong leadership role in supporting the membership during this critical time. In this regard, we welcome the MD's press statement on SLL that will be released after this meeting.

Mr. Rosen made the following statement:

We issued a joint gray statement with Ms. Levonian where we expressed support for the SLL proposal with various clarifications from staff since our previous meeting and the renewal clause. We agree with Managing Director that we have reached a good compromise and are glad that all chairs will support it. I wanted to take this opportunity to congratulate her on her strong leadership on getting this done and overall as we go through this crisis.

In these difficult times, we think this facility is a well-targeted addition to the toolkit that will help provide short-term liquidity for countries experiencing balance of payments needs with otherwise sound fundamentals and policy frameworks. I want to thank staff for informing us regarding the expected speed of reaction from the Fund to request an SLL, and two weeks is quite reassuring. I still have comments, however, on whether they have or expect to receive requests for an SLL based on inquiries from countries.

I also wanted to take the opportunity to highlight our own recent efforts to increase dollar liquidity throughout the world as a result of this crisis. The Federal Reserve has taken major steps to ease strains in global dollar funding markets, and we see the SLL as a very good complement to these efforts.

In addition to 14 active swap lines, the Fed established a repo facility for Foreign and International Monetary Authorities (FIMA) at the end of March. This facility allows FIMA account holders of the New York Fed, of which there are over 200 countries, to temporarily exchange treasury securities held with the Fed for dollars, which they can then make available to institutions in their jurisdictions. The facility launched on April the 6th, and combined with the other measures taken, we understand dollar liquidity has improved significantly as a result of the Fed's actions.

Finally, we would welcome staff's comment today on the role that regional financing arrangements may play in the provision of liquidity where needed. We think that perhaps the Fund could be a little more active in encouraging the use of this important part of the global financial safety net, and we hope these tools get more attention going forward.

The Chair made the following statement:

I want to recognize two points: one, that it is the time to be more active in reaching out to the regional arrangements, and I can share that in recent weeks—in fact, Petya is the one that is in charge—we have been building more closeness so we can be in this moment of time more coordinated for the sake of the membership.

The second point I want to stress is that what the Fed has done is really remarkable, very helpful for liquidity. It is also creating the sense that liquidity is available as a bridge for everyone; it is not something that is only available to major central banks, so I fully recognize that. And I like the fact that the repo facility is called FIMA, because FEMA is also US's emergency agency, and this is an emergency that we are dealing with.

Mr. De Lannoy made the following statement:

We issued a gray statement in which we support the proposed introduction of the SLL, so I can be brief.

I am happy that we managed to reach consensus on this proposal. It sends a strong signal that the IMF stands ready to support the different needs of the membership during this crisis. In general, I think we managed to agree on a strong package of measures for consideration by Governors and Ministers in the IMFC tomorrow.

The SLL contains innovative features, so we think it is important to thoroughly assess the experiences with the SLL in the 2025 review when the Board will decide on the renewal of the SLL. We would also welcome frequent Board engagement on the adequacy of the Fund's resources, including the impact of the SLL on the resources.

Finally, I was interested to hear about possible timelines for the access to the SLL, so I would like to thank Ms. Koeva Brooks for answering that question already in her introduction.

Mr. Von Kleist made the following statement:

In light of the current crisis and in the spirit of global consensus and cooperation, we are ready to go along with the temporary establishment of the Short-Term Liquidity Line as proposed by staff, including, importantly, the renewal clause after five years.

We also welcome the clarifications regarding the signature of the written communication for the SLL but especially the expectation that both central banks and Ministers of Finance would typically sign. We would expect special scrutiny in cases where a central bank would be a sole signatory.

It will not come as a surprise that our fundamental skepticism towards the proposal—we perceive this as a potentially far-reaching departure from the Fund's well-proven lending principle—remains. As we elaborated on the various aspects of this in great detail in our gray statements for the previous and recurrent Board meetings, I will refrain from repeating. Instead, let me thank staff for the helpful answers to the questions and clarification requests from our gray statement, especially the additional remarks on the potential of high-impact third-round effects on the forward commitment capacity of the SLL, underlining the necessity to review this instrument at an early stage.

Let me further express our expectation that the SLL will be used by emerging market economies without access to bilateral swap lines. I think that was mentioned in the paper and as also assumed by staff in the analysis on resource implications presented to the Board last week. I would wonder whether our view is correct that the list of countries with very strong fundamentals would probably be a subset of FTP participants, because obviously countries with very strong fundamentals would usually be FTP participants, so I wonder if there could be additional comments on that.

Finally, allow me to close with three points on broader communication issues. First, on the press release for directly after this meeting, I have made suggestions, and I wonder whether the Secretary has shown them to the Chair, which would make that statement factually more correct, especially alluding also to the temporary nature of the instrument.

Secondly, on the draft press release, we would suggest deleting the last sentence of the first paragraph, which reads: The SLL builds on the 2017 blueprint for Fund's liquidity facility, which was a combination of several years of Fund work on the adequacy of the global financial safety net. That blueprint did not command the necessary support of the membership; therefore, it does not make much sense to recall that, in essence, failure. Or to put it differently, there is a well-known saying if you want to enjoy sausage, do not watch the process how it is made. So, in that sense, maybe we do not need to recall that.

Thirdly, also on external communication, we heard by staff today suggesting that more overall resources might be needed. In our view, we need to be very careful to convey the right message here, differentiating between the PRGT and the GRA. On the PRGT, staff and management have been very clear on the need for new loan resources; but on the GRA, our message really should be that the doubling of the NAB and the 2020 BBAs are sending a strong positive signal that the Fund has sufficient resources and is fully prepared and able to support its global membership.

The Chair made the following statement:

You will find very reassuring the statement I made today. Our membership has wisely increased the resources of the Fund. Before the global financial crisis, we had $250 billion. Now this funding has quadrupled, and that puts us in a strong position. I agree that we need to build that confidence. On the side is concessionality, and, of course, there we have work to do.

Mr. Bhalla made the following statement:

We agree that the COVID-19 pandemic has created severe disruption in the global financial system with many emerging market and developing economies facing liquidity shortages. Several of these economies have witnessed large capital outflows, even if they had strong fundamentals and from no macro policy fault of their own.

A Short-term Liquidity Line is an important part of the IMF's rapid response to the pandemic, and for this, Chair has to be congratulated for showing strong leadership and innovation in response to the pandemic.

The proposal to establish a new Short-Term Liquidity Line as a special facility in the General Resources Account (GRA) would certainly provide predictable liquidity support to members with strong economies to address potential short-term and moderate balance of payments needs. Indeed, Governor of RBI, Shaktikanta Das, appears to have been the first public official to have asked the IMF to consider as early as March 6 launching non-stigmatized currency swap lines to ease possible liquidity and financing constraints for countries that have been adversely affected. He emphasized such a line would also preserve the access to international capital markets. He also argued that a coordinated swap line would act as a second line of defense to bolster national reserves across countries and strengthen the individual abilities to safeguard against risks that the pandemic might entail.

The SLL has noteworthy features, revolving and renewable access, and little conditionality. As the proposed scheme would align with members' requirements, it would also allow the Fund to use its resources more effectively and efficiently. Therefore, it is not a surprise we support the creation of this much-needed facility at the earliest. However, we want to record a caution. There has always been a reluctance on the part of economies, particularly those with very strong fundamentals, to approach the IMF funding due to a stigma being attached to such a request. Note that RBI Governor Das has explicitly suggested a non-stigmatized currency swap line. The design of the proposed SLL partially thwarts the presence of a stigma by stating that the line is an extension of offer, which the member country accepts. Also, this is commendable; we note that the authorities are required to send a Letter of Intent (LOI) indicating acceptance and giving policy commitment, and this communication will be part of a press release.

Given that the policy is intended to guard against stigma, it would be desirable that the press release would indicate acceptance of offer but avoid publishing the Letter of Intent.

