INTERNATIONAL MONETARY FUND

IMF POLICY PAPER

THE 2025 REVIEW OF THE SHORT-TERM LIQUIDITY LINE

December 15, 2025

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report**, prepared by IMF staff and completed on December 8, 2025 for the Executive Board's consideration on December 15, 2025 on lapse of time basis.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers
are available to the public from
http://www.imf.org/external/pp/ppindex.aspx

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 25/426

IMF Executive Board Concludes The 2025 Review of the Short-Term Liquidity Line

FOR IMMEDIATE RELEASE

Washington, D.C., December 17, 2025 — The Executive Board of the International Monetary Fund (IMF) has formally completed its review of the Short-Term Liquidity Line (SLL) on December 15th. The Review concluded that the SLL will terminate in April 2027, at the end of the seven-year period following its establishment, in line with the original design of the instrument.

Introduced in 2020, the SLL was established as a revolving and renewable backstop for countries with very strong economic fundamentals, policies, and track records of policy implementation. It provides liquidity support for members facing potential short-term, moderate balance of payments difficulties, reflected in pressures on the capital account and reserves and resulting from volatility in international capital markets. The SLL aims to help prevent emerging liquidity pressures from escalating into broader macroeconomic or financial instability. Since its inception, uptake has been limited.

The 2025 review was informed by an IMF staff paper. Staff's analysis highlighted the SLL's role within the Global Financial Safety Net (GFSN) since the pandemic and its distinctive features within the IMF's precautionary toolkit, including revolving access and cost advantages. However, the review also noted that the SLL's attractiveness may be constrained compared to the FCL, which covers broader balance of payments problems, offers higher access, a longer repayment period, and has a more established signaling effect, while sharing the same qualification criteria.

An informal meeting with Executive Directors was held on November 10, 2025, to discuss the review and the future of the SLL. The staff paper considered the merit of a short-term extension of the SLL term through October 2028, to allow for a decision on the SLL to be made in the context of the next comprehensive review of the IMF instruments available for precautionary lending. A range of views was expressed by Executive Directors with indications that support for such a short-term extension would be insufficient. Qualifying countries may request approval of SLL arrangements up until it is scheduled to lapse on April 14, 2027. Pursuant to the SLL policy, approved arrangements during this period will remain in effect until the earlier of the expiration or cancellation of the arrangement by the member.

Looking ahead, a comprehensive review of the IMF's instruments available for precautionary lending is tentatively planned for 2028. This review will incorporate lessons learned since the 2023 review of the FCL, SLL and PLL, and broad-based feedback from stakeholders. The objective will be to assess the IMF's toolkit available for precautionary lending holistically, strengthen their effectiveness in supporting members' balance of payments positions and crisis prevention, and address any gaps or overlaps. The review will build on recent and ongoing work related to the Global Financial Safety Net and the Review of Program Design and Conditionality, ensuring the IMF maintains a robust, flexible, and well-communicated toolkit that supports the resilience of the GFSN and meets the evolving needs of its diverse membership.

INTERNATIONAL MONETARY FUND

THE 2025 REVIEW OF THE SHORT-TERM LIQUIDITY LINE

December 8, 2025

EXECUTIVE SUMMARY

The Short-term Liquidity Line (SLL), introduced in 2020, was designed as a revolving liquidity backstop for countries with very strong economic fundamentals and institutional policy frameworks. It aims to address short-term, moderate balance of payments needs arising from capital flow volatility, helping to prevent emerging liquidity pressures from escalating into broader macroeconomic or financial instability. However, uptake has been limited, with only one arrangement for Chile in 2022, which was canceled shortly thereafter in favor of a Flexible Credit Line (FCL).

The SLL was created with a seven-year sunset clause. The SLL Decision states that the SLL shall terminate seven years after its creation, with an expectation that the Executive Board would decide by end-2025 whether to extend the instrument beyond the seven-year period. This decision was to be adopted in the context of a review of the facility. The call for this review was reiterated in the 2023 Review of the FCL, SLL and Precautionary and Liquidity Line.

This paper aims to inform the review and the Executive Board's decision on the SLL's future. It notes the relevant role the SLL has played within the Global Financial Safety Net since the pandemic and highlights its distinctive and innovative features within the IMF's precautionary toolkit, including revolving access and cost advantages. However, it recognizes that the SLL's attractiveness may be constrained in comparison to the FCL which offers a longer repayment period, higher access and broader applicability to all balance-of-payments needs with the same qualification criteria, as well as a better-established signaling effect.

