



GROUP OF TWENTY

The IMF's Institutional View on Capital Flows in Practice



**Prepared by Staff of the
INTERNATIONAL MONETARY FUND***

* The note does not necessarily reflect the views of the IMF Executive Board.

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THE IMF'S INSTITUTIONAL VIEW ON CAPITAL FLOWS IN PRACTICE¹

Since its adoption in 2012, the IMF's Institutional View (IV) on capital flows has provided a macroeconomic framework for consistent policy advice on liberalizing and managing capital flows, with the goal of helping countries harness the benefits of capital flows while managing the risks. In practice, staff applies the IV in cases where capital flow policies are deemed macro-relevant, using the same analytical framework. Through the implementation of the IV, the Fund continues to accumulate experience with policy responses to capital flows in a wide range of country circumstances and macroeconomic settings. As part of the Fund's ongoing efforts to help deepen understanding of the IV, this note provides an overview of the framework, summarizes its key principles, and explains how it has been applied in practice, using illustrative examples based on experiences since its introduction.

I. OVERVIEW OF THE INSTITUTIONAL VIEW

1. Capital flows are an important aspect of the international monetary system, providing significant benefits for countries. They facilitate the smoothing of consumption and diversification of risks, as well as the financing of investment and transfer of new technology and management practices that often accompany foreign direct investment (FDI). They can also provide indirect benefits—by fostering trade, efficiency in the allocation of resources, financial sector development, and macroeconomic policy discipline.

2. But capital flows also carry risks for macroeconomic and financial stability—especially if they are large and volatile—and pose challenges for policy. Such challenges exist both in countries with relatively open capital accounts, as well as in those undertaking capital account liberalization. Risks may be larger when countries have macroeconomic vulnerabilities or gaps in financial and institutional architecture. Therefore, a key question for countries that seek to benefit from capital flows is how to do so safely.

3. The Fund's Institutional View on the liberalization and management of capital flows (IV) helps countries harness the benefits of capital flows while managing the risks. Building on a series of policy papers, discussions at the IMF Executive Board, and analytical work, the Fund developed the IV. It was adopted in 2012, with related guidance issued subsequently in 2013 and 2015.² The IV provides a macroeconomic framework for consistent advice to member countries on policies related to capital flows. It addresses both the handling of capital flows for countries with

¹ Prepared by an IMF interdepartmental staff team from the Legal; Monetary and Capital Markets; and Strategy, Policy, and Review departments.

² After the publication of the IV in November 2012 (*The Liberalization and Management of Capital Flows—An Institutional View*), a related guidance note was published in April 2013 providing operational guidance to Fund staff (*Guidance Note for the Liberalization and Management of Capital Flows*). A note elaborating the guidance on managing capital outflows in non-crisis circumstances was published in December 2015 (*Managing Capital Outflows—Further Operational Considerations*).

open capital accounts as well as capital account liberalization. The IV does not alter the rights and obligations of member countries under the IMF's Articles of Agreement or under any other international agreements. The Fund applies the IV in its bilateral and multilateral surveillance if capital account policies may significantly impact a member's domestic or balance of payments stability, or may have significant outward spillovers with implications for global stability. The Fund also uses the IV in providing policy advice to members on capital account policies, when requested by a member. While the IV has no mandatory implications for the Fund's financing role, it could, where relevant, inform assessments of whether a member's policies are appropriate for resolving its balance of payments difficulties.

4. Since its adoption, the IV has been applied to the broad Fund membership. It guided assessments and policy advice related to capital flows in IMF Article IV consultations and program cases, and informed technical assistance and capacity building on capital flow-related issues. In 2016, the IMF Executive Board conducted a review of the experience with the IV since its adoption, and considered the IV to "remain relevant in the current environment" and "recognized the role the IV has played in Fund surveillance, providing an analytical framework and basis for consistent policy advice for both source and recipient countries."³ At the same time, it identified areas for further clarification and elaboration, such as the role of macroprudential policies in addressing systemic financial risks arising from capital flows.⁴ Moreover, the International Monetary and Financial Committee (IMFC) in April 2017 reiterated the "importance of ensuring effective and consistent implementation of the Institutional View on capital flows, paying greater attention to capital flow management measures and taking a clear position based on country circumstances on whether they are warranted."