Mr. Tanaka made the following statement:

We thank staff for the efforts, as well as MD's strong leadership to expand the Fund lending toolkit to fight against COVID-19 crisis. As we and some other chairs expressed in the last week's informal Board meeting as well as gray statements, it is paramount to reach an agreement for the new lending toolkit at this Board meeting. We, therefore, support the staff's proposal to establish a Short-Term Liquidity Line with renewal clause as a package.

We echo Ms. Levonian and Mr. Rosen in their gray statement that the spirit of flexibility and compromise is important at this juncture. In this regard, we see the proposed renewal clause as a good compromise which reflects each Chair's different opinions. Once the SLL is established, we strongly encourage potentially qualified members to seriously consider using this facility. We know that to conquer the lingering stigma, it is high time that the countries make best effort to move forward by using support from the Fund.

We underscore the importance of well communication and consensus building in practice between the authorities and the Fund during the initial consultation and qualification process of SLL. We expect that the Fund will continue to closely collaborate with countries on this stigma issue.

Lastly, as some other chairs mentioned, the 2022 review on the Fund's precautionary toolkit among FCL, Precautionary Liquidity Line (PLL), SLL is an important opportunity to analyze the convenience and the effectiveness in a holistic and empirical manner, thereby identifying whether they will have satisfied needs of member countries. In order to ensure that the global financial safety net remains resilient, we believe that the Fund should keep their toolkits updated, adjusting to the actual needs and further clarify the function of each facility. This will help to facilitate a more efficient allocation of resources of the IMF.

Mr. Poso made the following statement:

As outlined in our gray statement, while we have some reservations, we support the establishment of the Short-term Liquidity Line. We have a positive view on several of the design elements, in particular the very strong qualification criteria and the limited access levels. Designed in this way, the SLL can help members with strong economic fundamentals and policies to address potential short-term moderate balance of payments needs with more flexibility than what we traditionally have had.

While we would have preferred a sunset clause after five years, we can go along with the proposed two-step schedule to review the experience with this new type of instrument. Like Mr. Inderbinen and Mr. Tola in their gray statement, we agree that we should be careful not to use the term renewal clause but leave it to the Board to review and decide five years from now.

Like several other chairs, we continue to have questions and concerns on some design elements. I would like to raise three of them here.

First, we would continue to believe that both the Ministry of Finance and the central banks should sign the Letter of Intent to ensure that credibility of the policy commitment. In our view, an independent central bank can neither commit to nor take ownership of fiscal policies which it should be able to assess critically and publicly if need be.

Second, the proposed process of the Fund extending an offer is very different from our traditional role to discuss and decide on a program request. We share the views expressed by Mr. Von Kleist and Mr. Fragin in their gray statement in this respect and look forward to seeing how this rather complex decision-making process will play out in practice.

Third, we remain concerned about the impact on Fund liquidity and the demand for Fund resources. We encourage staff to apply the prudence concept in assessing the demand and the liquidity position and regularly brief the Board on the developments.

Mr. Mouminah made the following statement:

In our gray statement, we expressed our support for establishment of the SLL. Again, this comes as a show of solidarity and a compromise of the IMF members working together to ensure that we have enough tools to respond to this crisis. Let us not forget that during the review process, we should not shy away from carefully assessing the effectiveness of this new tool and then decide at that point of renewal or suspending it. Hence, using the word temporarily or emphasizing that the renewal clause will be important in our communication, I think a point that Mr. Von Kleist has brought up as well.

In this connection, we welcome today’s G20 Finance Ministers communiqué, which supported the adoption of the Short-Term Liquidity Line, including a review in 2022, for members with very strong fundamentals and sound policies.

I will focus my remarks on four issues: qualification, exit, transitioning between facilities, and liquidity position.

On qualification, we welcome the SLL will have a very high qualification bar by limiting the instrument to countries with very strong fundamentals and policy framework, similar to the FCL. Indeed, setting a stringent qualification criterion is essential for instruments without ex post conditionality to safeguard Fund resources. Furthermore, the design of the SLL seeks to mitigate the enterprise risk for the Fund, which was highlighted in the report, but close monitoring of the deterioration of the member’s fundamentals or policies during the SLL arrangement will be crucial to guard against this risk.

On exit, like Ms. Levonian and Mr. Rosen, we are encouraged that continued usage of the facility is contingent on special balance of payments needs and meeting the qualification criteria annually, subject to Board approval. In this context, we agree with Mr. Jin that repeated use and drawing under the SLL is probably a reflection of structural vulnerabilities in the country. In such cases, other Fund instruments would be more appropriate to help achieve the much-needed structural adjustment. Mr. Inderbinen has also rightly underlined that repeated use of the SLLs could point to weaknesses that should be addressed with regular Fund programs.

On the transitioning between facilities, the establishment of SLL could facilitate exit from high access FCL arrangements. In this context, we join Ms. Levonian and Mr. Rosen to strongly encourage staff following the crisis to pursue opportunities to incentivize FCL users to use the stepdown when and where appropriate.

On liquidity provision, like Mr. Poso, we have concerns over the tying up of the Fund's scarce resources with prolonged use of precautionary arrangements. In this context, we support close monitoring of the Fund's liquidity position and frequent Board updates through the period ahead. We welcome Mr. Krueger's comments that they will do it regularly.

Finally, we look forward to countries using this new Fund tool to help them ease the impact from COVID-19 and welcome Chair's press statement after this meeting announcing the decision.

Mr. Inderbinen made the following statement:

As we say in our gray statement, we agree with the establishment of this new instrument as outlined in the decision proposed for today. We do this in the good spirit of collaboration and compromise, which we think is particularly called for in these challenging times.

I would like just briefly to underline some important points, and one is the need to maintain the FCL standard for qualification. A second is, as mentioned by Mr. Mouminah just now, the need to avoid repeated use once the instrument is operational for the reasons that he mentioned.

Third, and finally, given the novelty of the instrument that has been stressed by Mr. Poso and by Mr. Mouminah, we would also put a lot of emphasis on the review process, and we welcome the 2022 review of the precautionary instruments and the inclusion of the SLL in this review. That will give a first opportunity we think, which is timely, and also, of course, the additional review by end 2025 on whether or not to terminate the instrument. I think at the time it will be important to assess this with an open mind.

Finally, we welcome what Mr. Krueger was telling us on the outlook for the resources and the importance of monitoring the liquidity position and in particular also the readiness of staff to keep the Board appraised of the resource situation. Here, I think Mr. Von Kleist made a very important point earlier on the distinction we should make in public communications between the adequacy of the GRA and the concessional resources that need to be supplemented. Thanks for clarifying this and taking this under advisement going forward.

Ms. Levonian made the following statement:

Like many others, I think we had concerns, but as Managing Director said finding commonality of purpose for addressing the global financial system is what we have come to, and so we support the proposal, which is a significant addition to an already strong IMF crisis response. I expect the Governors will welcome these developments at this week's IMFC.

One innovation that we appreciated in the staff report was the assessment of how the parameters of the SLL mitigate enterprise risk and the residual risk that must be tolerated. We hope that staff use this approach in future reports. We quite liked it.

The Chair made the following statement:

We will take it into account as we come to the Board with a proposal. Very useful to know that the Board appreciates that residual risk dimension.

Mr. Kaya made the following statement:

We issued a gray statement where we expressed our support to the proposed new Short-Term Liquidity Line, which aims to fill a crucial gap in the Fund's toolkit. The role of the SLL will be particularly crucial at this juncture where emerging market economies, even those with strong fundamentals, are coming under intense pressure.

That said, the countries in my constituency had somewhat diverging views on several elements of the package. As such, the EU member countries in our chair would like to associate themselves with the common EU position here and deem the proposed package as a delicate one. On the other hand, emerging market economies in our chair believe that these are extraordinary times, and extraordinary times call for extraordinary measures. They would have preferred to see more flexibility in access and eligibility criteria. On balance, the experience in my chair reflects the nature of the broader debate in the Board.

Going forward, we see merit in reviewing the experience with the SLL with an open mind. If the facility falls short of serving its intended objectives, we should be open to explore alternative design options to make it better fit for purpose.