Following the feedback received during a session to engage with Executive Directors on November 10, 2025, staff proposes the completion of the review with no other changes. The SLL would lapse on the scheduled sunset date on April 14, 2027. Qualifying countries could request approval of SLL arrangements up until the scheduled sunset. Pursuant to the SLL Decision, approved SLL arrangements during this period would remain in effect until the earlier of their expiration or their cancellation by the member.

Approved By
Christian Mumssen, Zuzana Murgasova, Bernhard Steinki

Prepared by the Strategy, Policy and Review, Finance, and Legal Departments. The team was supervised by Faezeh Raei (SPR), Greetje Everaert (FIN) and Gabriela Rosenberg (LEG), and comprises Alex Grohovsky, Mahmoud Harb (team lead), Giulio Lisi and Hyunmin Park (all SPR), Idossou Adom, Chiara Ferrero and Andrew Swiston (all FIN) and Gomiluk Otokwala, Qingxiang Li, Sherif Ayoub (LEG). Merceditas San Pedro-Pribram (SPR) assisted in the production of this paper.

CONTENTS

ANNEXES

Acronyms and Abbreviations

AMF	Arab Monetary Fund
BOP	Balance of Payments
BRICS-CRA	BRICS Contingent Reserve Arrangement
CMIM	Chiang Mai Initiative Multilateralization
EA	Exceptional Access
EFF	Extended Fund Facility
EM	Emerging Market
ESM	European Stability Mechanism
FCL	Flexible Credit Line
FIN	Finance Department
FLAR	Latin American Reserve Fund
GRA	General Resource Account
GFSN	Global Financial Safety Net
IMF	International Monetary Fund
LEG	Legal Department
PLL	Precautionary and Liquidity Line
PRGT	Poverty Reduction and Growth Trust
RCF	Rapid Credit Facility
RFA	Regional Financing Arrangement
RFI	Rapid Financing Instrument
SBA	Stand-By Arrangement
SCF	Stand-by Credit Facility
SDR	Special Drawing Right
SLL	Short-term Liquidity Line
SLS	Short-term Liquidity Swap
SPR	Strategy, Policy, and Review Department
UCT	Upper Credit Tranche
UFR	Use of Fund Resources

BACKGROUND

1. **The Short-term Liquidity Line (SLL) offers a revolving liquidity backstop for countries with very strong economic fundamentals and institutional policy frameworks.** The facility provides financing of up to 200 percent of quota to help countries address potential, short-term, and moderate balance of payments (BOP) difficulties arising from capital flow volatility triggered by external shocks.[1] Fund support under the SLL is intended to prevent emerging liquidity pressures from escalating into broader macroeconomic or financial instability.

2. **The SLL's creation in 2020 followed years of reflection on how the IMF could provide a short-term liquidity backstop to countries facing capital flow volatility.** Its design builds on lessons from past crises and instruments, as well as earlier reviews of the Global Financial Safety Net's (GFSN) architecture (IMF 2011a, 2016, 2017a, 2017b) and an associated blueprint for a Short-term Liquidity Swap (SLS). The COVID-19 shock catalyzed the SLL's adoption as part of the lending response tailored to emerging markets (EMs), alongside other wide-ranging efforts by the Fund to support its members during the pandemic.

3. **The SLL was established for a seven-year period, after which it would automatically lapse.** This sunset clause was introduced in light of the SLL's novel features, including its revolving access, and concerns about its potential impact on the IMF's resources. It is subject to a review by the end of 2025, with the expectation that the Board would decide whether the SLL should be extended beyond its seven-year term.[2] The review is intended to offer an opportunity for an assessment of the instrument's performance and relevance, and inform a decision on its future.

4. **This paper examines the experience with the SLL to date.** It discusses the SLL's role in the IMF's precautionary toolkit and in the broader GFSN, highlighting its strengths and limitations through a study of Chile's case, comparative and contextual analyses, and insights from discussions with selected country teams. The analysis suggests that the SLL's innovative design could remain relevant in a world of heightened uncertainty, but demand has remained limited as the SLL's attractiveness is currently overshadowed by the stronger appeal of the FCL.

