

INTERNATIONAL MONETARY FUND

**The Fund's Financing Role—Reform Proposals on  
Liquidity and Emergency Assistance—Proposed Decisions**

Prepared by the Finance, Legal, and Strategy, Policy and Review Departments

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1. **This supplement\* sets forth the proposed decisions that are needed to implement the reforms proposed in [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#).**<sup>1</sup> Specifically, and as contemplated in [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#), the proposed decisions would: (i) broaden emergency assistance through the creation of the “Rapid Financing Instrument” (RFI), (ii) complete the review of the decisions on Flexible Credit Line (FCL) Arrangements and Precautionary Credit Line (PCL) Arrangements, (iii) replace the PCL with an enhanced “Precautionary and Liquidity Line” (PLL), and (iv) establish a deadline for the Executive Board's future review of the decisions on FCL and PLL arrangements. In addition, it is proposed that the PRG-HIPC Trust Instrument be amended to include the RFI among the instruments that may be used for HIPC Initiative eligibility and decision point track record purposes.

2. **Proposed Decision I—Establishment of the RFI:** This decision would establish the RFI and set forth the terms governing its operation as proposed in [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#). These include terms regarding balance of payment need and approval standards (paragraph 2);<sup>2</sup> limitations on repeat use (paragraph 3); procedural requirements, including as regards the member's letter of intent and safeguards assessments (paragraph 4); and outright purchase financing structure and access limits (paragraph 5).<sup>3</sup> Decision I contains no provisions on financing terms, as the

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<sup>1</sup> The reform proposals regarding the Precautionary and Liquidity Line are also discussed in the related paper on [Review of the Flexible Credit Line and the Precautionary Credit Line](#).

<sup>2</sup> Unless otherwise specified, paragraph cross-references in the discussion of each proposed decision are to paragraphs within that particular proposed decision.

<sup>3</sup> It is not intended that a member would be precluded from requesting assistance under the RFI solely because it has with an existing arrangement in the GRA. As with any other request, the Board would assess whether or not the approval of RFI support was warranted, taking into account all relevant circumstances.

(continued)

RFI—being a window in the credit tranches—would have the same financing terms as other instruments in the credit tranches.<sup>4</sup> The Fund would be expected to review the RFI decision at five year intervals (paragraph 7).<sup>5</sup>\* The 2000 decision establishing the current special policy on emergency assistance, which covers Emergency Natural Disasters Assistance (ENDA) and Emergency Post-Conflict Assistance (EPCA), would be repealed (paragraph 8).

**3. Beyond the specific provisions of proposed Decision I, the following points may be noted regarding the general applicability to the RFI of existing policies governing use of the Fund’s resources:**

- Existing policies with provisions governing *general use of the Fund’s resources* would apply to the RFI where relevant, including the policies on side letters, post-program monitoring, and transparency. Similarly, where prior actions are established in connection with RFI financing, the general policy conditioning decisions in the GRA on the accuracy of information regarding the implementation of prior actions would apply (thus potentially giving rise in the RFI context to the application of the Fund’s policies on misreporting and non-complying purchases in the GRA). Consistent with the approach towards outright purchases under the current emergency assistance policy and the Rapid Credit Facility (RCF) in the PRGT, the policy on non-toleration of arrears to official creditors and the lending into arrears policy would be applied flexibly in the RFI context.

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\* This supplement contains the Decisions adopted by the Executive Board on 11/21/11. Three of the proposed Decisions, i.e. Decisions I, III and V were revised during the Executive Board meeting. See [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance—Decisions, for the final version of the text of the decisions adopted by the IMF’s Executive Board.](#)

<sup>4</sup> The key decisions include Rule I-6(4)(a) of the Fund’s Rules and Regulations regarding the basic rate of charge; Decision No. 12346-(00/117), adopted November 28, 2000, as amended, on surcharges; and Decision No. 5703-(78/39), adopted March 22, 1978, as amended, on maturities.