Mr. Villar made the following statement:

First, we strongly support the establishment of a Short-Term Liquidity Line. We regard the creation of the SLL as a useful addition to the Fund toolkit to provide predictable liquidity support to the membership with short-term moderate balance of payments needs.

Second, in contrast to what is suggested in the staff document, we regard the SLL and the FCL as instruments which should not be treated as substitutes, but rather as complements, as they are designed to address different problems. The SLL will serve as insurance against volatility, more frequent and probable risks, while the FCL as insurance against less frequent and probable but also more extreme risks, or tail risks.

Third, while the qualification criteria should be strong, we still consider that PLL instead of FCL criteria will help the most vulnerable to foster eligibility and support a larger part of the membership. It will also be consistent with the fact that the SLL conditions imply lower risk because of its shorter repayment terms and the smaller size in terms of quota.

Fourth, we welcome the proposal to review the SLL in five years' time, which we consider a reasonable timeframe to adequately assess the performance of the instrument and adjust it accordingly. We also welcome the absence of a sunset clause that we find would not be consistent with the precautionary nature of this type of instrument. The idea that a precautionary instrument cannot be held for more than a preset number of years would drastically reduce the demand for it. Indeed, that idea implied that countries that have very strong policy frameworks could be making a mistake by adhering to precautionary lines that would inhibit them to be covered if they face an exogenous and rapid shock at the preset number of years.

As a conclusion, despite the difference in views about some of the disputed features of the facility proposed by staff, we are convinced that the SLL fills an important gap in the IMF toolkit and would be useful for the membership. Therefore, we can go along with the proposal and look forward to improving its design in a future review of its performance.

On the communiqué, we support keeping it as it was sent by the Secretary this afternoon. Saying that the issue is just temporary will be seen as prejudging the result of the review that should take place in five years' time from now.

Mr. Buisse made the following statement:

Short-term liquidity assistance for emerging market and developing markets is crucial. We need to send a strong signal to financial markets and the international community that the IMF can do more and more rapidly. I am very glad we have finally been able to come to a consensus on this issue after years of debate. I would like to take this opportunity to thank Managing Director for her leadership on this issue and staff for their hard work under very complicated circumstances. The IMF is really delivering on its mandate to help its membership. I will only make a couple of comments, as we are in agreement with the proposal, as we said in our gray statement.

We are pleased to see that some of the issues mentioned during the previous informal sessions have been addressed or at least clarified. We are supportive of the overall balance of the proposal given the limited time we have in the current situation. There was no time to have a new in-depth discussion on the proposal, and it was a good way forward to act on what we already had discussed. I just want to underline that it is a balance, and we heard the concern from some colleagues. Let me just remind the Board that we had other and different concerns. For the sake of time let me just mention one.

We understand and support the alignment of the SLL conditionality on the FCL qualification criteria. However, we would have been ready to be much more flexible in acknowledging that stringent qualification conveys the risk for the SLL to benefit only to members which already have access to other layers of the GFSN. We will need to be very careful in the months to come to make sure that this instrument does not miss its real target, which could now be emerging or frontier countries. We think this aspect should be thoroughly explored for the first review of the instrument, including the level of access. I welcome, as many colleagues, the review in 2022, but I think we will have lively discussions on all these subjects, hopefully in a quieter environment. The review in 2022 will be, of course, to ensure that we have the most efficient and comprehensive toolkit.

Finally, as other colleagues, just to underline that we are looking forward to regular updates by FIN on the use of the Fund resources based on multiple scenarios to understand exactly where sources of stress are on the GRA and on the PRGT.

As for the press statement that is proposed to be released, I would also prefer that it stays like it is. I think I cannot agree with the term temporary. It is not used in the G20 communiqué nor in the IMFC, if I am correct. Correct me if I'm wrong. Mentioning the review in 2022 in the communiqué or the renewal clause would be fine with me and factually correct.

Mr. Mojarrad made the following statement:

Thanks to Chair for her strong leadership and responding quickly to the financing needs of the membership at this critical time. We are really grateful to her. We also thank staff for the work, and as indicated in our gray statement, we support the proposed decision establishing a Short-term Liquidity Line to further strengthen the Fund's lending toolkit and the global financial safety net.

Having said this, I would like to emphasize some of the points we have made in our gray statement, and I look forward to staff's elaborations.

First, like Mr. Villar and Mr. Bevilaqua and Mr. Kaya, we would have preferred aligning the SLL qualification criteria to those of the PLL to benefit a broader segment of emerging market economies that are subject to short-term balance of payments needs, including sudden reversal in capital flows.

Second, like Mr. Poso, I am not comfortable with shortening the circulation period of the staff report to 48-72 hours. We suggest that if a country invokes the exceptional circumstances, this clause should also apply to the members, and the true response window should be reduced.

Third, the staff is making the point that the SLL could serve as an exit vehicle from the FCL. This may be true, but the SLL could also serve as a vehicle for requesting an FCL. Making an offer to a country to apply for an SLL may create an incentive to request an FCL since both facilities share the same qualification criteria, and the country could be attracted by the unlimited access under FCL. In this regard, Mr. Villar is making a good suggestion to extend the offer concept to potential FCL users.

Finally, I would like to express our special thanks to the Legal Department for the extra efforts made to explain each paragraph of the proposed decision and highlight amendments that will affect all existing decisions and rules of the Fund.

Mr. Mahlinza made the following statement:

Thanks to Chair for her leadership in this process. We also wanted to thank staff for working tirelessly on a facility to provide liquidity support to members against the potential moderate short-term balance of payments difficulties. We have issued a gray statement and therefore, we will be brief.

We support the creation of the Short-term Liquidity Line as an important addition to the Fund's toolkit. A need for such a facility cannot be overemphasized, especially as some emerging market and developing economies have limited access to reliable swap lines and regional financing arrangements. We take note that this facility is aimed at strong performers and would encourage staff to continue to think about ways to assist emerging market countries that may not meet the qualification criteria for the FCL and the SLL.

On the sole signature, we have made our point in the gray statement, and like Mr. Raghani and Mr. Poso, we agree that having a central bank as sole signatory could create some challenges. However, we are willing to go along with the consensus on this.

Lastly, we want to welcome Mr. Krueger's comments and assurances that staff will continue to monitor the Fund's liquidity position.
Mr. Jin made the following statement:

We issued a gray statement in which we support the establishment of the SLL. I will be very brief.

First, we congratulate that the introduction of the SLL will fill the long existing gap in the global financial safety net. The SLL could be a new starting point of a long evolution of the Fund. It can be strengthened by full utilization of the Fund's potential. The new instrument should supplement rather than substitute the Fund's other efforts to support the membership in time of crisis, including by responsive SDR general allocation.

Second, the new instrument and the bilateral and regional currency arrangements should be mutually complementary while the Fund will take the lead. Communication and cooperation between the Fund and the bilateral and regional currency arrangements should be stringent.

Thirdly, like other Directors, we suggest staff to ensure the transparency during the SLL application process, avoid continued and repeated use of this instrument that may be an indication of weakness rather than soundness of a country's economy.

Mr. Morales made the following statement:

As we stated in our gray statement, the Short-term Liquidity Line is an important addition to the Fund toolkit that will help prevent that liquidity pressures turn into solvency crisis. The SLL features provide the right incentives to countries showing a strong track record of preserving stability to maintain a strong macro policy framework. The SLL would also enhance the catalytical role of the Fund as it provides a predictable liquidity backstop to tackle capital flow volatility containing sudden stop risks.

We find that staff makes a solid case regarding both the consistency of the temporary use of Fund resources under the SLL and the appropriate involvement by the Board. In particular, consultations with the Executive Board start right after a member's informal expression of potential interest in an SLL arrangement comes, and then the Board has the opportunity to assess all the relevant documentation following a positive recommendation from management. A member is also asked to confirm their interest only after Board approval, both in the cases of a new and a successor arrangement. Therefore, looking ahead, we believe the emphasis should be now on streamlining communication related to the SLL, and we agree with others that there is no need to express the temporary nature of the facility at this stage. After all, all facilities are temporary.

