

Technical Note on Synchronized Approval of Flexible Credit Lines for Multiple Countries

As foreshadowed in the [Executive Board Report to the IMFC on the Fund's Mandate](#), this technical note sketches the procedures under which synchronized approval of Flexible Credit Line (FCL) arrangements for multiple member countries could be undertaken under the existing FCL Decision and other Fund policies.¹ When multiple members face the same shock, synchronized approval of FCL arrangements could strengthen the effectiveness of the response to the common shock and minimize first-mover problems. This technical note neither modifies existing Fund policies, nor establishes a new financing instrument.

1. **Synchronized FCLs:** When hit by a common shock, member countries may approach the Fund jointly to request Fund financial assistance. Most likely, however, potential interest by members would be conveyed bilaterally. In any case, and as required under the FCL Decision, each member's qualification for the FCL would be assessed individually, and only after the member has affirmatively expressed interest in the FCL. More generally, FCL arrangements requested or approved on a synchronized basis are not different from other FCL arrangements, and would be subject to all the requirements applicable under the FCL Decision and other Fund policies.²

2. **Confidentiality** must be preserved in discussing with members potential use of, and qualification for, the FCL, as required in the [FCL Decision](#) (¶6). Only the Executive Board has the authority to determine qualification or to approve FCL arrangements, as recommended by management. With this in mind, in informal discussions with members, Fund staff and management would not confirm that any particular member would qualify for an FCL arrangement; neither would they reveal that any other member has expressed interest in the FCL, unless the member(s) that has already expressed interest has agreed that such information can be shared in the informal discussions with other members.

3. **Synchronized FCL procedures:** Should a number of members express interest in synchronized financial assistance from the Fund under FCL arrangements, and Fund management decides that access to Fund resources under the FCL by each member may be appropriate, the Executive Board will be promptly consulted in an informal meeting.

¹ See [The Fund's Mandate—Future Financing Role: Reform Proposals](#), and [The Fund's Mandate – The Future Financing Role – Revised Reform Proposals and Revised Proposed Decisions](#).

² The synchronized approval of FCL arrangements discussed in this note differs from the proposed unilateral Fund offer of FCL arrangements contemplated under the Global Stabilization Mechanism (GSM; see, e.g., [The Fund's Mandate—Future Financing Role: Reform Proposals](#)), in that the latter was envisaged to be a new Fund policy allowing the Executive Board to make an offer to approve FCL arrangements for a group of systemically important members prior to a formal request for an FCL arrangement from those members. Moreover, under the proposed GSM unilateral offer, members to whom an offer is made need not have their arrangements approved in a concurrent manner—they could approach the Fund at any time while the offer remains open.

Expedited approval procedures could be followed consistent with the FCL Decision.³ This synchronized consideration and approval of FCL arrangements would be governed by the same policies and requirements currently in place under the FCL Decision to approve an FCL arrangement for each member, and by the standard procedures and practices governing matters such as the issuance of Board documents and the conduct of Board meetings.

4. ***External communications:*** As indicated in the FCL operational guidelines,⁴ if there are concerns about a market-sensitive leak or misinformation about the FCL requests, management could issue a short press statement following the initial informal Board meeting indicating the concurrent request of FCL arrangements, provided the relevant members agree to it. The press statement will take special care not to prejudge the Board's exercise of its responsibility to take the final Decision on the FCL arrangements.

5. ***Access:*** As with other applicable FCL policies and requirements, the general Fund policies for duration and access under FCL arrangements will be followed when synchronized FCL approval procedures are used. Hence, proposed access levels would be based on a rigorous assessment of each member's actual or potential balance of payments need and capacity to repay, and would take into account the individual and cumulative impact of the access requests on Fund resources (§6(a)(iii)(I) and (II) of the FCL Decision).

6. ***Safeguards:*** Depending on the individual and collective size of the relevant arrangements, concurrently approved FCL arrangements could have important implications for Fund resources and liquidity management. The recently strengthened procedural requirements for early Board involvement in assessing the contemplated access and the impact of such access on Fund liquidity, in the context of other potential demand for Fund resources, are useful safeguards in this respect. To ensure early Executive Board consideration of the liquidity implications arising from concurrently approved FCL arrangements, staff intends, as an added safeguard, to include a liquidity assessment in the staff note (or notes) for the initial informal Board meeting whenever total access across the proposed arrangements would exceed SDR 10 billion, even if no individual arrangement contemplates access above this threshold.

³ The [FCL Decision](#) (§6(a)(v)) states that the minimum periods applicable to the circulation of staff reports to the Executive Board shall apply to FCL arrangement requests, provided that the Executive Board will generally be prepared to consider a request within 48 to 72 hours after the circulation of the documentation in exceptional circumstances, such as an urgent actual balance of payments need.

⁴ See [The Flexible Credit Line—Guidance on Operational Issues](#).