5. **Staff examined several options for the SLL's future, including their advantages and limitations.** Letting the SLL lapse as scheduled in April 2027 is the default path and would contribute to streamlining processes, but would remove a relatively untested instrument in an uncertain global environment. Modest adjustments to the SLL design are unlikely to increase the instrument's

[1] Specifically, the SLL is meant for a member that faces short-term balance of payments difficulties that: (i) are only of a potential nature, reflected in pressure on the capital account and the member's reserves; (ii) are resulting from volatility in international capital markets; and (iii) are reasonably expected to be limited in scale and to require, at most, fine-tuning of monetary and exchange rate policies.

[2] The decision establishing the SLL in 2020 provides that by end-2025, the Executive Board is expected to decide whether to extend the instrument for an additional period. In addition, the Executive Board decision adopted at the time of the completion of the 2023 Review of the FCL, SLL and Precautionary and Liquidity Line specifically called for a review of the SLL by end-2025.

attractiveness, would entail costs disproportionate to their benefits, and might create inconsistencies within the precautionary toolkit. More substantive reforms of the SLL might improve demand but would best be assessed as part of a comprehensive review of the precautionary toolkit to ensure coherence and avoid overlaps between instruments and design inconsistencies. In light of these considerations, staff engaged with Executive Directors on November 10, 2025 on possible options for the SLL's future, including the possibility of a short-term extension of the sunset by 18 months, to preserve optionality and situate the decision on the SLL within the next comprehensive precautionary toolkit review. Directors expressed a range of views. In light of the feedback received from the Board, staff proposes the completion of the review with no other changes, meaning the SLL would expire as scheduled on April 14, 2027.

THE SLL: GENEALOGY AND EARLY EXPERIENCE

A. Lineage and Conceptual Framework

6. **The SLL builds on the legacy of IMF instruments designed to address short-term BOP pressures and capital account shocks.** The increased prevalence of short-term but severe capital account crises in the 1990s led the Fund to explore new tools tailored to the evolving nature of global economic disruptions. As early as 1994, the IMF considered a Short-Term Financing Facility with limited conditionality, which could be requested in the context of Article IV consultations (IMF 1994). The Fund ultimately introduced the Supplemental Reserve Facility (SRF) in 1997 to provide large-scale, short-term financing to countries experiencing sudden losses of market confidence. While the precautionary Stand-By Arrangement (SBA) has long been part of the IMF's toolkit, the Contingent Credit Lines (CCL), launched in 1999, marked the IMF's first fully precautionary instrument.

7. **The Global Financial Crisis (GFC) catalyzed further efforts to enhance crisis prevention and stem contagion.** In response, the IMF established the Short-Term Liquidity Facility (SLF) in 2008 for countries with strong fundamentals to meet liquidity needs stemming from external market disruptions. Both the CCL and SLF were allowed to lapse due to low demand, with the SLF discontinued in 2009 when the FCL was introduced (Box 1). This process reflected a growing recognition that the nature of global economic shocks had changed and that new liquidity support mechanisms were needed to enhance resilience.

8. **Following the GFC, IMF reviews of the GFSN laid the groundwork for the eventual creation of the SLL**. As the GFSN evolved, particularly with the rise in bilateral swap arrangements (BSA) among major central banks, the 2011 GFSN stocktaking exercise concluded that more predictable short-term liquidity support for members with strong fundamentals could help mitigate crises and strengthen the Fund's catalytic role (IMF 2011a). Directors were broadly open to such an

instrument, but preferred to first assess the newly created FCL and Precautionary Credit Line (PCL).[3] Following more accumulated experience, the 2016 adequacy review of the GFSN identified growing demand for liquidity and limited use of the IMF's precautionary tools, pointing to the need for a facility offering revolving access, prequalification, and no ex-post conditionality. These design features were incorporated into the 2017 SLS proposal which, despite broad support at the Board, fell short of the 85-percent majority required for adoption. The concept nonetheless served as the blueprint for the adoption and launch of SLL in 2020.

9. The SLL is the latest addition to the IMF's precautionary toolkit and is intended to offer insurance to countries with strong macroeconomic frameworks that may occasionally face moderate, short-term capital flow pressures. It shares the same stringent qualification criteria as the FCL, ensuring that only members with very strong economic fundamentals and institutional policy frameworks would qualify.[4] However, the SLL is a special facility with a more narrowly defined purpose, targeting moderate, short-term, potential BOP needs stemming from capital flow volatility. In contrast, the FCL is a flexible instrument in the credit tranches that can address all types of BOP problems, whether potential or actual, regardless of the source of the shock, including those related to capital flow volatility or other factors, and irrespective of the shock's duration.