II. KEY ELEMENTS OF THE INSTITUTIONAL VIEW

5. The IV introduced the notion of capital flow management measures (CFMs) to facilitate policy discussions. CFMs are defined as measures that are designed to limit capital flows. These can include administrative and price-based restrictions on capital flows, for instance bans, limits, taxes, and reserve requirements. The definition of CFMs comprises two types of measures: (i) those affecting cross-border financial activity that discriminate on the basis of residency; and (ii) other CFMs that do not discriminate by residency but are nonetheless designed to limit capital flows. The determination of whether a measure that does not discriminate based on residency constitutes a CFM requires a comprehensive evaluation of the totality of the country-specific circumstances surrounding its introduction (or its adjustment in the case of an existing measure), regardless of the stated intent or motivation behind the adoption of the measure.⁵

³ *Capital Flows—Review of Experience with the Institutional View*, IMF (2016).

⁴ *Increasing Resilience to Large and Volatile Capital Flows—The Role of Macroprudential Policies*, IMF (2017).

⁵ *Guidance Note for the Liberalization and Management of Capital Flows*, IMF (2013) states that "The determination whether a measure is a CFM should be guided by the above considerations regardless of the stated intent or motivation behind the adoption of the measure (for example, to promote price or financial stability, social policy, or national security reasons)."

6. The IV proposes a set of guidelines for capital flow management. Under the premise that capital flows provide substantial benefits, but also recognizing that inflow surges or disruptive outflows can give rise to macroeconomic and financial stability risks, the IV recommends that: (i) capital flows should be primarily handled through macroeconomic policies, which in turn need to be supported by sound financial supervision and regulation and strong institutions; (ii) in certain circumstances (discussed below), CFMs can be useful to support macroeconomic adjustment and safeguard financial stability; and (iii) CFMs should not substitute for warranted macroeconomic adjustment.

7. The appropriate combination of policies to handle capital flows depends upon country circumstances. The policy toolkit to manage capital flows includes macroeconomic and financial policies, such as exchange rate flexibility, foreign exchange intervention, monetary policy, fiscal policy, and macroprudential policies. CFMs are also part of the policy toolkit and may be appropriate in certain circumstances, but they would rarely be the sole warranted policy response.

8. The IV envisages several circumstances in which CFMs may be appropriate (Table 1). In the context of capital inflow surges, CFMs may play a useful role particularly when: (i) the room for adjusting macroeconomic policies is limited; (ii) appropriate policies require time to take effect; (iii) the inflow surge contributes to systemic financial risks, and/or (iv) there is heightened uncertainty about the underlying economic stance due to the surge. The determination of whether there is room for macroeconomic policy adjustment requires judgement. As a useful guide, countries may face limited policy flexibility in cases where the currency is overvalued, reserves are more than adequate for precautionary purposes, and the economy is overheating. In the case of disruptive outflows, the IV envisages a role for CFMs only when: (i) the country is in crisis or imminent crisis circumstances; and (ii) CFMs form part of a broader policy package that addresses the fundamental causes of the crisis. Outside of crisis or imminent crisis circumstances, there would normally be scope to address the effects of capital outflows through macroeconomic, structural, and financial sector policies.