<sup>5</sup> The concept of an “expectation” of review has been applied as a general matter for policy reviews, and signifies that no Board extension decision would be required if a review were to slip past the “expected” deadline. It was introduced as a streamlining tool to avoid the administrative costs of mandating Board decisions for what were usually technical extensions. Despite this flexibility, and as confirmed in the related discussions on the expectations proposal, staff is to strive to bring policy reviews to the Board by the date covered by the expectation.

\* -At the Executive Board of 11/21/11, a revision was introduced to the proposed periodicity for the review of the RFI decision, which is now expected to take place one year after the date of adoption of the decision establishing the RFI.

- Existing policies with provisions governing *GRA arrangements* would not apply to the RFI, given the RFI's use of outright purchases rather than arrangements. Policies in this category include those on longer-term program engagement, the Trade Integration Mechanism, and Article IV consultation cycles.

4. ***Proposed Decisions II and V—Completion of FCL/PCL Reviews and Timing of Future FCL/PLL Reviews:***\* Decision II would complete the review of the FCL and PCL decisions called for under Decision No. 14717-(10/83), which was adopted when the PCL was created. Decision V would establish the conditions for the next review of the FCL decision and for the first review of the PLL decision, and specifies that this review would be expected to take place upon the earlier of (i) three years from the date of adoption of Decision V, or (ii) when aggregate outstanding credit and commitments under the FCL and PLL reach SDR 150 billion.<sup>6</sup>

5. ***Proposed Decision III—Establishment of the PLL:***\* This decision would repeal the PCL, establish the PLL and set forth the terms governing the operation of the PLL as proposed in [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#). Key design features particularly as regards changes from the PCL include the following:

- **Qualification**—PLL qualification and approval requirements are the same as under the PCL, except that a member can have an actual balance of payments

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\*At the Executive Board of 11/21/11 a revision was introduced to the proposed periodicity for the review of the PLL decision, which is now expected to take place no later than one year after the date of adoption of the decision establishing the PLL. No revisions were introduced to the proposed periodicity for the review of the FCL decision, which is expected to take place no later than three years from the establishment of the PLL, and the periodicity of the proposed joint review of the FCL and PLL decisions, which will take place whenever aggregate outstanding credit and commitments under these two decisions reach SDR 150 billion.

<sup>6</sup> The considerations discussed above in connection with the similar "expectation" of review in the RFI context apply also to the FCL/PLL review.

\* At the Executive Board meeting of 11/21/11 this decision was amended to add a technical clarification to ~~address some editorial changes in paragraph 4(a)~~ and to modify the definition of the circumstances in which repeated use of the six-month PLL arrangement would be allowed outside of the two-year "cool off" period. Under the final decision, repeat use is allowed in this context where the member's balance of payments need is longer than originally anticipated due to the impact of exogenous shocks, including heightened regional or global stress conditions. Also, revisions were made to the definition of the circumstances in which a higher access limit of 500 percent of quota would be allowed. Under the final decision, the higher access limit applies in exceptional circumstances where the member is experiencing or has the potential to experience short-term balance of payments needs that exceed the normal 250 percent of quota limit due to the impact of exogenous shocks, including heightened regional or global stress conditions.

need at the time of approval of a PLL arrangement (paragraphs 2(a) through 2(c)).

- Arrangement Length—As under the PCL, PLL arrangements with duration of one to two years could be approved. In addition, six-month PLL arrangements could be approved for members that meet the PLL’s qualification requirements and have a short-term balance of payments need (paragraph 3(a)). As contemplated in [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#), such a short-term balance of payments need could be either actual or potential.
- Access Limits and Caps—As under the PCL, the PLL instrument would be subject to a 1000 percent of quota cumulative access cap, which would take into account outstanding purchases under all PLL arrangements, regardless of duration (paragraph 4(a)). (This global PLL instrument cap is also referenced in the general decision on GRA access limits: Decision No. 14064-(08/18), adopted February 22, 2008, as amended.) PLL arrangements, like those under the PCL, would also be subject to the annual and cumulative access limits applicable to all financing in the GRA, and would thus be subject to the application of the procedural requirements and substantive criteria under the exceptional access policy in any case where these GRA access limits are exceeded (notwithstanding consistency with PLL-specific access limits and caps). There would also be separate (lower) access limits for six-month PLL arrangements (paragraph 4(c)), including a cap of 500 percent of quota (net of scheduled repurchases) for total access to resources under these arrangements. Further, there would be annual limits applicable at the time of approval for PLL arrangements with a one to two year duration (paragraph 4(b)), which are the same as those currently governing PCL arrangements. As under the PCL, the PLL decision would allow for the augmentation or rephasing of access in the context of an ad hoc or scheduled review, subject to the PLL cumulative access cap of 1000 percent of quota (and to the separate access limits on six-month PLL arrangements where applicable) (paragraph 4(d)).
- Phasing—There would be semi-annual phasing of purchases in one to two year PLL arrangements approved for a member facing an actual balance of payments need at the time of approval of the arrangement (paragraph 4(b)(ii)). It is expected that there would usually be a total of three purchases in a one-year arrangement and five purchases in a two-year arrangement (including the