10. The difference in the conceptual design between the FCL and the SLL is reflected in their features. The SLL introduces an important innovation among Fund instruments by offering revolving access. Consistent with its focus on short-term capital-flow volatility, it also has a shorter duration, shorter repayment schedule, and some cost advantages relative to the FCL (see Annex II and paragraph 30 below).

11. The 2023 Review of the FCL, SLL and PLL (IMF 2023, henceforth the "2023 Review") sought to enhance the complementarities between the FCL and SLL (Box 2). It provided for the concurrent use of FCL and SLL arrangements. It also introduced enhancements to the SLL by raising its access limit to 200 percent of quota from the previous 145 percent of quota, and included procedural changes to smooth potential transitions between SLL and FCL arrangements.[5]

[3] The Precautionary Credit Line (PCL) was introduced by the IMF in August 2010 as part of the post Global Financial Crisis reforms to strengthen the precautionary toolkit. It was designed for members with sound fundamentals that did not fully meet the very strong qualification standard for the FCL but still needed contingent support. The PCL was discontinued in November 2011, when it was replaced by the Precautionary and Liquidity Line (PLL). The PLL broadened qualification and combined features of the PCL with additional flexibility for short term liquidity needs.

[4] As per the relevant Board decisions, approval of FCL and SLL arrangements requires that a member "(a) has very strong economic fundamentals and institutional policy frameworks, (b) is implementing—and has a sustained track record of implementing—very strong policies, and (c) remains committed to maintaining such policies in the future, all of which give confidence that the member will respond appropriately to the balance of payments difficulties that it is encountering or could encounter (Board Decision No. 14283-(09/29) —"FCL Decision" — and Decision No. 16747-(20/43) —"SSL Decision".).

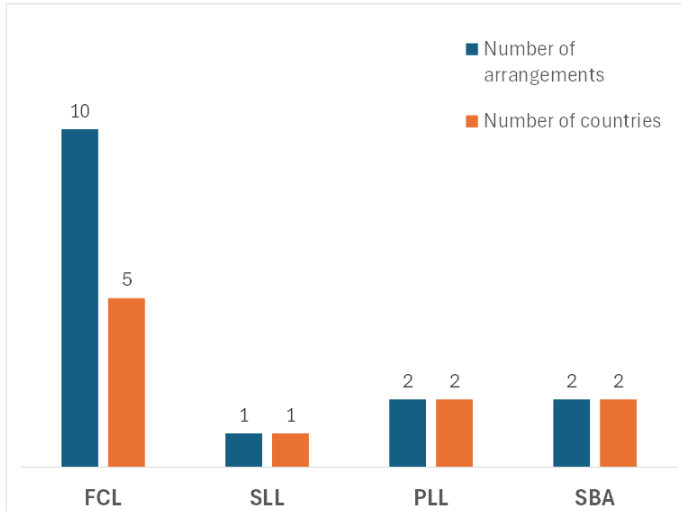
[5] The SLL's access limit will be adjusted once the 16th General Review of Quotas becomes effective, as outlined in the 2024 Review of Access Limits.

B. The Experience So Far

12. Demand for the SLL has been limited so far. Since its creation, only Chile has accessed the facility in May 2022 before canceling the arrangement and requesting a new FCL three months later. Since then, no other countries have accessed the SLL, despite reforms introduced by the 2023 Review.

13. More generally, demand for IMF precautionary facilities has remained fairly modest in recent years. The FCL has clearly dominated the SLL for countries meeting the relevant qualification standards. This raises questions about the SLL's design and perceived value among potential users.

Figure 1. Number of Approved Precautionary Arrangements (2020-2024)



Source: MONA database, staff calculations
Note: The chart shows instruments intended to be precautionary at the time of their approval.

14. The global context during the pandemic may have contributed to the limited uptake. Swift and decisive action by major central banks led to a substantial easing of global financial conditions. This may have reduced liquidity pressures for countries with very strong fundamentals which are most likely to qualify for the SLL, thereby dampening potential demand for the instrument.

15. However, the limited past use does not necessarily imply low future demand, particularly in a more uncertain and volatile global environment. Demand for various IMF lending instruments has fluctuated over time, often in response to shifts in global conditions or membership needs, leading to the discontinuation of some facilities. In some cases, instruments that saw periods of little use, such as the Extended Fund Facility (EFF), have experienced increased demand over time (Box 1).