In the response to our questions, the staff indicates that a combined use of the SLL and the FCL would not be allowed. However, the staff description that follows that response makes it clear that both facilities are very different in nature. The FCL is a precautionary instrument aiming to address tail risk events triggering large balance of payment needs. By contrast, the SLL is designed to address potential moderate short-term difficulties. This is precisely the reason why they are used to complement each other, as indicated by Mr. Villar, the same way a family can have an insurance policy and a home equity line at the same time. In fact, such a dimensional demand could easily arise in the current circumstances of tight liquidity and is something to keep in mind for the future, as suggested by Mr. Buisse, because it may be in the interest of our membership.

Finally, we agree with Ms. Levonian and Mr. Rosen that the SLL can assist members in tackling the economic fallout of the pandemic, which is a reason why we had proposed to consider the possibility of higher umbrella of access during this crisis period. However, we agree that given the concerns raised by several chairs, including when a similar proposal was discussed a few years back, it is important for the Board to maintain a spirit of flexibility and compromise, as highlighted by Ms. Mahasandana and others, and therefore we support the staff program proposal.

Mr. Fanizza made the following statement:

Let me start thanking staff and Chair and in a way sharing the enthusiasm of Mr. Bevilaqua, my colleague who opened the discussion. It was very eloquent, and I fully agree with him.

Let me say it is not the moment to reopen the discussion of what we like or do not like about the instrument. We are reaching an agreement. Let’s act on it in a moment when it might be very much needed.

Also, just for the record, let me say that I agree with many other Directors that there is no need particularly for modifying the proposal for the press. So that is the main message.

It might come, in a sense, a bit late. I hope this is not the case. This is an instrument to address potential balance of payments needs. We are in the midst of a huge crisis where balance of payments needs are actual, so I do not want to give the message that we should not be so happy in what we are doing. It is very important, but the job is not yet done. It is necessary to address the crisis. We are building an important instrument, and we would like to step up, and we are doing that, as much as possible to our membership. That is my concern.

Mr. Raghani made the following statement: .

Let me also commend Chair for her strong and effective leadership and innovative approach in dealing with the immense challenges posed by this unprecedented crisis. She has rightly played her role as leader in hard times and managed to enhance and maximize the synergy internally and externally for the benefit of all. We also thank staff for a well-articulated report that incorporates many of the comments made by Executive Directors during the briefing held on April 8.

We have issued a gray statement, and we support the establishment of the Short-term Liquidity Line, the proposed access policy, and other associated amendments as presented in the paper. We believe that the establishment of the SLL will be an important addition to the Fund's toolkit to assist emerging market economies with strong fundamentals facing liquidity needs, particularly during the COVID phase and the period of heightened necessity that is likely to follow the current crisis.

I am reassured by comments made by Mr. Krueger with reference to the signature of LOI and relevant document by both the Ministry of Finance and central bank. These points have been addressed, and appropriate response have been provided by staff in their intervention.

Mr. Mozhin made the following statement:

What we wrote in our written statement was that we are really thankful to management and staff for the exceptionally hard work in exceptionally hard times. I really welcome the decision this Board is taking today. I am glad that we have been able to move forcefully and quickly to reach a reasonable, sensible solution. So, I would want to make two points.

First, on the interplay between the FTP and the SLL eligibility, I certainly appreciate clarifications by Mr. Krueger. However, I still would find it to be strange that there are countries, members, who have very strong frameworks and fundamentals and do not participate in the FTP, so this is the question I still have in my mind.

My second point is of a more general nature. Yes, the Fund has been able to respond very quickly and forcefully to the emergence of this global crisis. We have done quite a few very important things and took quite a few important decisions. However, we are only at the very beginning of understanding the level of severity of this crisis. We are really only starting to realize what we are facing now. My concern is that a significant group of members may need urgent financial assistance, and they will not be able to benefit from those instruments we have recently created for a number of reasons. First of all, access limits are not very high under this new instrument. Some members will not be able to qualify for this SLL facility. So, we certainly are in great need of further efforts, and, of course, these efforts should follow the actual developments outside of the Fund in the real world.

What I am thinking about, and I am here really thinking aloud, is that we need to have a closer look at our traditional existing facilities because the Fund is already struggling how to apply, how to continue the current existing programs. It is very difficult to recalibrate the existing programs to take into account the new and rapidly changing circumstances. On a few occasions the Fund decided really to replace the traditional program tranches with offering the Rapid Financing Instrument (RFI) instrument, like it is now in the case of Pakistan, which will be discussing tomorrow on the very day of the IMFC meeting. So, this is just a sign of the times we are facing now.

So, there is a big group of members who will not benefit from anything we have established so far, and we need to see how the regular traditional programs can work and be used under the current circumstances. And, of course, the first thing I have in mind that the traditional approach to ex post conditionality in the situation of this tremendous uncertainty may not work, may simply not work, and so we will need to look very closely at how we can change or adjust our approach to traditional Fund programs.

The Chair made the following statement:

We are taking steps to adjust as we get enough knowledge to understand how the adjustment would work, but we are not over the uncertainty, and we will have to do more work just to bring us back where we started with Mr. Bevilaqua. Recognizing that a large number of Directors sent a letter to me, to which I responded, I want to note that we are working on these questions. They fall in the category of what Mr. Mozhin has just put in front of us as a necessity.

After the Spring Meetings we can have a good look at what we have, how it works, what are the new parameters we need to wrestle with, and then, of course, we will come to the Board appropriately.

We are in a situation when we are reckoning with the crisis that is evolving itself, and it is a bit like flying a plane and fixing the engine at the same time. So, we do not have the luxury of a good chunk of time that we can sit and think and debate and decide. We will have to take Mr. Mozhin’s inputs and reflect, and the whole membership’s too, reflect and prioritize and then move.

The Deputy Director of the Strategy, Policy, and Review Department (Ms. Koeva Brooks), in response to further questions and comments from Executive Directors, made the following additional statement:

There was a question on whether we could say anything more on demand from potential users. At this stage, it is very difficult to be precise about this, about the potential timing of when we would see the first country requesting an SLL; but what we do hope is that reaching agreements on the remaining features that we are talking about now is going to help in that respect, including having clarity on the renewal clause, which I think is an important aspect of it.

My second point is that we very much heard Board's views on issues related to the qualification bar, to the various features of the facility, and we do recognize that there is still a spectrum of views on some of those. In that respect, we also very much look forward to that first review of the facility in 2022, and I think it is really a timing that we could do this in a holistic way, together with reviewing how our other precautionary facilities would work. Once we have experience with the SLL, I think that would inform how we go forward.

The Deputy Director of the Finance Department (Mr. Krueger), in response to further questions and comments from Executive Directors, made the following additional statement:

Maybe I will give it one more try to explain a little bit or try to explain the interplay between the FCL and SLL qualification in the FTP since that was raised again by two Directors now.

In summary, the broad point is: we typically would expect that members that meet the high bar for FCL/SLL qualification, would also be participants in the Financial Transaction Plan, that they are strong enough to participate. It is not automatic, and there is no requirement in that regard, for example, for FCL qualification. That is not one of the criteria. What I mentioned before is, for example, a case of a country that experienced balance of payments pressures, has responded to them, has a strong framework, but its balance of payments position is not considered yet strong enough for the country to be a participant in the FTP. It could in principle qualify for the FCL/SLL.

Also, a clear example that participation in the FTP is not a precondition for FCL qualification is, if a member that has an SLL, draws on it; we will not call on that member anymore for financing. If there is a requalification while credit is outstanding, that member would not be in the FTP. So, it is clearly not a one-for-one mapping, even though the broader point is right; that typically if a member qualifies for the FCL and SLL, a member could be expected to participate in the FTP. I hope I did not confuse people even more than before, but that is it.

The Chair made the following statement:

Just to make sure that was not the case, if any of the Directors would like to have a further bilateral discussion, of course, we are at your disposal if there are more clarifications needed.