purchase made available upon approval), with all purchases other than the one available upon approval being subject to a review.<sup>7</sup> Purchases under six-month PLL arrangements would not be phased, regardless of whether or not the member has an actual balance of payments need at the time of approval (paragraph 4(c)). PLL arrangements would be excluded from the operational guidelines on the relationship between phasing and performance criteria under GRA arrangements, to clarify the inapplicability of these guidelines to the phasing structure contemplated for some categories of PLL arrangements (paragraph 13).

- Repeat Use of Six-Month PLL Arrangements—Repeat approval of six-month PLL arrangements would be limited to ensure that these short duration PLL arrangements are available only to meet balance of payments needs of a short-term nature (paragraph 5(c)). As discussed in [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#), the relevant circumstances for determining existence of heightened regional or global stress (which is one of the two circumstances under which repeat use of six-month PLL arrangements is permissible—in addition to being a requirement for higher access under six-month PLL arrangements) would be assessed taking into account, among other relevant factors, the considerations set forth in Box 2 of [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#). A new six-month PLL arrangement could also be approved after two years from the date of approval of a member’s last six-month PLL arrangement, subject to the qualification standards and other requirements under the PLL decision (paragraph 5(c)).
- Program Monitoring—Conditionality under six-month PLL arrangements would include standard performance criteria and, where warranted, prior actions (paragraph 3(c)); consistent with the proposal in [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#), the decision also specifies that six-month PLL arrangements shall not be subject to a review or to other forms of ex post conditionality outside of the standard performance criteria. Conditionality under PLL arrangements with a duration of one to two years would be the same as under PCL arrangements of this duration (paragraph 3(b)).

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<sup>7</sup> As under the current PCL, the emergence of an actual balance of payments need subsequent to the approval of a one to two year PLL arrangement for a member that lacked an actual balance of payment need at the time of approval would not in itself require the phasing or rephasing of purchases under that arrangement.

- Early Board Involvement and Other Procedural Requirements—The PLL would contain procedures similar to those currently applicable to FCL arrangements, which are to be followed in all cases where a member expresses interest in a PLL arrangement, regardless of duration or access level (paragraph 6). These procedures are intended, inter alia, to ensure and specify the terms for early consultation with the Executive Board, including with regard to the member’s qualification for the PLL, its balance of payment need and areas where policy actions might be sought. As noted above—and as under the current PCL—PLL arrangements involving exceptional access would additionally be subject to the procedural requirements under the exceptional access policy, by operation of the terms of that policy.
- Safeguards Assessments—Special safeguards assessments requirements would apply in cases involving six-month PLL arrangements (paragraph 9). One to two year PLL arrangements would be subject to the general safeguards assessment policy that applies to Fund arrangements, including in particular the requirement that a safeguards assessment be completed at least by the time of the first review under the arrangement.
- Transitional Issues—The decision provides that all existing PCL arrangements would become PLL arrangements and would be subject to the terms of the PLL decision (paragraph 11). This would apply to the PCL arrangement for the Former Yugoslav Republic of Macedonia, which is scheduled to expire on January 18, 2013. This change is intended to be technical, as the applicable substantive provisions are the same under the PCL and PLL decisions.<sup>8</sup> The decision also specifies that references to the PCL in other Fund decisions (i.e., in the decisions on general GRA access limits and Article IV consultation cycles) are to become references to the PLL (paragraph 12).
- Applicability of Other Policies—As under the PCL, it is intended that all existing policies that apply to Fund financing in the GRA or in the credit tranches in general, or to GRA arrangements in particular, would apply to the PLL. This application would result from the operation of these decisions, and do not warrant special provisions in the decision on PLL arrangements.

