INTERNATIONAL MONETARY FUND

The Flexible Credit Line (FCL)

The Flexible Credit Line (FCL) is designed to meet the demand for crisis-prevention and crisis-mitigation lending for countries with very strong policy frameworks and track records in economic performance.

Purpose	Provide financial support to countries with very strong economic fundamentals and sustained policy track records to help them meet actual or potential balance of payments needs and boost market confidence during a period of heightened risks.

Eligibility	Very strong economic fundamentals and institutional policy frameworks.
	A sustained track record of implementing very strong policies and continued commitment to maintain such policies in the future.
	In addition to a very positive assessment of the country's policies in the most recent Article IV consultations, the following criteria are used to assess a country's qualification: • A sustainable external position • A capital account position dominated by private flows • A track record of steady sovereign access to international capital markets at favorable terms o Sound public finances, including a sustainable public debt position. • Low and stable inflation, in the context of a sound monetary and exchange rate policy framework. • Sound financial system and the absence of solvency problems that may threaten systemic stability. • Effective financial sector supervision • Data integrity and transparency • *If the arrangement is requested on a precautionary basis*: a reserve position that remains relatively

	comfortable, notwithstanding potential balance of payments pressures that justify IMF assistance.	
	Strong performance against all the relevant criteria above would not be necessary to secure qualification. However, significant shortcomings on one or more of these criteria unless there are compensating factors, including corrective policy measures underway would generally signal that the member is not among the very strong performers for whom the FCL is intended.	
	The above criteria are the same as for the Short-term Liquidity Line (SLL).	
Conditionality	Ex ante conditionality in the form of qualification criteria. No ex post conditionality, given the strength of the policy frameworks. See more on conditionality.	
Review modalities	Under a two-year arrangement, an IMF Executive Board review of the member's policies needs to be completed within 12 months of approval of the arrangement so the country can retain access to IMF resources in the second year. The review assesses the country's continued adherence to the qualification criteria.	
Terms	**Duration**	Renewable credit line, initially for one or two years.
	Repayment	Over a 3¼ to 5-year period
	Interest rate	The lending rate comprises: • The market-determined Special Drawing Rights (SDR) interest rate—which has a minimum floor of 5 basis points—and a margin (currently 100 basis points), together known as the basic rate of charge.

		• Surcharges, depending on the amount and time that credit is outstanding. A surcharge of 200 basis points is paid on the amount of credit outstanding above 187.5 percent of quota. If credit remains above 187.5 percent of quota after three years, this surcharge rises to 300 basis points. Surcharges are designed to discourage large and prolonged use of IMF resources.
		Resources are subject to a commitment fee levied at the beginning of each 12 month period on amounts that could be drawn in the period (15 basis points for committed amounts up to 115 percent of quota, 30 basis points on committed amounts above 115 percent and up to 575 percent of quota and 60 basis points on amounts exceeding 575 percent of quota). Fees are refunded pro rata if amounts are drawn during the course of the relevant period. If a country borrows the entire amount, the fee is fully refunded. However, no refund is made when countries do not draw.
		A service charge of 50 basis points is applied on each amount drawn.
	Access	Entire amount of access available upon approval and remains available throughout the arrangement period, subject to the completion of the mid-term review for two-year arrangements.
		No cap. Need for resources is assessed on a case-by-case basis depending on the member's actual or potential balance of payments need.