The following summing up was issued:

Executive Directors considered and approved the establishment of the Short term Liquidity Line (SLL), as part of the Fund's COVID 19 response. They noted that the SLL would fill a gap in the Fund's toolkit and complement other layers of the global financial safety net. Directors agreed that the SLL can provide important liquidity support to members with very strong policy frameworks and fundamentals facing potential short term moderate balance of payments (BOP) difficulties, as specified in the proposed decision. They noted that this could help prevent liquidity pressures developing into solvency crises and avoid spillovers to the broader membership. Despite some differences in views and preferences, Directors were willing to support the proposal in a spirit of compromise.

Directors broadly supported the core design features of the SLL, built on the work done in 2017. They considered that the revolving access of up to 145 percent of quota should provide cover against most repeated moderate shocks that the SLL is designed to address, and that the availability of successor arrangements, subject to continued qualification and the presence of the special BOP need, would ensure that the SLL is a reliable backstop. Directors also noted that having the same high qualification bar as the Flexible Credit Line (FCL) would facilitate transition from the FCL to the relatively lower access of the SLL, allowing more efficient allocation of Fund resources. A few Directors would have preferred a lower qualification bar and/or higher access.

Directors generally supported the innovative features of the SLL designed to minimize perceived stigma associated with Fund financing, including the Board's approval of an arrangement, conditional on the member availing itself of the arrangement. They recognized the possibility of a Central Bank sole signatory, provided that certain requirements are met, consistent with the Fund's standards for the signatory of letters of intent or written communications. A few Directors noted that signatures from both the Ministry of Finance and the Central Bank would increase the credibility of the policy commitment. Directors emphasized the need for careful communication in cases where a member ceases to qualify for an SLL arrangement.

Directors took note of staff's assessment that SLL usage is likely to have a limited impact on the Fund's liquidity position. At the same time, some Directors pointed to second round effects should countries draw on the SLL and no longer participate in the Financial Transactions Plan and/or the New Arrangements to Borrow (NAB). A few Directors also noted the possibility that the SLL could tie up Fund resources for an extended period. Directors recognized that the potential demand for the SLL combined with other Covid 19 related demand for Fund resources could quickly reduce Fund liquidity to levels that would warrant an activation of the NAB. Given these considerations amid the uncertain global outlook, Directors called for closely monitoring the Fund's liquidity position.

Directors supported the creation of the SLL for a period of 7 years, with an expectation that, by end 2025, the Executive Board will decide whether to extend the facility beyond the 7-year period. They agreed that this compromise approach would balance concerns about the innovative nature of the SLL and the potential impact on Fund resources. Directors looked forward to reviewing the initial experience with the SLL, as part of the next review of the Fund's FCL and Precautionary and Liquidity Line in 2022.

The Executive Board took the following decision:

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

Establishment of the Short-Term Liquidity Line and Related Amendments

A. Establishment of the Short-Term Liquidity Line

1. Subject to the provisions set forth herein, the Fund is prepared to provide financial assistance under a Short-Term Liquidity Line (SLL) in accordance with the terms of this Decision to a member that faces short-term balance of payments difficulties that: (i) are only of a potential nature, reflected in pressure on the capital account and the member's reserves; (ii) are resulting from volatility in international capital markets; and (iii) are reasonably expected to be limited in scale and to require, at most, fine-tuning of monetary and exchange rate policies.

2. Subject to paragraph 6(iv) below, an SLL arrangement shall be approved upon a member's informal expression of its potential interest in an SLL arrangement and where the Fund assesses that the member:

(a) has very strong economic fundamentals and institutional policy frameworks,

(b) is implementing—and has a sustained track record of implementing—very strong policies, and

(c) remains committed to maintaining such policies in the future, all of which give confidence that the member will respond appropriately to the special balance of payments difficulties that it could encounter. In addition to a very positive assessment of the member's policies by the Executive Board in the context of the most recent Article IV consultations, the relevant criteria for the purposes of assessing qualification for an SLL arrangement shall include: (i) a sustainable external position; (ii) a capital account position dominated by private flows; (iii) a track record of steady sovereign access to international capital markets at favorable terms; (iv) a reserve position that is relatively comfortable; (v) sound public finances, including a sustainable public debt position; (vi) low and stable inflation, in the context of a sound monetary and exchange rate policy framework; (vii) a sound financial system and the absence of solvency problems that may threaten systemic stability; (viii) effective financial sector supervision; and (ix) data transparency and integrity.

3. In light of the qualification criteria set out in paragraph 2 of this Decision, SLL arrangements shall not be subject to performance criteria or other forms of ex-post program monitoring, including reviews.

4. SLL arrangements may be approved in an amount of up to 145 percent of the member's quota, with this limit being cumulative for total credit outstanding under the SLL. There shall be no phasing under SLL arrangements. A member may make one or more purchases up to the amount of approved access under an SLL arrangement at any time during the period of such arrangement, subject to the provisions of this Decision, and provided that any outstanding amounts purchased by the member under the current or any previous SLL arrangement shall commensurately reduce the amount that can be purchased by the member during the course of an SLL arrangement. To the extent that a member makes a repurchase of amounts previously purchased under any SLL arrangement, the amount that can be subsequently purchased by the member under an SLL arrangement in effect shall be increased in an amount equal to such amounts repurchased, provided that at no time shall a member be entitled to purchase more than the approved access amount of its current SLL arrangement. The Fund shall not

challenge a representation of need by a member for a purchase requested under an SLL arrangement.

5. (a) An SLL arrangement shall be approved for a period of 12 months.

(b) An SLL arrangement shall expire only upon the earlier of: (i) the expiration of the approved period of the arrangement; or (ii) the cancellation of the SLL arrangement by the member. Upon expiration of an SLL arrangement, the Fund may approve an additional SLL arrangement for the member in accordance with the terms of this Decision.

6. (a) The following procedures and arrangements for consultations with the Executive Board will apply following a member's informal expression of potential interest in an SLL arrangement:

(i) Staff will conduct a confidential preliminary assessment of the qualification criteria set forth in paragraph 2.

(ii) When the Managing Director is prepared to recommend that a member be provided with the opportunity to avail itself of an SLL arrangement, the relevant documents, including a staff report that assesses the member's qualification for financial assistance under the terms of this Decision, will be circulated to the Board.

(iii) The minimum periods applicable to the circulation of staff reports to the Executive Board shall apply to requests under this Decision, provided that the Executive Board will generally be prepared to consider a request within 48 to 72 hours after the circulation of the documentation in exceptional circumstances.

(iv) If the Executive Board assesses that the member qualifies for support under an SLL arrangement and approves an SLL arrangement for the member, such approval, which shall be communicated to the member within one business day, will be conditional on the receipt of a satisfactory written communication from the member confirming to the Fund that the member wishes to avail itself of the SLL arrangement. Such written communication shall be submitted no later than two weeks after the Board has conditionally approved an SLL arrangement for the member. Such written communication shall also outline that the member will maintain very strong policies during the course of the arrangement as well as its commitment, whenever relevant, to take adequate corrective measures to deal with shocks that may arise, and its consent to publication of the associated staff report.

(v) The SLL arrangement for the member shall become effective on the date on which the Fund confirms receipt of a written communication from the member that satisfies the requirements outlined in 6(a)(iv). A copy of the written communication shall be circulated for information to the Executive Board.

(b) A member submitting to the Fund a satisfactory written communication that it wishes to avail itself of an SLL arrangement would not be subject to the Fund's policy on safeguards assessments for Fund arrangements. However, at the time of its written communication, such member will provide authorization for Fund staff to have access to the most recently completed annual independent audit of its central bank's financial statements, whether or not the audit is published. This will include authorizing its central bank authorities and the central bank's external auditors to discuss the audit findings with Fund staff, including any written observations by the external auditors regarding weaknesses observed in internal controls. The member will be expected to act in a cooperative manner during such discussions with the staff. For as long as Fund credit is outstanding under this Decision, the member will also provide staff with copies of annual audited financial statements and management letters, together with an authorization to discuss audit findings with the external auditor.

7. Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of reserve tranche purchase pursuant to Article XXX(c).

8. A member shall be obliged to repurchase any amounts purchased under an SLL arrangement no later than 12 months after the date of the purchase of such amounts.

9. The Emergency Financing Mechanism (EFM) procedures set forth in BUFF/95/102, 9/21/1995 shall not apply to requests for SLL arrangements.

10. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(b)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

11. The Fund will review this Decision within two years from the date of adoption of this Decision as part of a review of the Flexible Credit Line and Precautionary and Liquidity Line.

12. The SLL shall terminate seven years after the date of adoption of this Decision, provided that by end-2025 the Executive Board would be expected to decide whether to extend the SLL beyond the seven-year period.

B. Access Policy and Limits in the Credit Tranches and Under the Extended Fund Facility and Under the Short-Term Liquidity Line and on Overall Access to the Fund's General Resources, and Exceptional Access Policy—Review and Modification

Decision No. 14064-(08/18), adopted February 22, 2008, as amended, shall be further amended as follows:

1. Paragraph 2 shall be amended to read as follows:

"2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 percent of quota, net of scheduled repurchases; provided that these limits will not apply in cases where a member requests a Flexible Credit Line arrangement **or where a member requests a Short-Term Liquidity Line arrangement**, although outstanding holdings of a member's currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities."

C. Article IV Consultation Cycles

Decision No. 14747-(10/96), adopted September 28, 2010, as amended, shall be further amended as follows:

1. The first sentence of Paragraph 2 shall be amended to read as follows:

"2. Whenever a Fund arrangement (other than an arrangement under the Flexible Credit Line (FCL)**,** Precautionary and Liquidity Line (PLL), **or Short-Term Liquidity Line (SLL)),** Policy Coordination Instrument (PCI), or a Policy Support Instrument is approved for a member, that member shall automatically be placed on a 24-month consultation cycle."

2. Paragraph 3 shall be amended to read as follows:

"3. Whenever an FCL, PLL, or **SLL** arrangement is approved for a member, that member will automatically be placed on a 12-month consultation cycle. Article IV consultations with such members will be conducted in accordance with the procedures specified below:

(a) if, prior to the approval of the FCL, PLL, or **SLL** arrangement, the member was on an extended cycle, the next Article IV consultation with that member will be expected to be completed by the later of (i) 6 months after the date of approval of the arrangement, and (ii) 12 months, plus a grace period of 3 months, after the date of completion of the previous Article IV consultation;

(b) if an FCL or a PLL arrangement is completed by drawing all amounts, expires with undrawn amounts, or is cancelled by the member, **or if an SLL arrangement expires or is cancelled by the member,** that member will remain on the standard 12- month cycle, unless the Executive Board determines that a different cycle will apply."

D. Publication of Reports

Decision No. 15420-(13/61), adopted June 24, 2013, as amended, will be further amended as follows:

1. A new paragraph 4.c. shall be added to read as follows:

"4.c. The Executive Board's decision to approve a Short-Term Liquidity Line (SLL) arrangement for a member shall be conditioned on receipt of the member's consent to publication at the time the member sends a written communication to the Fund confirming that the member wishes to avail itself of the SLL arrangement. The associated staff report and the authorities' written communication would be expected to be published by the Fund no later than fourteen calendar days after the member's SLL arrangement becomes effective."

2. Paragraph 11 shall be amended to read as follows:

"11. After the Executive Board (i) adopts a decision regarding a member's use of Fund resources (including a decision completing a review under a Fund arrangement), or (ii) adopts a decision approving a PSI or a PCI, or conducts a review under a PSI or a PCI, or (iii) completes a discussion on a member's participation in the HIPC Initiative, or (iv) completes a discussion on a member's I-PRSP, PRSP, PRSP preparation status report, APR, EDD, or PRGS in the context of the use of Fund resources or a PSI, a Press Release, which will contain a Chairman's statement on the discussion, emphasizing the key points made by Executive Directors, will be issued to the public. **A Press Release containing a Chairman's statement on the discussion, emphasizing the key points made by Executive Directors, will also be issued to the public after an SLL arrangement becomes effective.** Where relevant, the Chairman's statement will contain a summary of HIPC Initiative decisions pertaining to the member and the Executive Board's views on the member's I-PRSP, PRSP, PRSP preparation status report, APR, EDD or PRGS in the context of use of Fund resources or a PSI. Waivers for nonobservance, or of applicability, of performance criteria, and any other matter as may be decided by the Executive Board from time to time (Document 21), and waivers for nonobservance of assessment criteria, and any other matter as may be decided by the Executive Board from time-to-time (Document 22), will be mentioned in the factual statement section of the Press Release or in a factual statement issued in lieu of a Chairman's statement as provided for in paragraph 13(b). Before a Press Release is issued, it will, if any Executive Director so requests, be read by the Chairman to the Executive Board and Executive Directors will have an opportunity to comment at that time. The Executive Director elected, appointed, or designated by the member concerned will have the opportunity to review the Chairman's statement, to propose minor revisions, if any, and to consent to its publication immediately after the Executive Board meeting, **or, in the case of the SLL, immediately after the SLL arrangement becomes effective**. Notwithstanding the above, no Press Release published under this paragraph shall contain any reference to a discussion or decision pertaining to a member's overdue financial obligations to the Fund, where a Press Release following an Executive Board decision to limit the member's use of Fund resources because of the overdue financial obligations has not yet been issued. In the case of an Executive Board meeting pertaining solely to a discussion or decision with respect to a member's overdue financial obligations, no Chairman's statement will be published."

3. A new paragraph 13.b.(iii) shall be added to read as follows:

"(iii) With respect to the consent provisions set forth in paragraph 4(c), if, after twenty-eight calendar days from the effective date of an SLL arrangement, the staff report has not been published, a brief factual statement will be issued stating the fact of the effectiveness of an SLL arrangement for a member and clarifying the authorities' publication intention with respect to the staff report."

4. In the indicative list of documents covered by the decision, item 11 shall be amended to read as follows:

"11. Letters of Intent and Memoranda of Economic and Financial Policies (LOIs/MEFPs), **and Written Communications**"

E. Attribution of Reductions in Fund's Holdings of Currencies

Decision 6831-(81/65), adopted April 22, 1981, as amended, shall be further amended to read as follows:

1. Paragraph 1(a) shall be amended to read as follows:

"(a) Subject to paragraphs (b), (c) and (e) below a member shall be free to attribute a reduction in the Fund's holdings of its currency (i) to any obligation to repurchase, and (ii) to enlarge its reserve tranche."

2. A new paragraph 1(c) shall be added to read as follows:

"(c) Repurchases of credit outstanding under the Short-Term Liquidity Line (SLL) shall be attributed to the first maturing repurchase obligation under the SLL."

F. Surcharges on Purchases in Credit Tranches and Under Extended Fund Facility

Decision No. 12346-(00/117), adopted November 28, 2000, as amended, shall be further amended to read as follows:

1. Paragraph 1 shall be amended to read as follows:

"1. Subject to paragraphs 2 and 3 below, the rate of charge under Article V, Section 8(b) on the Fund's combined holdings of a member's currency in excess of 187.5 percent of the member's quota in the Fund resulting from purchases in the credit tranches, **under the Short-Term Liquidity Line** and under the Extended Fund Facility shall be 200 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing**;** and **for the Fund's combined holdings resulting from purchases in the credit tranches and under the Extended Fund Facility, it** shall **also** include an additional 100 basis points per annum on such holdings in any case where they are outstanding for more than 36 months in the case of purchases in the credit tranches, or 51 months in the case of purchases under the Extended Fund Facility."

G. Rules and Regulations of the International Monetary Fund

Rule I-1 shall be amended as follows:

"I-1. The service charge payable by a member buying, in exchange for its own currency, the currency of another member or SDRs from the General Resources Account shall be 0.5 percent **for purchases in the credit tranches and under the Extended Fund Facility and 0.21 percent for purchases under the Short-Term Liquidity Line**. No service charge shall be payable in respect of any purchase to the extent that it is a reserve tranche purchase. The service charge shall be paid at the time the transaction is consummated."