16. The limited uptake of short-term precautionary liquidity tools is not unique to the SLL, as comparable instruments offered by Regional Financing Arrangements (RFAs) have likewise remained mostly unused. The Arab Monetary Fund's (AMF) Short-Term Liquidity Facility supports members with a sound reform track record facing a temporary liquidity shortage, for a period of six to eighteen months. Similarly, the BRICS-Contingency Reserve Arrangement (CRA) offers liquidity and precautionary instruments for actual or potential short-term BOP pressures, with access periods of six to twelve months. The Chiang Mai Initiative Multilateralization's (CMIM) Precautionary Line is designed for members facing potential BOP problems or short-term liquidity difficulties. The European Stability Mechanism (ESM) provides two renewable precautionary credit lines available to member states with sound economic fundamentals for up to one year. These tools remain largely unused. The exception is the Latin American Reserve Fund (FLAR) which has actively deployed liquidity loans for up to one year and a smaller amount of renewable contingency loans available for six months to address actual or potential liquidity needs.

17. As with other short-term liquidity facilities across the GFSN, the value of the SLL lies in part in its availability and associated signaling and crisis-mitigating effects, and not necessarily in the frequency of its usage. The availability of a credible short-term liquidity option can itself contribute to market stability, even if actual usage remains low.[6] This is to some extent confirmed by the analysis of Chile's experience in the next section.

C. Chile's Experience

18. While empirical evidence is limited, Chile's brief experience suggests that the SLL can bolster market confidence. In May 2022, following the end of a two-year FCL arrangement and amid a strong post-COVID recovery and reduced external risks, Chile entered an SLL for 145 percent of quota which was the maximum allowed at the time, prior to the 2023 Review. In the weeks following the announcement of the SLL, Chile's sovereign EMBI spreads declined relative to regional peers, indicating an improvement in market sentiment, although the latter could have been also influenced by the evolution of the prices of copper, Chile's main export commodity. However, these results are corroborated by further analysis using the synthetic control method (Abadie 2021); extending Lisi (2022), the analysis indicates the SLL appears to have contributed to lowering Chile's borrowing costs relative to comparable EMs by 15-20 basis points (bps) even when spreads subsequently rose in the context of falling copper prices (Figure 2).[7]

---

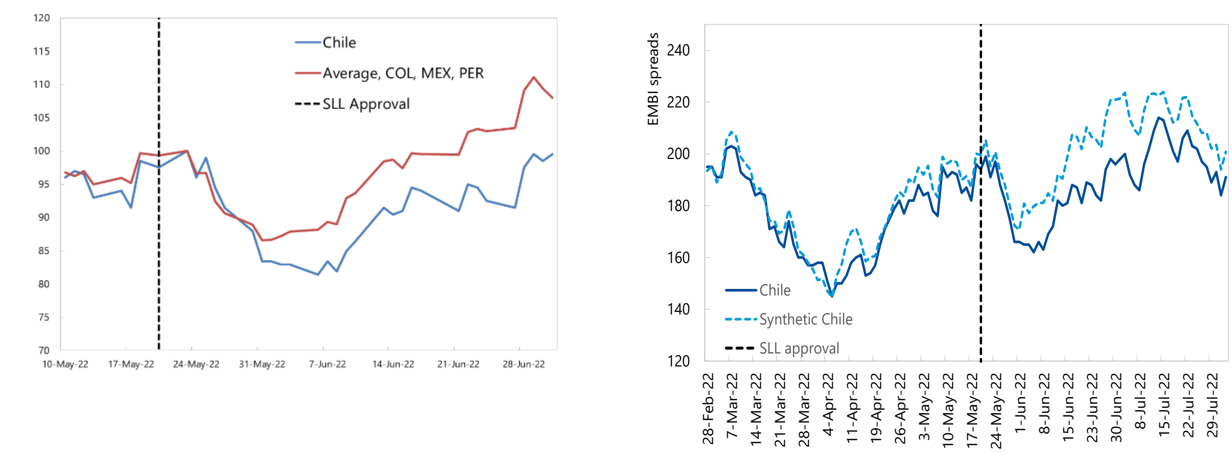
[6] See Choi and others (2022).

[7] One important limitation of the analysis is that it does not allow for an assessment of whether an FCL announcement, instead of the SLL, would have produced a similar market response. Both the FCL and SLL share the same strict qualification criteria and should generate comparable signaling effects. Differences between Chile's spreads and their synthetic control can in principle also be driven by other policy changes introduced after the approval of the SLL, which are not accounted for in the analysis. As such, causal interpretation of the results requires careful consideration.