9. The IV provides guidance on the desirable features of CFMs. There is no general recipe for the use of CFMs, as the precise measures in each case will depend on country-specific characteristics and circumstances. However, the IV proposes some general desirable features of CFMs: they should be temporary, transparent, and seek to avoid discrimination based on residency, and the least discriminatory measure that is effective should be preferred. CFMs on capital inflows should be targeted. In contrast, to be effective, CFMs on capital outflows may need to be comprehensive (as opposed to targeted) to prevent circumvention. Once introduced, the economic usefulness of maintaining CFMs should be evaluated against their costs on an ongoing basis. CFMs should be phased out when capital flow pressures or crisis circumstances abate and policy space to manage capital flows is rebuilt.

10. The Fund distinguishes conceptually between CFMs and macroprudential measures (MPMs). While CFMs are measures designed to limit capital flows, MPMs are primarily prudential measures designed to limit systemic financial risks. MPMs include for instance countercyclical capital buffers and provisions, sectoral capital requirements, loan-to-value and debt service-to-income

ratios, and liquidity requirements. Advice on the use of MPMs is guided by the Fund's macroprudential policy framework.⁶ Measures that are designed to limit capital flows and to reduce systemic financial risks stemming from such flows are classified as both CFMs and MPMs (CFM/MPMs). For a CFM to be classified as a CFM/MPM, there needs to be a potential source of systemic financial risk stemming from capital flows that has to be addressed, and a path of transmission through which the measure can reasonably be expected to reduce such risk. The use of CFM/MPMs should also take into consideration whether other MPMs (including those on financial institutions) that are not CFMs and could achieve the same objective are available.

11. Advice on the appropriate use of CFM/MPMs is guided both by the IV and the Fund's macroprudential policy framework. MPMs may be put in place or tightened pre-emptively before an inflow surge occurs and maintained on the long-term or permanently to build resilience and/or contain the build-up of systemic financial risk. In contrast, the use of CFMs should be temporary. As with CFMs, the economic usefulness of maintaining CFM/MPMs for managing systemic risks needs to be evaluated against their costs on an ongoing basis, and consideration be given to alternative measures that directly address the systemic risks but are not designed to limit capital flows.

Table 1. Assessment of Appropriateness of CFMs

	CFMs on Inflows	CFMs on Outflows
Guiding principle	<ul style="list-style-type: none"> CFMs should not substitute for warranted macroeconomic adjustment 	
Circumstances in which CFMs may be appropriate	<ul style="list-style-type: none"> Capital inflow surge Limited room to adjust policies, or adjustments take time to take effect Financial stability risks Premature or improperly sequenced capital account liberalization 	<ul style="list-style-type: none"> Disruptive outflows Crisis or imminent crisis Broad policy response
Desirable features of CFMs	<ul style="list-style-type: none"> Transparent Do not discriminate between residents and nonresidents Temporary Targeted 	<ul style="list-style-type: none"> Comprehensive enough to be effective

Source: Fund staff.

12. The IV also provides guidance on capital account liberalization. While there is no presumption that full liberalization is an appropriate goal for all countries at all times, countries with long-standing and extensive CFMs are likely to benefit from opening the capital account. Liberalization is generally more beneficial and less risky when countries reach certain threshold levels of financial and institutional development. Therefore, liberalization needs to be well planned, timed and sequenced with other supporting policies and each country's institutional and financial

⁶ *Key Aspects of Macprudential Policy*, IMF (2013), and *Staff Guidance Note on Macprudential Policy*, IMF (2014).

development to ensure that its benefits outweigh the costs. For those countries that seek to benefit from greater openness to capital flows, the IV proposes an “integrated approach” to liberalization, consisting of progressive liberalization of capital flows as financial and institutional development advances and the policy framework is upgraded. If premature or improperly sequenced liberalization has outpaced the economy’s capacity to safely handle the resulting capital flows, CFMs may be re-imposed temporarily as necessary policy actions are undertaken to enable the resumption of the liberalization process.

