



**Loan Agreement between the
Government of Japan and the
International Monetary Fund**



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1. Purposes and Amounts.

(a) To enhance the resources available on a temporary basis to the International Monetary Fund (the “Fund”) for crisis prevention and resolution through bilateral borrowing, the Government of Japan (“Japan”) agrees to lend to the Fund an SDR-denominated amount up to the equivalent of US\$60,000 million (the “Loan Amount”); provided however that, upon the effectiveness of the increase in the credit arrangement of Japan under the Fund’s New Arrangements to Borrow (the “NAB”) as part of the reform of the NAB approved by the Fund under Decision No. 16645-(20/5), adopted January 16, 2020 (the “NAB Reform”), the Loan Amount will be automatically reduced to an SDR-denominated amount up to the equivalent of US\$25,847 million (the “Rolled Back Loan Amount”).

(b) This agreement is based on Article VII, Section 1(i) of the Fund’s Articles of Agreement, which authorizes the Fund to borrow from Fund members or other sources if it deems such action appropriate to replenish its holdings of any member’s currency in the General Resources Account (“GRA”). This agreement must be considered in light of the Guidelines for Borrowing by the Fund, which make clear that quota subscriptions are and should remain the basic source of Fund financing, and that the role of borrowing is to provide a temporary supplement to quota resources.

(c) This agreement and other bilateral borrowing agreements that the Fund has entered into or amended pursuant to the borrowing framework approved by the Fund in March 2020 shall be referred to each as a “2020 Borrowing Agreement” and collectively as the “2020 Borrowing Agreements.” Each bilateral borrowing agreement that the Fund entered into pursuant to the borrowing framework approved by the Fund in August 2016 shall be referred to as a “2016 Borrowing Agreement” and collectively as the “2016 Borrowing Agreements.” The 2020 Borrowing Agreements and the 2016 Borrowing Agreements shall be collectively referred to as the “Bilateral Borrowing Agreements”.

2. Term of the Agreement and Use.

(a) The term of this agreement shall end on December 31, 2023; provided that the Fund may extend the term of this agreement for one further year through December 31, 2024 by a decision of the Executive Board, taking into account the Fund’s overall liquidity situation and actual and prospective borrowing requirements, and with the consent of Japan.

(b) The 2020 Borrowing Agreements may be activated only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April 20, 2011, taking into account all available uncommitted resources under the NAB (the “modified FCC”), is below SDR 100 billion (the “activation threshold”); provided, however, that the Managing Director shall not provide such notification unless (i) the NAB is activated as of the time of the notification, or there are no

available uncommitted resources under the NAB as of that time, and (ii) the activation of the 2020 Borrowing Agreements has been approved by creditors representing at least 85 percent of the total credit amount committed under the 2020 Borrowing Agreements by creditors eligible to vote on such activation. For purposes of conducting a poll of eligible creditors, the Managing Director shall propose in writing the activation of the 2020 Borrowing Agreements and request the creditors' vote. A creditor shall not be eligible to vote on the activation if, at the time of the vote, its 2020 Borrowing Agreement is not effective, or the relevant member is not included in the Fund's Financial Transactions Plan for transfers of its currency. Nothing in this paragraph 2(b) shall preclude the Managing Director from approaching creditors before the modified FCC is below the activation threshold, if extraordinary circumstances so warrant in order to forestall or cope with an impairment of the international monetary system.

(c) If the 2020 Borrowing Agreements are activated pursuant to paragraph 2(b), they shall be automatically deactivated whenever the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, the 2020 Borrowing Agreements shall be deactivated if the Managing Director has notified the Executive Board that the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has risen above the activation threshold and: (i) the Executive Board determines that activation is no longer necessary; or (ii) six months have elapsed since the date of the Managing Director's notification and, within that period, the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has not fallen below the activation threshold. If, after the deactivation of the 2020 Borrowing Agreements under this paragraph 2(c), the modified FCC were to fall below the activation threshold, the provisions of paragraph 2(b) will apply.