Figure 2. Chile's Sovereign Spreads Around the Announcement of its SLL Arrangement

Sovereign Spreads: Chile and Peers
(Index; May 20, 2022=100)

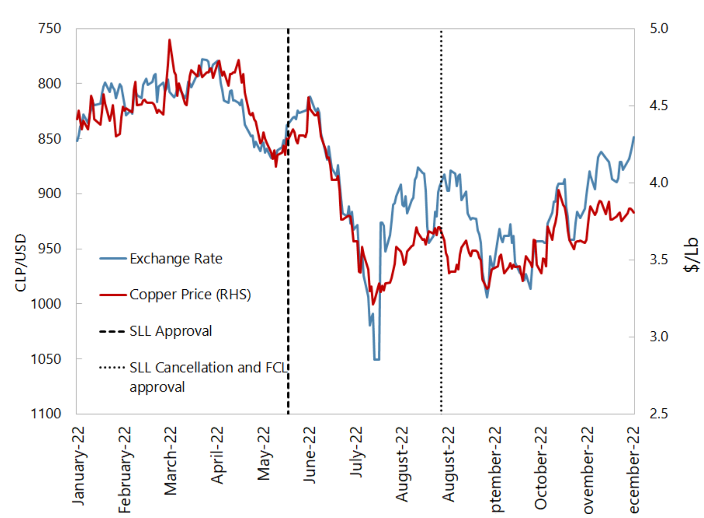
Impact of SLL on Chile's Sovereign Spreads
(Basis points)



Source: EMBI, WEO and staff calculation. The black line corresponds to the announcement of the SLL. The righthand side chart shows EMBI spreads for Chile (blue solid) line and a synthetic counterfactual (blue dotted line), constructed as weighted average of EMs exhibiting comparable patterns in gross reserves, fiscal balance, current account, and EMBI spreads before announcement of the SLL. The impact of the announcement is estimated as the difference between the two lines.

19. Chile quickly reverted to the FCL amid increased global economic uncertainties and worsening terms of trade (Figure 3). Seeking larger access and broader coverage of BOP risks (IMF 2022b), the authorities cancelled the SLL a few months after approval and requested a new FCL arrangement with substantially higher access (800 percent of quota) in August 2022. Concurrent use of the FCL and the SLL was not envisaged at the time and was only explicitly allowed following the 2023 Review.

Figure 3. Chile Terms of Trade and Use of Precautionary Instruments



20. Together, the insights from Chile's experience underscore the potential of the SLL as a targeted liquidity backstop, while reaffirming the continued relevance of the FCL for broader risk management. Chile's experience demonstrates how the SLL can serve as a credible signal of policy strength, while the shift back to the FCL highlights the importance of flexibility and scale in addressing broader external risks. As noted, the reforms introduced by the 2023 Review, including the possibility of concurrent use and increased access limits, could further enhance the complementarities between these instruments and improve their responsiveness to evolving member needs.

Box 1. Lapsed or Eliminated Fund Instruments

The IMF has historically phased out certain instruments in response to a shift in circumstances or limited usage. At various points in time, it has also reviewed its toolkit to assess the need for streamlining.

- Prior to 2000, the Fund eliminated or allowed certain facilities to lapse after their initial purpose was no longer relevant. Examples include (i) the First and Second Oil Facilities created in the 1970s to respond to the oil price shock, (ii) an oil import element of the Compensatory and Contingency Financing Facility (CCFF) implemented in response to rising oil prices during the Gulf War, (iii) the Systemic Transformation Facility established in the mid-1990s to support the early stages of transition from centrally planned to market economies, and (iv) the Y2K Facility.
- In 2000, the Fund conducted a broader review of its facilities to ensure the toolkit was not unduly complex (IMF 2000a, 2000b). It eliminated the contingency element of the CCFF and the Buffer Stock Financing Facility. Policies on Currency Stabilization Funds and on Fund support for Commercial Bank Debt and Debt Service Reduction operations were eliminated. The Contingent Credit Line was reviewed in early 2003 and, citing its lack of use and certain design issues that were perceived as limiting demand, the Executive Board allowed it to lapse on schedule in November 2003 while expressing support for broader crisis prevention efforts.
- A broad review of Fund facilities was conducted in 2009 in response to the Global Financial Crisis (GFC) and the Board's desire to revisit the coherence of the Fund's toolkit (IMF 2009). Citing the difficulty in determining the duration or the type of balance-of-payment need in special facilities under the General Resource Account (GRA), as well as a lack of demand, the review eliminated the Compensatory Financing Facility (the successor of the CCFF), the Supplemental Reserve Facility, and the Short-Term Liquidity Facility, the latter of which was replaced by the Flexible Credit Line.
- In addition to these major reviews, some other instruments were streamlined as part of focused reviews, including the elimination of the Policy Support Instrument in 2023 given user preference for the newer Policy Coordination Instrument.