III. APPLICATION OF THE INSTITUTIONAL VIEW

13. In surveillance, Fund staff discuss capital flow policies when they are assessed to be macro-relevant or their spillovers have implications for global stability. Operationally, a policy is deemed macro-relevant when it is judged to have a significant impact on the country’s domestic or balance of payments stability. Since the IV was adopted in November 2012, in practice measures introduced after that date are discussed, or those existing before the adoption of the IV if their settings, calibration or enforcement are changed (i.e. tightening, easing or elimination of measures, or tighter or looser enforcement of measures). The rationale behind this practice has been to assess changes in capital flow policies (not the stock of existing measures affecting capital flows). Capital flow policies that were already in place before the adoption of the IV and remain unchanged are only discussed when the countries’ overall capital account liberalization policy is assessed. Once capital flow policies are considered macro-relevant or identified as having actual or potential spillovers with implications for global stability, they will be discussed in a staff report, typically in the context of an Article IV consultation. In such cases, staff reports include a description of the relevant measures, their classification, and assessment of appropriateness vis-à-vis the IV.

14. The Fund applies the IV using the same analytical framework for all countries. Nonetheless, the classification of measures and the assessment of their appropriateness require case-by-case analysis, taking into consideration country-specific circumstances. As a result, seemingly similar measures may be assessed differently across countries if circumstances differ, or in the same country over time when and if circumstances change.

15. The first step in the application of the IV is the classification of measures. A proper classification of measures helps ensure appropriate and consistent policy advice. If a measure that is designed to limit capital flows (and therefore classified as a CFM) is mislabeled as an MPM, there is a risk that it would be proposed or used in circumstances that are not considered appropriate under the IV. Similarly, if an MPM that aims to limit the build-up of systemic risk is misclassified as a CFM or as a CFM/MPM, there is a risk that Fund policy advice could unintentionally discourage the use of such measure even if it is considered appropriate.

16. Residency-based measures are always considered CFMs, while the classification of non-residency based measures requires further careful analysis. The classification of measures involves assessing whether they are designed to limit capital flows regardless of the stated policy intent for their adoption. In the case of residency-based measures, they are always classified as

CFMs as they affect cross-border capital transactions by virtue of their design. Measures that do not discriminate by residency may also be CFMs depending on the context in which they are introduced (or adjusted in the case of existing measures), including capital flow developments (e.g., whether they were adopted during a period of capital inflow surges or disruptive outflows), and other circumstances, such as macroeconomic policy settings. As a result, similar measures may be classified differently if the circumstances in which they are put in place (or adjusted) are different.

17. The second step in the application of the IV is to assess whether the measure is appropriate. As discussed in the previous section, the IV recognizes that CFMs are a part of the policy toolkit to manage capital flows and identifies circumstances in which the use of CFMs can be appropriate. Therefore, a measure classified as a CFM may or may not be appropriate depending on the circumstances. Such assessment is guided by the considerations laid out in the IV as described in the previous section.

IV. APPLICATION OF THE IV USING ILLUSTRATIVE EXAMPLES

For illustrative purposes, this section describes the application of the IV to selected measures on capital inflows and outflows based on experiences with CFMs since the introduction of the IV.

A. CFMs on Capital Inflows

18. Two types of CFMs on capital inflows are discussed in this note: (i) measures limiting portfolio inflows or external borrowing; and (ii) measures discouraging inflows into the property market. The former may take various forms such as taxes, limits, and reserve requirements, while the latter normally comprises stamp duties or tax surcharges on nonresident property transactions (Table 2). These measures limit capital flows by directly hindering investors in making investments or by increasing the cost of their investments.

Measures Limiting Portfolio Inflows or External Borrowing

19. Case A. Hedging requirement for corporate external borrowing:

- *Description.* In case A, corporates that borrow externally (i.e., from nonresidents) are required to hedge their exposures in foreign currency. The measure is aimed at reducing systemic financial risk from unhedged borrowing in foreign currency, following a surge in corporate external borrowing because of the country's weak banking supervision capacity. It applies both to the stock of existing corporate debt in foreign currency as well as to new flows.
- *Classification.* The requirement does not apply to corporates that borrow only in the domestic market, even if they do so in foreign currency, thus discouraging external borrowing. Because of such discrimination against borrowing from nonresident creditors, the measure is classified as a CFM. Given that in this particular case, this measure also serves a financial stability purpose by

reducing systemic financial risk, it is also classified as an MPM. Therefore, the measure is considered as a CFM/MPM.