(d) During any period after the activation of the 2020 Borrowing Agreements as provided under paragraph 2(b) and for as long as the 2020 Borrowing Agreements remain activated in accordance with paragraphs 2(b) and 2(c), the Fund may (i) use the resources available under this agreement to fund any outright purchases made from the GRA during the term of this agreement and (ii) approve, during the term of this agreement, commitments of GRA resources under Fund arrangements whose purchases could be funded by drawings under this agreement at any time during the period of such commitments, including after the expiration of the term of this agreement and during any period in which this agreement is no longer activated in accordance with paragraph 2(c) of this agreement; provided however that the commitments covered under this clause (ii) shall also include any commitment whose approval caused the activation threshold to be reached.

(e) Following an activation specified in paragraph 2(b), the resources available under this agreement may also be used by the Fund to fund the early repayment of claims under other 2020 Borrowing Agreements if the relevant creditors under those other agreements request the early repayment of their claims in the circumstances specified in paragraph 8. Drawings may be made under this agreement to fund such early repayment of other creditors' claims for as long as claims under the 2020 Borrowing Agreements remain outstanding, including after the expiration of the term of this agreement or during any period in which this agreement is no longer activated in accordance with paragraph 2(c).

(f) Drawing under this agreement shall be made with the goal of achieving over time broadly balanced positions among creditors under all Bilateral Borrowing Agreements relative to their commitments under these agreements.

3. Estimates, Notices, and Limits on Drawings.

(a) Prior to the beginning of each plan period for the use of bilateral borrowed resources, the Fund shall provide Japan with its best estimates of the amounts that it expects it will draw under this agreement during the forthcoming period, and shall provide revised estimates during each period where this is warranted. Japan shall not be included in the periodic plan, and no drawings shall be made under this agreement, if Japan is not included and is not being proposed by the Managing Director to be included in the list of countries in the Financial Transactions Plan for transfers of its currency. Moreover, no drawings shall be made under this agreement if Japan was included in the periodic plan but, at the time of drawing, Japan's currency is not being used in transfers under the Financial Transactions Plan because of Japan's balance of payments and reserve position. Where Japan was not included in the Financial Transactions Plan at the time of the vote on the activation of the 2020 Borrowing Agreements and is subsequently included in the Financial Transactions Plan, drawings may be made under this agreement to fund purchases made and commitments approved during the activation period unless and for so long as Japan notifies the Fund that it does not wish to be drawn upon for these purposes.

(b) The Fund shall give Japan at least five business days' (Tokyo) notice of its intention to draw, and shall provide payment instructions at least two business days (Fund) prior to the value date of the transaction by a rapid authenticated means of communication (e.g., SWIFT), provided that in exceptional circumstances where it is not possible to provide at least five business days' (Tokyo) notice, notification of intent to draw would be made at least three business days (Tokyo) in advance of the value date, and Japan would make best efforts to meet such a call.

4. Evidence of Indebtedness.

(a) The outstanding drawings under this agreement will be included in the statements of Japan's position in the Fund that are published monthly by the Fund.

(b) At the request of Japan, the Fund shall issue to Japan non-negotiable instruments evidencing the Fund's indebtedness to Japan arising under this agreement. Upon repayment of the amount of any instrument issued under this subparagraph and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as the old instrument.

5. Maturity.

(a) Except as otherwise provided in this paragraph 5 and in paragraph 8, each drawing under this agreement shall have a maturity date of three months from the drawing date. The Fund may in its sole discretion elect to extend the maturity date of any drawing or of any portion thereof by additional periods of three months after the initial maturity date, which extension the Fund shall automatically be deemed to have elected with respect to the maturity dates for all drawings then outstanding unless, at least five business days (Fund) before a maturity date, the Fund notifies Japan by a rapid authenticated means of communication (e.g., SWIFT) that the Fund does not elect to extend the maturity date of a particular drawing or portion thereof; provided however (i) that the maturity date of any drawing to fund purchases from the GRA shall not be extended to a date that is later than the tenth anniversary of the date of such drawing, and (ii) that the maturity date for any drawings to fund early repayments of other creditors' claims in accordance with paragraph 2(e) shall be a single common maturity date that is the longest remaining maximum maturity of any claim for which such early repayment has been requested or the tenth anniversary of the date of the relevant drawing to fund early repayment, whichever is earlier. Notwithstanding the maturity deadlines in the preceding sentence, following an Executive Board determination that exceptional circumstances exist as a result of a shortage of Fund resources in relation to Fund obligations falling due, the Fund, with the agreement of Japan, may extend the maximum maturity for drawings under this agreement up to an additional five years.