Rule I-8 shall be amended as follows:

1. The introductory clause of Rule I-8 shall be amended to read as follows:

"I-8. The following provisions **(a) – (f)** shall apply to all **General Resources Account ("**GRA**")** arrangements, **except Short-Term Liquidity Line ("SLL") arrangements, in which case provision (g) shall apply**:"

2. A new paragraph I-8(g) shall be added to read as follows:

"(g) With respect to SLL arrangements, a charge of 8/100 of 1 percent per annum on the total amount of access approved by the Fund for a member under a SLL arrangement shall be payable at the beginning of the arrangement. This charge shall not be refundable against purchases made during the course of the arrangement. If the member notifies the Fund that it wishes to cancel an SLL arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the prorated amount of the charge that corresponds to the period remaining unexpired at the date of cancellation. Such repayment shall be made in the media selected by the Fund." (SM/20/88, 04/11/20)

Decision No. 16747-(20/43), adopted
April 15, 2020

APPROVAL: August 4, 2022

CEDA OGADA
Secretary

Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

1. We welcome the SLL's 12-month duration, lower cost, renewability subject to requalification, lack of ex-post conditionality, and its initiation via an extension as an "offer" by the Fund. However, the qualification process for new candidates could be arduous in this particular period, even for countries with strong fundamentals, given the elevated degree of uncertainty to prepare projections. ***It would be useful if staff could comment on how judgement would be applied in these cases.***

- SLL qualification is based on the same criteria as the FCL. As for the FCL, the core indicators would play an important role in guiding judgment but would not substitute for judgment. Bottom-line assessments on each criterion would be informed not only by the set of core indicators but also other sources of information staff deem relevant (including the extensive list of indicators set out in the FCL guidance note). The overall assessment will thus take into account the broader considerations, including the very strong institutional frameworks, implementation of very strong policies with a sustained track record, and commitment to maintaining such policies.

2. The report discusses the transition from one arrangement to the other in Box 1, but it would be useful if it could also elaborate on the possibility of a combined use of both facilities.

3. Staff is making the point that the SLL could serve as an exit vehicle from the FCL. ***This may be true, but what about the opposite? For example, what would be staff reaction if a country after receiving an offer from the Board for an SLL decides instead to request an FCL?*** **After all, both facilities share the same qualification criteria and the country could be attracted by the unlimited access under the FCL which could cover any BoP needs, compared to the more limited "special BoP needs" of the SLL.** ***Staff elaborations would be welcome.***

- The combined use of the SLL and the FCL is not allowed.
- The FCL can be used to address any BoP needs, but has de facto been used on a precautionary basis to cover large BoP needs, arising from tail risk events. In contrast, the SLL is designed to address potential moderate short-term BoP difficulties reflected in pressures on the capital account and the member's reserves arising from volatility in international capital markets. At the time of approval of an SLL arrangement, the BoP need must only be potential. However, if the potential need for Fund resources of a qualifying member—after taking into account other sources of financing and maintaining a reasonable level of reserves and capacity to repay—is estimated to be above 145 percent of quota, the member would need to use a different instrument, e.g., the FCL, which would provide access to more resources with a longer repayment period.
- Going from an SLL arrangement to an FCL arrangement is not automatic. The member will need to request an FCL arrangement, which would require an assessment of the member's BoP need and whether the member met the qualification criteria.

4. Who and when will be determining these balance of payments needs? Also, are there similar requirements for drawings under the FCL and the PLL? So far, there have been two cases of drawings under the PLL – North Macedonia and now Morocco. Do we even know how these purchases were used?

5. The staff note mentions that while the Fund would not challenge a representation of need by a member for a purchase requested under the SLL, the member's drawings would have to be commensurate with its actual BoP need at the time of the purchase, notwithstanding the available amount of approved access. We would welcome further elaboration/clarity by the staff on this.

6. In Box 1 on the SLL Process, it is indicated in the bullet point on "Purchase": "As is the case with all other Fund financing, while the Fund would not challenge a representation of need by a member for a purchase requested under the SLL, the member's drawings would have to be commensurate with its actual BoP need at the time of the purchase, notwithstanding the available amount of approved access." While in the proposed Decision, it is indicated that: "The Fund shall not challenge a representation of need by a member for a purchase requested under an SLL arrangement." We are concerned that the underlined wording in Box 1 could be misinterpreted to suggest that purchases under the SLL are not automatic. *Staff clarifications would be welcome.*

- Once an SLL arrangement is approved for a member, the member would be entitled to request a purchase under the arrangement. As with any purchase in the GRA, a member requesting the purchase under the SLL arrangement must represent to the Fund that it is experiencing an actual BoP need, and the purchase would need to be commensurate to the member's actual BoP need. As is standard for all purchases in the GRA, the Fund will not ex ante challenge the member's representation of its BoP need when the member requests the purchase under an SLL arrangement. However, the Fund could decide to take remedial action after the purchase is made if it were to determine that the purchase took place in the absence of the requisite BoP need.

7. *Could staff elaborate how to manage the possible market reactions of an exit in a case when a country with an SLL no longer meets the qualification criteria and thus cannot renew the arrangement?*

- Fund experience with the FCL and PLL provides some reassurance that exit can be managed, if carefully communicated. Poland exited in 2017, Morocco in 2018—no adverse market reaction was observed in either case. The six cases of reductions in access under FCL and PLL arrangements to date have not been associated with marked changes in yields, spreads, or yield volatility. More generally, the Fund has extensive experience of managing and mitigating potential negative signals, in the context of the non-completion of program reviews.
- In cases where a member is likely to not requalify for an SLL arrangement, staff would begin discussions well ahead of time, most likely in the context of a regular staff visit or Article IV consultation discussion to flag this as a possible outcome, with a view to

incentivizing necessary policy adjustment, or providing the authorities an early indication so that they could plan accordingly. Where a member still meets the SLL qualification criteria but does not have the special BoP need for support under the SLL, staff would also discuss the possibility of the member requesting an FCL arrangement. Appropriate exit options in this case would also be part of the discussion, including possible access to other Fund facilities for which the member could qualify.

8. On the process of approval of the SLL by the Executive Board, we note that after the initial "extension of an offer" to a member, the facility is renewed every 12 months without the need for Board approval, as long as the country continues to qualify. Conversely, we would like to ask staff whether the decision to discontinue a member's access to the SLL will be submitted to the Board for approval once staff assesses that the country does not qualify anymore to the facility due, to a deterioration in its fundamentals, for example.

9. It remains unclear how the proposal – given the deliberate design of the SLL as providing open-ended access to use IMF resources when conditions are met – ensures the continued compliance with the Articles of Agreement, which in Articles I and V prescribe a temporary use of Fund resources only.