Limited uptake is not always a reliable predictor of future demand. One example is the Extended Fund Facility (EFF). After minimal usage between 1983 and 1988, the EFF saw a marked uptake from 1988 onward. However, it again fell into disuse in the early 2000s, prompting the 2009 Review of Fund Facilities to recommend its elimination. At the time, the EFF was seen as less relevant to emerging market economies due to a perceived reduced need for long-term financing. Nonetheless, the instrument was retained, primarily due to its utility for low-income countries transitioning from the Poverty Reduction and Growth Facility (PRGF). Following the GFC, demand for the EFF surged and the instrument has since become a cornerstone of IMF lending, illustrating how usage patterns can shift significantly over time in response to changing global circumstances.

THE SLL WITHIN THE GFSN AND THE IMF TOOLKIT

A. The SLL Within the GFSN

21. An assessment of the GFSN reveals gaps in the protection it offers, including for countries with very strong fundamentals and policy frameworks. Building on other Fund studies (IMF 2016, IMF 2025), staff assessed the protection offered by various GFSN layers (Annex I) for a sample of EMs and advanced economies (AEs) that could potentially qualify for an SLL[8]. The assessment employed a consistent framework to compare the strengths and limitations of each instrument across five dimensions: *predictability*, *speed*, *reliability*, *cost* and *coverage* of the different GFSN layers.[9] Key findings include:

- *Sample countries maintain ample foreign reserves which can entail a high cost*. Most EMs in the sample have substantially increased their reserve holdings since the early 2000s, with buffers exceeding 100 percent of the ARA metric[10]. Reserves are highly predictable and immediately available. However, they can entail substantial costs primarily from the low returns on foreign assets relative to sterilization costs, and the opportunity cost from foregone investments and consumption (IMF 2016).
- *Few sample countries benefit from BSAs***.** While some BSAs between reserve-issuing AEs central banks have operated as standing facilities since 2013, those with other AEs and EMs have remained temporary and less accessible. BSAs among AEs are often intended to avoid disruptions to major currency funding markets during periods of stress, while those among EMs often offer a source of BOP financing. In general, BSAs offer rapid access and low borrowing costs with no commitment fees. However, their predictability and reliability are limited, particularly for EMs, as access, renewal, and terms are subject to the discretion of the liquidity-providing central banks.
- *Most sample countries participate in regional financing arrangements.* RFAs generally offer broad coverage, predictability, and often low financings costs.[11] However, complex and protracted

[8] The qualification criteria for an SLL are identical to those for an FCL. Given that the FCL and SLL share identical ex-ante qualification criteria, the remainder of this discussion sets the PLL aside to focus on the comparative role and performance of the FCL and SLL, although many of the conclusions would also apply to the PLL and in some cases, to the precautionary SBA.

[9] For predictability, speed, reliability, and cost, we use the definition from IMF (2016) and IMF (2017), as articulated in the following questions: (1) Predictability: Will resources be available and accessible, and can their terms and conditions be anticipated? (2) Speed: How quickly can resources be activated and disbursed? (3) Reliability: Do resources provide coverage for the entire duration of the shock –That is, are they easy to renew or extend as needed throughout the shock period? (4) Costs: What are the financial and political costs of the resources? Finally, (v) for coverage, we assign a value of "low" if less than 1/3 of the staff-assessed potential qualifiers for these instruments are covered, "moderate" if 1/3-2/3 of the countries are covered, and "high" if more than 2/3 of the countries are covered (see also Annex I).

[10] The ARA metric is not available for some advanced economies.

[11] For example, the ESM's lending rate was 1.28 percent as of end-2024, compared with a basic rate of charge of 4.8 percent on IMF borrowed resources, and a 5.3 percent lending rate on Fed swap lines.

processes limit the speed of deployment (IMF 2014). Moreover, the lending capacity and the structure of financial assistance vary considerably across arrangements and could be further impacted by a region-wide crisis. Political considerations, particularly when access is linked to an IMF-supported program, can also contribute to perceived stigma and influence lending decisions.

