INTERNATIONAL MONETARY FUND

The Precautionary and Liquidity Line (PLL)

The Precautionary and Liquidity Line (PLL) is designed to meet the liquidity needs of member countries with sound economic fundamentals but with some remaining vulnerabilities that preclude them from using the Flexible Credit Line (FCL).

Purpose	Provide financial support to meet actual or potential balance of payments needs of countries with sound policies that may have some remaining vulnerabilities.
Eligibility	Sound economic fundamentals and institutional policy frameworks.
	A sustained track record of implementing strong policies and continued commitment to maintain such policies in the future.
	In addition to a generally positive assessment of the country's policies in the most recent Article IV consultations, the following criteria, grouped in five broad qualification areas, are used to assess a country's qualification: External position and market access: • Sustainable external position • Capital account position dominated by private flows • Track record of steady sovereign access to international capital markets at favorable terms *If the arrangement is requested on a precautionary basis*: a reserve position that remains relatively comfortable, notwithstanding potential balance of payments pressures that justify IMF assistance Fiscal policy: Sound public finances, including a sustainable public debt position. Monetary policy: Low and stable inflation, in the context of a sound monetary and exchange rate policy framework. Financial sector soundness and supervision: • Sound financial system and the absence of solvency problems that may threaten systemic

	stability. • Effective financial sector supervision • Data adequacy: Data transparency and integrity
	Qualification is based on strong performance in three out of the five qualification areas. Substantial underperformance in any area signals that the member does not qualify for a PLL.
	In addition, countries experiencing any of the following conditions at approval are not eligible: • Sustained inability to access international capital markets • A need for large macroeconomic or structural policy adjustment (unless such adjustment has credibly been launched before approval). • A public debt position that is not sustainable with a high probability in the medium term. • Widespread bank insolvencies
Conditionality	Ex-ante conditionality in the form of qualification criteria. Ex-post conditionality for one- to two-year PLL arrangements includes indicative targets, standard continuous performance criteria and, where warranted, other performance criteria as well as prior actions and structural benchmarks. Ex post conditionality for six- month PLL arrangements includes standard continuous performance criteria and, where warranted, prior actions. See more on conditionality.

Review modalities	Six-month arrangements are not subject to reviews One to two-year arrangements are monitored through six-monthly reviews by the IMF's Executive Board. If a country has an actual balance of payments need at the time of the arrangement, access is phased through semiannual disbursements in line with the same periodicity of reviews.	
Terms	**Duration**	Six months, or one to two years.
	Repayment	Over a 3¼ to 5-year period
	Interest rate and fees	The lending rate comprises: • The market-determined Special Drawing Rights (SDR) interest rate—which has a minimum floor of 5 basis points—and a margin (currently 60 basis points), together known as the basic rate of charge. • Surcharges, depending on the amount and time that credit is outstanding. A surcharge of 200 basis points is paid on the amount of credit outstanding above 300 percent of quota. If credit remains above 300 percent of quota after three years, this surcharge rises to 275 basis points. Surcharges are designed to discourage large and prolonged use of IMF resources.

		Resources are subject to a commitment fee levied at the beginning of each 12-month period on amounts that could be drawn in the period (15 basis points for committed amounts up to 200 percent of quota, 30 basis points on committed amounts above 200 percent and up to 600 percent of quota and 60 basis points on amounts exceeding 600 percent of quota). Fees are refunded pro rata if amounts are drawn during the course of the relevant period. If a country borrows the entire amount, the fee is fully refunded. However, no refund is made when countries do not draw.
		A service charge of 50 basis points is applied on each amount drawn.
	Access	Six-months PLL arrangements are subject to a limit of 150 percent of a country's quota (net of scheduled PLL repurchases). If a country faces an actual or potential larger short-term balance of payments need resulting from the impact of an exogenous shock, including heightened regional or global stress, access could be subject to a higher limit of 300 percent of quota per arrangement, which is the cap for total access under six-month arrangements.
		PLL arrangements of one to two years are subject to an annual access limit of 300 percent of quota (net of scheduled PLL repurchases) and to a total of 600 percent of quota for the entire arrangement. Continued access is subject to the completion of the relevant six-monthly review by the IMF Executive Board.

		Access under all PLL arrangements, regardless of the length of the arrangement, shall not exceed the cumulative cap of 600 percent of quota, net of scheduled PLL repurchases. In addition, PLL arrangements are subject to the annual and cumulative access limits applicable to all financing under the GRA, and thus to the exceptional access policy (which is triggered by financing above either of the normal GRA access limits of 200 percent annually and 600 percent cumulatively, net of scheduled repurchases).