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<sup>8</sup> A similar approach was followed in the 2009 reform of the PRGT, when all then-existing PRGF arrangements became ECF arrangements subject to the terms of the new ECF decision, given the close similarity between these two facilities.

6. **Proposed Decision IV—Amendment of PRG-HIPC Trust Instrument:** This decision would amend the PRG-HIPC Trust Instrument to specify that, on a case-by-case basis (and consistent with the treatment accorded to the RCF and EPCA), time spent by a member under a program supported by the Fund under the RFI may count towards (i) eligibility for assistance under the HIPC Initiative, and (ii) the performance track record for purposes of reaching the decision point under the HIPC Initiative. (The separate provisions governing the HIPC Initiative *completion point* track record would remain unchanged.) While not proposed as a feature of the RFI in [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#), this amendment would provide a useful means of giving flexibility to low-income members if there were to be cases where a fragile LIC is granted support under the RFI. In these cases, the track record established in the context of such RFI support could count towards HIPC Initiative eligibility and the decision point in the same way that a track record under the RCF could have counted for these purposes.

### **PROPOSED DECISIONS**

Accordingly, the following decisions, each of which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

#### **I. RAPID FINANCING INSTRUMENT (RFI)\***

\* This decision was revised to change the proposed periodicity for the review of the RFI decision. See [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance—Decisions, for the final version of the text of the decisions adopted by the IMF’s Executive Board.](#)

**I.—**

1. The Fund decides that resources in the credit tranches may be made available under the Rapid Financing Instrument (RFI), in accordance with the terms and conditions specified in this Decision.
2. The Fund will approve a member’s request for resources under the RFI only where it is satisfied that:
  - (a) the member is experiencing an urgent balance of payments need that, if not addressed, would result in an immediate and severe economic disruption;
  - (b) the member either (i) has a balance of payments need that is expected to be resolved within one year with no major policy adjustments being necessary, or (ii) is unable

to design or implement an upper credit tranche-quality economic program given the urgent nature of the balance of payments need or due to its limited policy implementation capacity; and

(c) the member will cooperate with the Fund in an effort to find, where appropriate, solutions for its balance of payments difficulties.

Where warranted, the Managing Director may request that the member implement upfront measures before recommending that the Fund approve a purchase under this Decision.

3. If a member has made a purchase under this Decision within the preceding three years, any additional purchases under this Decision may be approved only if the Fund is satisfied that (a) the member's urgent balance of payments need was caused primarily by an exogenous shock; or (b) the member has established a track record of adequate macroeconomic policies over a period of at least six months immediately prior to the request.

4. A member requesting assistance under this Decision shall describe in a letter the general policies it plans to pursue to address its balance of payments difficulties, including its intention not to introduce or intensify exchange and trade restrictions and other measures or policies that would compound these difficulties. The member shall also commit to undergoing a safeguards assessment, provide staff with access to its central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with Fund staff. The timing and modalities for the safeguards assessment for a member that has received assistance under the RFI would be determined on a case-by-case basis, but normally the safeguards assessment would need to be completed before Executive Board approval for the member of any subsequent arrangement to which the Fund's safeguards assessment policy applies.



5. Assistance under this Decision shall be made available to members in the form of outright purchases. Access by members to resources under this Decision shall be subject to (a) an annual limit of 50 percent of quota, and (b) a cumulative limit of 100 percent of quota, net of scheduled repurchases.
6. 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.
7. It is expected that the Fund will review this Decision at intervals of five years.
8. Decision No. 12341-(00/117), adopted November 28, 2000, which established the special GRA policy on emergency assistance, is hereby repealed.