- *Assessment of appropriateness.* There has been a surge in corporate external borrowing. Macroeconomic policy settings are broadly appropriate, and thus there is no further need for adjusting macroeconomic policies. As the surge in corporate external borrowing poses systemic financial risk and the country's capacity to adopt MPMs to address them is limited, the measure is assessed as appropriate to limit such risks.
- *Policy advice.* The measure should be periodically reassessed as steps are taken to strengthen supervision and alternative measures that are not CFMs can be implemented to address relevant systemic financial risks. In the meantime, the measure should be expanded to cover potential risks from unhedged corporate borrowing in foreign currency from domestic lenders and to eliminate discrimination against nonresident lenders.

20. Case B. Unremunerated reserve requirement on selected debt inflows:

- *Description.* In case B, an unremunerated reserve requirement is imposed on certain debt inflows, including portfolio inflows.
- *Classification.* The measure is not residency-based. It applies to investments made by nonresidents as well as residents' transferring foreign exchange to the country for such investments. Nonetheless, it is designed to discourage capital inflows by reducing their returns. It is thus considered as a CFM.
- *Assessment of appropriateness.* The measure has been imposed even when the country is not facing a capital inflow surge. In addition, there is room to adjust macroeconomic policies in response to a potential increase in capital inflows by allowing currency appreciation, building international reserves, and tightening the fiscal policy stance (which could help lower domestic interest rates and discourage capital inflows). Given the absence of a capital inflow surge and available room for policy adjustment to manage capital flows, the measure is assessed as not appropriate.
- *Policy advice.* The measure should be removed and macroeconomic policies can be adjusted in the event of a capital inflow surge.

Table 2. Measures Limiting Portfolio Inflows and External Borrowing

		Case A	Case B
Classification	Measure	Hedging requirement for corporate external borrowing	Unremunerated reserve requirement on certain debt inflows
	Designed to limit inflows?	Yes	Yes
	Residency-based?	Yes	No
	Systemic financial risk?	Yes	No
	Classification	CFM/MPM	CFM
Appropriateness	Inflow surge?	Yes	No
	Room for macroeconomic adjustment?	No	Yes
	Available alternatives?	No	Yes
	• Non-discriminatory measures	None	None
	• Other policies	None	FX appreciation/Reserve accumulation/Fiscal tightening
	Appropriateness assessment	Appropriate	Inappropriate
	Staff recommendation	Apply on all corporate FX liabilities; Periodically reassess	Remove given no inflow surge

Source: Fund staff.

Measures Discouraging Inflows into the Property Market

21. Table 3 presents three measures imposed on nonresident property transactions. In these examples, stamp duties are imposed in the context of rising house prices. The housing sector is a key macroeconomic concern in all three cases because house prices are higher than the level consistent with fundamentals along with other housing market imbalances. In two of these cases, nonresident inflows are considered to be a contributor, but are not the main factor driving house price inflation. In all three cases, the stamp duties either apply to nonresidents only or are set at a higher rate for nonresidents, thus discriminating by residency. Therefore, they are CFMs, regardless of the stated policy intent behind their adoption. House price inflation is not assessed to pose systemic financial risks in cases A and B, where macroprudential policy settings provide adequate buffers against possible housing market adjustments, but it does so in case C despite tight macroprudential policy settings. As a result, in case C, the stamp duties play an additional macroprudential role, contributing to the reduction of systemic financial risks, and are therefore considered as CFM/MPMs.