(b) The Fund shall repay the principal amount of each drawing or relevant part thereof on the maturity date applicable to that drawing or part thereof pursuant to subparagraph (a).

(c) After consultation with Japan, the Fund may make an early repayment in part or in full of the principal amount of any drawing prior to its maturity date in accordance with subparagraph (a), provided that the Fund notifies Japan at least five business days (Fund) before any such repayment by a rapid authenticated means of communication (e.g., SWIFT).

(d) Repayments of drawings shall restore *pro tanto* the amount that can be drawn under this agreement. The extension of the maturity of a drawing or of any part thereof pursuant to subparagraph (a) shall not reduce the amount that can be drawn under this agreement.

(e) If a maturity date for a drawing is not a business day in the place where payment is to be made, then the payment date for the principal amount of such drawing will be the next business day in that place. In such cases, interest will accrue up to the payment date.

6. Rate of Interest.

(a) Each drawing shall bear interest at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement; provided however that, if the Fund pays an interest rate higher than the SDR interest rate on outstanding balances from any other borrowing on comparable terms that has been effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement, and for as long as the payment of such higher interest

rate remains in effect, the interest rate payable on drawings under this agreement shall be equivalent to the interest rate paid by the Fund on such other comparable borrowing.

(b) The amount of interest payable on each drawing shall be calculated on the basis of the outstanding amount of the drawing. Interest shall accrue daily and shall be paid promptly by the Fund after each July 31, October 31, January 31, and April 30.

7. Denomination, Media and Modalities of Drawings and Payments.

(a) The amount of each drawing and corresponding repayment under this agreement shall be denominated in SDRs.

(b) Unless otherwise agreed between the Fund and Japan, the amount of each drawing shall be paid by Japan, on the value date specified in the Fund's notice under paragraph 3, by transfer of the SDR equivalent amount of Japanese yen to the account of the Fund at the designated depository of Japan; provided that for drawings in accordance with paragraph 2(e), Japan shall ensure that balances drawn by the Fund that are not balances of a freely usable currency can be exchanged for a freely usable currency of its choice, and, with respect to balances drawn by the Fund that are balances of a freely usable currency, shall collaborate with the Fund and other members to enable such balances to be exchanged for another freely usable currency.

(c) The obligations of Japan under Article V, Section 3(e) and Article V, Section 7(j) of the Fund's Articles of Agreement concerning exchanges of its currency purchased or to be used in repurchases from the Fund shall apply, respectively, to purchase and repurchase transactions in the General Resources Account involving its currency used in drawings and to be used in repayments of principal under this agreement.

(d) Except as otherwise provided in paragraph 8, repayment of principal shall be made, as determined by the Fund, in the currency borrowed whenever feasible, in Japanese yen, in special drawing rights (provided that it does not increase Japan's holdings of special drawing rights above the limit under Article XIX, Section 4 of the Fund's Articles of Agreement unless Japan agrees to accept special drawing rights above that limit in such repayment), in freely usable currencies, or with the agreement of Japan in other currencies that are included in the Fund's Financial Transactions Plan for transfers.

(e) Payments by the Fund of interest under this agreement shall normally be made in SDRs; provided that the Fund and Japan may agree that interest payments will be made in Japanese yen.

(f) All payments made by the Fund in Japanese yen shall be made to an account specified by Japan or by debiting the Fund's account with the designated depository of Japan, as determined by the Fund. Payments in SDRs shall be made by crediting Japan's account in the Special Drawing Rights Department. Payments in any other currency shall be made to an account specified by Japan.