- The use of Fund resources under the SLL is consistent with the requirement of temporary use under the Fund's Articles. An SLL arrangement has a specified duration of 12 months and there is no automaticity in respect of subsequent arrangements. As is the case with successor arrangements in the credit tranches and the EFF, approval by the Board of any successor SLL arrangement for the member would require an assessment that the member continues to meet the qualification criteria under the SLL and has the special BOP need covered by the SLL. Moreover, the stringent qualification criteria (or ex ante conditionality), gives confidence that the member will respond appropriately to the special BoP difficulties that it could encounter, and thus is a key safeguard for the temporary use of the Fund's resources ensuring that the Fund will be repaid. Lastly, the 12-month repurchase obligation has been set consistently with the short-term nature of the member's BoP difficulties, and further safeguards the revolving nature of Fund resources.
- We are not convinced of the necessity for or actual benefits of the envisaged complex and highly unusual procedure in the run-up to a SLL agreement with a member country. It threatens to undermine the role of the Board, because it deviates from the well-established common practices of Board involvement regarding a formal request, which are, by the way, also specifically mentioned in the Articles of Agreement (Art. XII (3a)). To address the concerns of country authorities, the strictly confidential proceeding as prescribed should in itself be sufficient. Particularly, the proposal imposes an awkward procedure on the Executive Board, which is supposed to provide a conditional approval of a SLL agreement without certainty about a subsequent positive signal by a country, which may only come up to two weeks later.
- The proposal does not raise issues of consistency with Article XII, Section 3(a), which specifies that the Executive Board shall be responsible for conducting the business of the Fund. • Paragraph 6 of the proposed decision on the establishment of the SLL sets out the

procedures and arrangements for the SLL. Consultations with the Executive Board start with a member's informal expression of potential interest in an SLL arrangement. Only after receiving such an expression would staff conduct a confidential preliminary assessment of whether the member meets the qualification criteria under the SLL. Once the Managing Director is prepared to recommend that a member be provided an opportunity to avail itself of an SLL arrangement, the relevant documents will be sent to the Board. If the Board assesses that the member qualifies for an SLL arrangement, it would approve the arrangement on a conditional basis. The SLL arrangement would become effective only on the date on which the Fund confirms receipt of a written communication from the member that it wishes to avail itself of the arrangement. As with all purchases, a purchase under an SLL arrangement would take place only following a request of the member, representing to the Fund that it has the requisite BoP need. • In sum, the proposed design features, while unique, retain the key elements of the Fund's longstanding approach with respect to use of the Fund's resources, including that, the process only starts following an expression of interest by a member, a recommendation is made by management to the Board, and the Board has the power to determine whether or not to approve the recommended use of the Fund's resources.

10. . Staff is suggesting that once the Board extend an offer to a qualified member, the latter will have to respond within two weeks. While we can go along with this timeline, it is not clear to us why the two weeks window will also apply to cases where the Board is asked to consider, in exceptional circumstances, the request within 48 to 72 hours after the circulation of the documentation. In our view, the exceptional circumstances should also apply to the member and the two weeks window should also be reduced. Staff clarifications would be welcome.

- Staff believe that giving the member a full two-week window will provide a member with the needed time to build up domestic consensus and firm up the very strong policy commitments required for the SLL. However, the member may decide to avail itself of the SLL arrangement anytime within two weeks.

11. We are concerned about the reference to applying minimum circulation time for Board documentation (48-72 hours) under exceptional circumstances. Does this refer to the streamlined procedures approved for a three-month period in response to COVID-19? Could staff clarify?

- No. The proposed decision refers to the expedited procedures in exceptional circumstances that would be part of the SLL decision. Similar minimum circulation periods are contained in the FCL decision.

12. We agree that the level surcharge policy should also apply to SLL drawings, and would also favour a corresponding application of the time-based surcharge policy in order to avoid further increasing the complexity of the charges policy and creating unnecessary exceptions. ***We would welcome some additional insights, which particular (hypothetical) cases have informed staff's proposal on surcharges? Is it about countries***

having a regular IMF program before – or after – the SLL, or is it about cases of "stepping up/down" to a FCL?

- In the case of purchases in the credit tranches, time-based surcharges are levied when a member's credit outstanding remains above the threshold for level-based surcharges (currently set at 187.5 percent of quota) for more than 36 months. For purchases under the EFF, this period is 54 months. The SLL has a maximum repurchase period of up to 12 months and maximum access of 145 percent of quota. Applying a timebased surcharge would not fit into the Fund's current surcharge structure as the SLL would not be expected to trigger the time or level-based surcharge.

Review

13. We view the proposed 2022 review of the SLL alongside other precautionary facilities, as important to allow the Board to strengthen the effectiveness of the instrument and assess its impact on Fund resources. The five-year review timeline, though short, will also be key in determining the business continuity of the instrument and afford countries ample time to prepare to exit from the facility. Further clarity is, however, required on how subsequent reviews to the SLL will be aligned with those of the FCL and PLL. Staff comments are welcome.

- The SLL will be reviewed in 2022 as part of the upcoming review of the FCL and the PLL, including to assess the SLL within the precautionary toolkit. Going forward, the SLL will continue to be reviewed as part of the regular five-year reviews of the precautionary toolkit. The proposed review of the SLL by end-2025 is in addition to these regular reviews.

Sole Signatory

14. Could staff comment on the legal validity of the suggestion that the Central Bank could communicate on behalf of the government of their commitment to maintaining policies that fall outside of the remit of the central bank and whether this practice corresponds with the Fund's view of Central Bank independence?

- Whether the Central Bank is able to communicate, on behalf of the member's authorities, the member's commitment to maintain policies outside the remit of the central bank depends on the member's domestic legal framework. The role of the Central Bank in relaying such a communication is a different issue from the high degree of autonomy that the Central Bank needs to execute its monetary and other policy formulating functions. Therefore, such communication by the Central Bank, to the extent permitted under the member's domestic legal framework, does not amount to governmental interference with the Central Bank in performing its major functions.

15. **While staff's clarification seems to suggest that nothing has changed on the signatory to the written communication, we find the specific mention and prominence attached to the central bank signature puzzling, unlike in other instruments and somehow indicating a departure from normal practice. This is clearly demonstrated in Table 1 on the comparison between the features of the SLL and the FCL, which shows that, indeed, there is a notable difference. Given that Fund resources are extended to a sovereign and not an institution, we urge staff to provide more clarity on this issue. In addition, the role of Ministry of Finance remains critical to guarantee future implementation of sound macroeconomic policies, including by providing a supportive fiscal policy framework.**

- While the option of sole Central Bank signature may help address stigma concerns raised by some potential users, the appropriateness of such an option would depend on meeting the requirements set out in paragraph 9 of the paper, as well as on the particular circumstances of the member as set out in paragraph 10.
- The expectation is that the LOIs under other Fund arrangements would continue to be signed by both the Ministry of Finance and the Central Bank since those requirements are unlikely to be met in these cases.

Resources

16. ***Could staff explain the adjustment of the SLL funding requirements from the initial SDR50 billion to SDR40 billion?***

- The demand estimate in the earlier presentation to the Board was in the amount of USD 50 billion, or about SDR 38 billion, consistent with the estimate in the current Board paper.

17. Risks related to the SLL need to be prudently managed and monitored. High qualification criteria and low access levels are particularly important to moderate the credit risk to the Fund. ***Could staff comment on the potential impact on the adequacy of precautionary balances from broad uptake of the SLL?***

- The current rules-based framework for assessing precautionary balances has two main elements: an indicative range and judgement. The indicative range is linked to a forward-looking measure of credit outstanding. This forward-looking credit measure—the three-year average of credit outstanding covering the past twelve months and projections for the subsequent two years—does not include commitments under any precautionary arrangement and would therefore not be immediately affected by a broad uptake of the SLL. Compared with other precautionary arrangements, in the event of a drawing, the SLL would, ceteris paribus, have a smaller impact on the credit measure owing to its shorter repayment period. In assessing precautionary balances, the Board has also repeatedly stressed the importance of judgment. While it is generally envisaged that the target will be maintained within the indicative range, there could be circumstances where the Board would decide to set or maintain a target outside of the range, if this is warranted by a broader assessment of financial risks. It should be noted in this context that precautionary arrangements (including their size, number, degree of diversification, and likelihood of being drawn) have regularly been considered by the Board in setting the target.

18. We support full scoring of commitments under the SLL in the Fund's forward commitment capacity (FCC). Staff's preliminary estimate of potential SLL commitments of about SDR 40 billion appears moderate. Specifically, we don't fully understand the rationale to exclude members with standing swap agreements with the Fed from the calculations and thus would ask staff to provide estimates which include these members as well. We also note that the potential impact on Fund liquidity would be much higher, albeit temporarily, if the second-round effects through FTP participation are taken into consideration in a situation when qualifying members draw on their SLL arrangements. This is an immediate concern as this would be the case particularly during global distress when broader drawings from the facility would be expected.

- The resource estimate including eligible countries with Fed swap lines and assuming 145 percent of quota access under the SLL would be SDR 75 billion (SDR 37 billion more than in scenario A in the paper). The second-round effects would be SDR 36 billion.