22. The assessments of appropriateness of measures differ based on the extent of capital inflows and the availability of alternative policies to address housing concerns. The use of stamp duties is assessed to be appropriate in cases B and C, but not in case A. In case A there is no evidence of a capital inflow surge into the property market, whereas data suggest that such surges do play a significant role in the rise of house prices in cases B and C. In addition, in case A, there is room to tighten MPMs to address the housing bubble. In contrast, alternative policy options are not

available in cases B and C. In case B, a broad multi-pronged policy strategy is adopted, including supply-side measures and tighter macroprudential policies, to prevent house prices from becoming more overvalued. Having already taken measures to increase housing supply and curb domestic demand through MPMs, the stamp duties play a complementary role to contain excess demand from nonresidents and help tackle the housing bubble. In case C, the policy response is also comprehensive, and the stamp duties help to lower nonresident demand and contain house price overvaluation and systemic financial risks which further tightening of MPMs cannot achieve.

23. Policy advice differs based on the nature of the measures and the assessments of appropriateness. In case A, the policy recommendation is to replace the stamp duty with available MPMs. In case B, the stamp duty is assessed as appropriate, and the recommendation is to phase it out once the inflow surge into the housing market abates. In case C, the stamp duty plays also a macroprudential role, and the recommendation is to phase it out once systemic financial risks dissipate. In both cases B and C, going forward the stamp duty should be periodically reassessed and replaced with alternative non-discriminatory measures where available, including by extending the stamp duty to residents or by unifying the stamp duty rates at appropriate levels to eliminate the residency discrimination.

Table 3. Stamp Duties on Property Transactions

	Case A	Case B	Case C	
Classification	Designed to limit inflows?	Yes	Yes	Yes
	Residency-based?	Yes	Yes	Yes
	Systemic financial risk?	No	No	Yes
	Classification	CFM	CFM	CFM/MPM
Appropriateness	Inflow surge?	No	Yes	Yes
	Room for macroeconomic adjustment?	No	No	No
	Available alternatives?	Yes	No	No
	• Non-discriminatory measures	Yes	None	None
	• Other policies	Tighten MPMs	None	None
	Appropriateness assessment	Inappropriate	Appropriate	Appropriate
	Staff recommendation	Replace with alternative non-discriminatory measures	Phase out once the capital inflow surge abates	Phase out when systemic financial risks dissipate

Source: Fund staff.

B. CFMs on Capital Outflows

Two types of CFMs on capital outflows are discussed in this note: (i) surrender requirements of export proceeds, and (ii) restrictions on financial institutions' outward investments or transfers.

Surrender Requirements

24. Exporters may wish to invest their export proceeds in foreign assets. While the export of goods and services is a current account transaction, the investment of the export proceeds is a financial account transaction. When a repatriation and surrender requirement is introduced, exporters are required to repatriate their export proceeds and convert them into local currency. If they subsequently wish to invest their export proceeds in foreign assets, they must repurchase the necessary foreign exchange at the market exchange rate. By having to sell and eventually buy back the foreign exchange, the surrender requirement imposes transfer and reconversion costs, making it more expensive for exporters to invest in foreign assets, and thus discouraging the corresponding capital outflow. As a result, surrender requirements are considered as CFMs.

25. Table 4 shows three examples of surrender requirements:

- In case A, the surrender requirement is introduced in the context of crisis circumstances as part of a broad policy response aimed to address the root causes of the crisis. In this case, the surrender requirement is assessed as appropriate, and the policy recommendation is to phase it out when crisis circumstances abate.
- In case B, the surrender requirement is also introduced in the context of crisis circumstances, but necessary macroeconomic policy adjustments are not taken to address the root causes of the crisis. In this case, the surrender requirement does not support but rather substitutes for warranted macroeconomic adjustment, and is therefore assessed as inappropriate. The policy recommendation is to implement a broad policy package of macroeconomic adjustments.
- In case C, the surrender requirement is put in place in the context of capital outflows, but the country is not in crisis or imminent crisis circumstances. Outside of crisis circumstances, there is room to adjust macroeconomic policies to address the effects of capital outflows. In this case, the policy recommendation is to address outflows through macroeconomic policies as necessary, and thus the surrender requirement is assessed as inappropriate and should be removed.