8. Early Repayment at Request of Japan.

At the request of Japan, Japan shall obtain early repayment at face value of all or a portion of the drawings outstanding under this agreement, if (i) Japan represents that its balance of payments and reserve position justifies such repayment, and (ii) the Fund, having given this representation the overwhelming benefit of any doubt, determines that there is a need for the early repayment as requested by Japan in light of its balance of payments and reserve position. After consultation with Japan, the Fund may make repayments pursuant to this paragraph 8 in SDRs or a freely usable currency as determined by the Fund or, with the agreement of Japan, in the currencies of other members that are included in the Fund's Financial Transactions Plan for transfers.

9. Transferability.

(a) Except as provided in subparagraphs (b) through (h), Japan may not transfer its obligations under this agreement or any of its claims on the Fund resulting from outstanding drawings under this agreement, except with the prior consent of the Fund and on such terms or conditions as the Fund may approve.

(b) Japan shall have the right to transfer at any time all or part of any claim on the Fund resulting from outstanding drawings under this agreement to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Fund's Articles of Agreement ("other fiscal agency"), or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

(c) The transferee of a claim transferred pursuant to subparagraph (b) shall, as a condition of the transfer, assume the liability of Japan pursuant to paragraph 5(a) regarding the extension of the maturity of drawings related to the transferred claim and regarding the extension of the maximum maturity of drawings under this agreement in exceptional circumstances. More generally, any claim transferred pursuant to subparagraph (b), shall be held by the transferee on the same terms and conditions as the claim was held by Japan, except that (i) the transferee shall acquire the right to request early repayment under paragraph 8 only if it is a member, or the central bank or other fiscal agency of a member, and at the time of transfer the member's balance of payments and reserve position is considered sufficiently strong in the opinion of the Fund that its currency is used in transfers under the Financial Transactions Plan, (ii) if the transferee is a member, or the central bank or other fiscal agency of a member, the reference to Japanese yen in paragraph 7 shall be deemed to refer to the currency of the relevant member, and in other cases it shall be deemed to refer to a freely usable currency determined by the Fund, (iii) payments related to the transferred claim shall be made to an account specified by the transferee, and (iv) references to business days (Tokyo) shall be deemed to refer to business days in the place where the transferee is situated.

(d) The price of a claim transferred pursuant to subparagraph (b) shall be as agreed between Japan and the transferee.

(e) Japan shall notify the Fund promptly of the claim that is being transferred pursuant to subparagraph (b), the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

(f) A transfer notified to the Fund under subparagraph (e) shall be reflected in the Fund's records if it is in accordance with the terms and conditions of this paragraph 9. The transfer shall be effective as of the value date agreed between Japan and the transferee.

(g) If all or part of a claim is transferred during a quarterly period as described in paragraph 6(b), the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

(h) If requested, the Fund shall assist in seeking to arrange transfers.

10. Effective Exchange Rate.

(a) Unless otherwise agreed between Japan and the Fund, all drawings, exchanges, and payments of principal and interest under this agreement shall be made at the exchange rates for the relevant currencies in terms of the SDR established pursuant to Article XIX, Section 7(a) of the Fund's Articles of Agreement and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the transfer, exchange or payment. If this exchange rate determination date is not a business day in Tokyo, such date shall be the last preceding business day of the Fund that is also a business day in Tokyo.

(b) For purposes of applying the limit on drawings as specified in paragraphs 1(a), 14(c) and 14(e), the US dollar value of each SDR-denominated drawing shall be determined and permanently fixed on the value date of the drawing based on the US dollar/SDR exchange rate established pursuant to Article XIX, Section 7(a) of the Fund's Articles of Agreement and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the drawing. If this exchange rate determination date is not a business day in Tokyo, such date shall be the last preceding business day of the Fund that is also a business day in Tokyo.

11. Changes in Method of Valuation of SDR.

If the Fund changes the method of valuing the SDR, all transfers, exchanges and payments of principal and interest made two or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation.

12. Non-Subordination of Claims.

The Fund agrees that it will not take any action that would have the effect of making Japan's claims on the Fund resulting from outstanding drawings under this agreement subordinate in any way to claims on the Fund resulting from any other borrowing effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement.