## **II. COMPLETION OF REVIEW OF DECISIONS ON FCL AND PCL ARRANGEMENTS**

Pursuant to Decision 14717-(10/83), adopted August 30, 2010, the Fund has reviewed the decision on Flexible Credit Line Arrangements, Decision No. 14283-(09/29), adopted March 24, 2009 as amended, and the decision on Precautionary Credit Line Arrangements, Decision No. 14715-(10/83), adopted August 30, 2010.

## **III. PRECAUTIONARY AND LIQUIDITY LINE (PLL) ARRANGEMENTS\***

\*This decision was revised to (i) address some editorial changes in paragraph 4(a); (ii) specify the circumstances in which repeated use of the six-month PLL arrangement would be allowed outside of the two-year "cool off" period, and (iii) clarify the definition of the circumstances in which a higher access limit of 500 percent of quota would be allowed. See [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance—](#)

Decisions, for the final version of the text of the decisions adopted by the IMF's Executive Board.

**III.—**

1. The Fund decides that resources in the credit tranches may be made available under a Precautionary and Liquidity Line (PLL) arrangement, in accordance with the terms and conditions specified in this Decision.

2. (a) A PLL arrangement shall be approved upon request in cases where the Fund assesses that the member (i) has sound economic fundamentals and institutional policy frameworks, (ii) is implementing—and has a track record of implementing—sound policies, and (iii) remains committed to maintaining such policies in the future, all of which give confidence that the member will take the policy measures needed to reduce any remaining vulnerabilities and will respond appropriately to the balance of payments difficulties that it is encountering or might encounter.

(b) In addition to requiring a generally positive assessment of the member's policies by the Executive Board in the context of the most recent Article IV consultations, a member's qualification for a PLL arrangement shall be assessed in the following areas (with the member being expected to perform strongly in most of these areas and not to substantially underperform in any of them): (i) external position and market access, (ii) fiscal policy, (iii) monetary policy, (iv) financial sector soundness and supervision, and (v) data adequacy.

(c) Notwithstanding paragraph 2(b) above, the Fund shall not approve a PLL arrangement for a member facing any of the following circumstances: (i) sustained inability to access international capital markets, (ii) the need to undertake a large macroeconomic or structural policy adjustment (unless such adjustment has credibly been launched before

approval), (iii) a public debt position that is not sustainable in the medium term with a high probability, or (iv) widespread bank insolvencies.

3. (a) The Fund may approve a member's request for a PLL arrangement (i) with a duration of one to two years, or (ii) with a duration of six months in circumstances where the member has an actual or potential short-term balance of payments need such that it can generally be expected to make credible progress in addressing its vulnerabilities during the six-month period of the arrangement.

(b) PLL arrangements with a duration of one to two years shall have conditionality that includes indicative targets, as well as the standard performance criteria related to trade and exchange restrictions, bilateral payments arrangements, multiple currency practices and non-accumulation of external debt payments arrears as specified in paragraphs 3(d) and 3(b)(ii), respectively, of Attachment A of Decision No. 10464-(93/130), adopted September 13, 1993 as amended. The conditionality under these PLL arrangements may also include other performance criteria, prior actions and structural benchmarks where warranted under the Guidelines on Conditionality set forth in Decision No. 12864-(02/102), adopted September 25, 2002, as amended. PLL arrangements with a duration of one to two years shall provide for six-monthly reviews by the Executive Board to assess whether the member's PLL-supported program remains on track to achieve its objectives based on relevant factors such as the member's observance of performance criteria, indicative targets and structural benchmarks, as applicable; its continued adherence to the PLL qualification standard set forth in paragraphs 2(a) and 2(b) of this Decision; and its policy understandings for the future. Such reviews would be scheduled with the objective of completion by the Executive Board immediately prior to the lapse of each six-month period referred to above.

(c) The conditionality under PLL arrangements with a six-month duration shall include the standard performance criteria specified in paragraph 3(b) above and may also include prior actions where warranted under the Guidelines on Conditionality, but shall not include reviews or other forms of ex post conditionality.

4. (a) Access to Fund resources under the PLL instrument shall be subject to a cumulative cap of 1000 percent of quota, net of scheduled repurchases, which shall apply to all PLL arrangements regardless of duration.