Table 4. Surrender Requirements

		Case A	Case B	Case C
Classification	Designed to limit outflows?	Yes	Yes	Yes
	Crisis or imminent crisis?	Yes	Yes	No
Appropriateness	Broad macroeconomic policy response?	Yes	No	No
	Appropriateness assessment	Appropriate	Inappropriate	Inappropriate
	Staff recommendation	Phase out as crisis circumstances abate	Implement broad policy adjustment	Remove given no crisis and with available room for policy adjustment

Source: Fund staff.

Other Restrictions on Outward Investments

26. Table 5 presents cases of limits imposed on financial institutions on certain external transactions. Such measures are designed to prevent or reduce capital outflows, and are therefore considered to be CFMs.

- In case A, the country imposes a limit on banks' gross foreign exchange derivatives position. In a context of capital outflows, the measure limits banks' short positions on the domestic currency, discourages further capital outflows, and eases depreciation pressures on the currency. The country is pursuing capital account liberalization, and is not in crisis circumstances. However, the pace of liberalization has been too rapid and progress in reforms of the macroeconomic and financial policy frameworks has not been sufficient to safely handle the resulting capital outflows. As a result, a potentially large currency depreciation poses macroeconomic stability risks. In this situation, a temporary re-imposition of CFMs is assessed as appropriate. The policy recommendation is to expedite the implementation of necessary reforms to support the removal of CFMs and further capital account liberalization.
- In case B, the country faces crisis circumstances and imposes a limit on banks' transfers abroad as part of a broader macroeconomic policy package aimed at addressing the root causes of the crisis. In these circumstances, the CFM is assessed as appropriate, and the policy recommendation is to phase it out when crisis circumstances abate.
- In case C, the country imposes a limit on financial institutions' investments in foreign assets. The measure has a macroprudential purpose to limit systemic financial risks potentially stemming from financial institutions' foreign investments. However, the country is not in crisis circumstances, and there are MPMs available to mitigate systemic risks without limiting capital

flows. Therefore, the CFM is assessed as inappropriate, and the policy recommendation is to adopt or tighten MPMs.

Table 5. Measures Limiting Outward Investment

	Case A	Case B	Case C	
Classification	Measures	Limit on banks' gross FX derivatives position	Limit on banks' transfers abroad	Limit on investment abroad by financial institutions
	Designed to limit outflows?	Yes	Yes	Yes
Appropriateness	Premature liberalization?	Yes	No	No
	Crisis or imminent crisis?	No	Yes	No
	Broad macroeconomic policy response?	Yes	Yes	No
	Appropriateness assessment	Appropriate	Appropriate	Inappropriate
	Staff recommendation	Adopt supporting reforms for capital account liberalization	Phase out as crisis circumstances abate	Remove given no crisis circumstances and adopt macroprudential measures

Source: Fund staff.

V. LOOKING FORWARD

27. **Since its adoption in 2012, the IMF's Institutional View on capital flows has provided a macroeconomic framework for consistent assessments and policy advice to member countries on capital flow-related issues.** The aim of the framework is to help countries harness the benefits of capital flows while managing the related risks. The IMF will continue making efforts to deepen understanding of the IV and its application in practice, including the use and appropriateness of CFMs, while ensuring its effective and consistent implementation taking into account country-specific circumstances. As a next step, the Fund will publish in the Fall of 2018 a taxonomy of CFMs—a compilation of selected macro-relevant CFMs introduced or modified by countries since the IV was adopted and discussed in the Article IV staff reports—which can serve as a useful reference for the various types of measures that have been taken to manage capital flows.