13. Settlement of Questions.

Any question arising under this agreement shall be settled by mutual agreement between Japan and the Fund.

14. Transitional Arrangements.

(a) Regardless of whether this agreement is activated or not, the Fund: (i) subject to paragraph 14(b) below, shall make drawings under this agreement to repay any outstanding claims under Japan's 2016 Borrowing Agreement, and (ii) may make drawings under this agreement to fund purchases under commitments approved by the Fund during an activation of the 2016 Borrowing Agreements or to fund early repayment of claims under other 2016 Borrowing Agreements in case the creditor represents a balance of payments need; provided that notwithstanding paragraph 5(a) of this agreement the maximum maturity date of the claim from the repayment herein shall be the residual maximum maturity date of the claim that is repaid with drawings under this agreement; and provided further that any claims under this agreement that result from the repayment herein shall be considered claims under the 2016 Bilateral Borrowing Agreements for purposes of funding the early repayment of these claims in case of balance of payments need in accordance with the 2016 Borrowing Agreements, and for purposes of special calls under paragraph 23 of the Fund's Decision No. 16645-(20/5), adopted January 16, 2020.

(b) To the extent that claims under Japan's 2016 Borrowing Agreement or this agreement are outstanding when the increase in the NAB credit arrangement of Japan's becomes effective, Japan shall be deemed to request, in accordance with paragraph 23 of the Fund's Decision No. 11428-(97/6), adopted January 27, 1997 on the NAB, as amended, that the Managing Director make calls under the NAB credit arrangement of Japan up to the maximum available amount, taking into account the Fund's need for maintaining prudential balances, to fund the repayment of such claims; provided that if the increase in the NAB credit arrangement of Japan and this agreement enter into effect at the same time, the repayment of Japan's outstanding claims under Japan's 2016 Borrowing Agreement shall be funded first with calls under Japan's NAB credit arrangement before drawings are made under this agreement pursuant to paragraph 14(a) above.

(c) If following the repayment of outstanding claims under Japan's 2016 Borrowing Agreement and this agreement as provided in paragraph 14(b) above, Japan's outstanding claims under these agreements remain in excess of the Rolled Back Loan Amount, as calculated pursuant to paragraph 10(b), the Fund shall repay any outstanding claims under Japan's 2016 Borrowing Agreement and this agreement in excess of the Rolled Back Loan Amount; provided that claims with shorter remaining maximum maturities shall be repaid before those with longer remaining maximum maturities.

(d) After the entry into force of this agreement, the Fund may make no further drawing under Japan's 2016 Borrowing Agreement.

(e) No drawing under this agreement shall be made that would cause total outstanding drawings under both this agreement and the 2016 Borrowing Agreement between Japan and the Fund, at the time of such drawing, to (i) exceed the Loan Amount prior to the effectiveness of the increase in Japan's NAB credit arrangement, or (ii) exceed the Rolled Back Loan Amount upon and after the effectiveness of the increase in Japan's NAB credit arrangement, as calculated pursuant to paragraph 10(b); provided that drawings beyond the Rolled Back Loan Amount under (ii) herein are authorized, if within the same day of these drawings any resulting claim that would exceed the Rolled Back Loan Amount is repaid with a special call under Japan's NAB credit arrangement, and Japan hereby requests the Managing Director to make such calls to fund the repayment in accordance with paragraph 23 of the Fund's Decision No. 11428-(97/6), adopted January 27, 1997 on the NAB, as amended.

15. Final Provisions.

(a) This agreement may be executed in duplicate counterparts, each of which shall be deemed an original and both of which together shall constitute but one and the same instrument.

(b) This agreement shall become effective on the date last signed below or on January 1, 2021, whichever is later.

[Signature Pages Follow]

For Japan:

[Name]

[Title]

Date

For the International Monetary Fund:

Kristalina Georgieva

Managing Director

Date

For Japan:

[Name]

[Title]

Date

For the International Monetary Fund:

Kristalina Georgieva

Managing Director

Date