(b) In addition to the PLL instrument access cap specified in paragraph 4(a) above, access under PLL arrangements with a duration of one to two years shall be subject to an annual access limit of 500 percent of quota (net of scheduled repurchases) applicable at the time of approval of such arrangements, and shall be subject to the following additional considerations:

(i) For one-year PLL arrangements approved for members not having an actual balance of payment need at the time of approval of the arrangement, the entire amount of approved access shall be available upon approval of the arrangement and shall remain available throughout the arrangement period, subject to completion of a six-monthly review as specified in paragraph 3(b) of this Decision. For PLL arrangements with a duration of one to two years approved for members not having an actual balance of payment need at the time of approval of the arrangement, purchases shall be phased, with an initial amount not in excess of 500 percent of quota being available upon approval of the arrangement and the remaining amount being made available at the beginning of the second year of arrangement, subject to completion of the relevant six-monthly reviews specified in paragraph 3(b) of this Decision.

(ii) For PLL arrangements with a duration of one to two years approved for members that are facing an actual balance of payments need at the time of approval of the arrangement, purchases shall be phased, with an initial amount being available upon approval of the arrangement and the remaining amounts being made available at semi-annual intervals, subject to completion of the relevant six-monthly reviews specified in paragraph 3(b) of this Decision.

(c) In addition to the PLL instrument access cap specified in paragraph 4(a) above, the following access limits and additional considerations shall apply to six-month PLL arrangements:

(i) A per arrangement limit of 250 percent of quota, net of scheduled repurchases, shall normally apply to six-month PLL arrangements, with the entire amount of approved access being available to the member upon approval of the arrangement and remaining available throughout the arrangement period.

(ii) A per arrangement limit of 500 percent of quota, net of scheduled repurchases, shall apply to six-month PLL arrangements in exceptional circumstances where a member's short-term balance of payments need exceeds the 250 percent of quota limit specified in paragraph 4(c)(i) above due to the presence of heightened regional or global stress conditions. Accordingly, the Fund may in these circumstances, and on a case-by-case basis, approve a new six-month PLL arrangement or augment access under an existing six-month PLL arrangement up to this higher limit, with the entire amount of approved access being available to the member upon approval of the arrangement or, in the case of augmentations, upon completion of an ad hoc review under paragraph 4(d) below, and remaining available throughout the arrangement period.

(iii) Total access to Fund resources under all six-month PLL arrangements shall in no event exceed a cumulative six-month PLL arrangement access limit of 500 percent of quota, net of scheduled repurchases.

(d) Subject to the PLL instrument access cap specified in paragraph 4(a) above and, for six-month PLL arrangements, subject to the limits specified in paragraph 4(c) above, the Fund will stand ready to consider a member's request to make additional amounts available under any PLL arrangement. The Fund will also stand ready to rephase access under PLL arrangements with a duration of one to two years. Such augmentation or rephrasing of access shall be considered in the context of a scheduled or ad hoc review in which the Fund assesses the member's actual or potential need for Fund resources and the extent to which the PLL-supported program remains on track to achieve its objectives based on the factors specified for six-monthly reviews in paragraph 3(b) of this Decision.

5. (a) A PLL arrangement will expire upon the earlier of: (i) the expiration of the approved term of the arrangement, (ii) the purchase by a member of the entire amount of approved access under the PLL arrangement, or (iii) the cancellation of the PLL arrangement by the member.

(b) Upon the expiration of a PLL arrangement, the Fund may on a case-by-case basis approve additional PLL arrangements with a duration of one to two years for the member in accordance with the terms of this Decision, including the provisions on qualification and use of prior actions where warranted.

(c) Following the expiration of a six-month PLL arrangement, the Fund may on a case-by-case basis approve additional six-month PLL arrangements for the member in accordance with the terms of this Decision, including the provisions on qualification and use

of prior actions where warranted, if either (i) at least two years have elapsed since the approval of the most recent six-month PLL arrangement, or (ii) the member's balance of payments need is longer than originally anticipated due to the presence of heightened regional or global stress conditions, provided that not more than one additional six-month PLL arrangement may be approved under the circumstances specified in this clause (ii).

6. The following procedures and arrangements for consultations with the Executive Board will apply following a member's expression of interest in any PLL arrangement:

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

(b) Once management decides that access to Fund resources under this Decision may be appropriate, it will consult with the Executive Board promptly in an informal meeting. For this purpose, Executive Directors will be provided with a concise note setting out the basis on which approval could be recommended under this Decision, including a preliminary assessment of the member's qualification for the PLL, an initial discussion of the key policy areas where policy actions might be sought and an assessment of the member's actual or potential need for Fund resources and repayment capacity.

7. A member may make one or more purchases up to the amount available under a PLL arrangement, subject to the provisions of this Decision. The Fund shall not challenge a representation of need by a member for a purchase requested under a PLL arrangement.

8. Phasing and performance clauses shall be omitted in any PLL arrangement in the first credit tranche. They will be included in other PLL arrangements where specified under the terms of this Decision, but will apply only to purchases outside the first credit tranche.

9. In requesting a PLL arrangement, the member shall submit a concise written

communication outlining its policy goals and strategies for at least the duration of the arrangement as well as measures aimed at addressing its remaining vulnerabilities, together with a quantified macroeconomic framework. Where PLL arrangements with a duration of one to two years are requested, such a framework shall be underpinned by a streamlined set of indicative targets, and where warranted, structural benchmarks and performance criteria. For six-month PLL arrangements, the member shall commit to undergo a safeguards assessment, provide staff with access to its central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with Fund staff. The timing and modalities for the safeguards assessment for members with a six-month PLL arrangement would be determined on a case-by-case basis, but normally the safeguards assessment would need to be completed before Executive Board approval for the member of any subsequent arrangement to which the Fund's safeguards assessments policy applies.

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. All arrangements under Decision No. 14715-(10/83), adopted August 30, 2010 on Precautionary Credit Line Arrangements, that are in force on the effective date of this Decision shall be renamed arrangements under the Precautionary and Liquidity Line, and shall be subject to the terms of this Decision.

12. The term "PCL" in Decision No. 14064-(08/18), adopted February 22, 2008, as amended, on access policy and limits in the credit tranches, is revised to read "PLL"; and the



terms “Precautionary Credit Line” and “PCL” in Decision No. 14745-(10/96), adopted September 28, 2010 on Article IV consultation cycles, are revised to read “Precautionary and Liquidity Line” and “PLL”, respectively.

13. Decision No. 7925-(85/38), adopted March 8, 1985, as amended, on the relationship between performance criteria and phasing under GRA arrangements, shall not apply to PLL arrangements.

14. Decision No. 14715-(10/83), adopted August 30, 2010 on Precautionary Credit Line Arrangements, is hereby repealed.

#### **IV. AMENDMENT OF PRG-HIPC TRUST INSTRUMENT**

The Instrument annexed to Decision No. 11436-(97/10), adopted February 4, 1997, as amended (the “PRG-HIPC Trust Instrument”), shall be amended as follows:

1. Section III, Paragraph 1(b) of the PRG-HIPC Trust Instrument, which governs eligibility for assistance, shall be amended to include the clause “, or under the Rapid Financing Instrument” immediately after the reference to “the Rapid Credit Facility”.
2. The fourth sentence of Section III, paragraph 2(c) of the PRG-HIPC Trust Instrument, which governs policy performance requirements for the decision point, shall be amended to include the clause “or under the Rapid Financing Instrument” immediately after the reference to “the Rapid Credit Facility”.

#### **V. REVIEW OF DECISIONS ON FCL ARRANGEMENTS AND PLL ARRANGEMENTS\***

\* This decision was revised to modify the proposed periodicity for the review of the PLL decision. See [The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance—Decisions, for the final version of the text of the decisions adopted by the IMF’s Executive Board.](#)

**V.—**

It is expected that the decision on Flexible Credit Line Arrangements, Decision No. 14283-(09/29), adopted March 24, 2009, as amended, and the decision on Precautionary and Liquidity Line Arrangements, Decision No. [--], adopted November [--], 2011, will be reviewed jointly by the Fund no later than three years after the date of the adoption of this decision, or whenever aggregate outstanding credit and commitments under these two decisions reach SDR 150 billion, whichever is earlier.