- *IMF arrangements offer the widest coverage and high predictability, but speed and reliability can be limited for some instruments.* IMF arrangements are available to all members and provide an assurance of Fund financing for actual, prospective or potential BOP needs under approved terms. However, in the case of programs with ex-post conditionality, the speed and reliability may be constrained as reaching understandings on Fund-supported programs can take time. Arrangements with ex-post conditionality can also involve political costs due to the perceived stigma potentially associated with seeking IMF support (IMF 2016).

22. The SLL and the FCL offer several advantages over other layers of the GFSN, particularly BSAs. They help countries manage risks in a predictable, reliable, and cost-effective manner. Their key features include:

- *High predictability and reliability, wide availability*. Unlike BSAs and RFAs, the SLL and FCL are available to all qualifying members based on specified criteria. This ensures highly predictable and reliable support, with renewal of access also based on specified criteria and facilitated by streamlined procedures introduced by the 2023 Review.
- *Rapid access*. The SLL and FCL arrangements can be generally drawn on demand, upon Board approval of the arrangement and a member's representation of an actual BOP need, with limited review requirements. Financing under such arrangements is thus much faster than those provided by RFAs or other IMF arrangements with ex-post conditionality which are subject to phasing.[12] However, actual disbursement processes might take a few days, particularly for cases of large access in nominal terms, making them potentially slower than many BSAs.
- *Positive signaling and limited stigma.* Designed without ex-post conditionality, the SLL and FCL tend to carry less perceived stigma relative to other forms of IMF financial assistance (IMF 2011b). Moreover, because only countries with very strong economic fundamentals and institutional policy frameworks would qualify, the SLL and FCL provide powerful positive signaling to markets by affirming the strength of a country's policies and institutions. However, for AEs and large EMs with ample reserves and high credit ratings, the SLL's and FCL's signaling value may be limited, while concerns about potential perceived stigma tend to persist. This is also the case in countries with complex histories of Fund support.
- *Moderate cost of insurance.* The commitment fees under both the SLL (8 bps) and the FCL (15-60 bps) compare favorably with the implicit cost of holding reserves, as proxied by adjusted

[12] There are no reviews for the SLL. For the FCL, approval of a two-year arrangement provides the member with purchase rights until the date of the scheduled mid-term review. In the case of a one-year arrangement, the approval of the FCL arrangement provides the member with purchase rights for the entire period of the arrangements without the requirement of a review. PLLs and SBAs are subject to reviews, , performance criteria and phasing provisions.

sovereign spreads (Rodrik 2006, IMF 2017b). This cost advantage holds true even for the best-performing EMs (Figure 4), particularly during periods of market stress. However, some BSAs, when available, could offer one important cost advantage relative to the SLL and the FCL as they do not carry commitment or service fees. Still, drawing costs under the SLL and the FCL are currently broadly comparable to those of the Fed's swap lines (Figure 4). [13]

- *Longer repayment period, shorter duration.* The SLL is designed as a short-term liquidity backstop, with a one-year arrangement period and a repayment period of twelve months. The FCL is approved for one or two years and carries a longer repayment period of 3¼ to 5 years. Most BSAs and repurchase agreement (repo) facilities offer much shorter actual repayment period than both the FCL and the SLL, typically overnight up to 3 months in the case of Fed tools,[14] or up to 12 months for the People's Bank of China (PBoC) swap lines. However, many BSAs last for up to three years,[15] a longer duration than the SLL and the FCL, and some, like the FIMA Repo, have no expiry. They may also allow for unlimited rollover.
- *Substantial and flexible access levels*. Staff's analysis indicates that access under the SLL, and even more so under the FCL, represents a material addition to a country's external liquidity buffers. The SLL provides access of up to 200 percent of quota, while the FCL has no pre-set cap, with actual access levels having ranged from 160 percent to as high as 1,300 percent of quota. In comparison, access under BSAs varies significantly depending on the provider and recipient country, often reflecting strategic, economic, or geopolitical considerations. The FIMA Repo facility is limited by the country's US securities holdings, is further capped at $60 billion per day, and can exceed the SLL's maximum access. However, unlike drawing from the SLL, which increases reserves, the FIMA facility swaps one reserve asset for another.

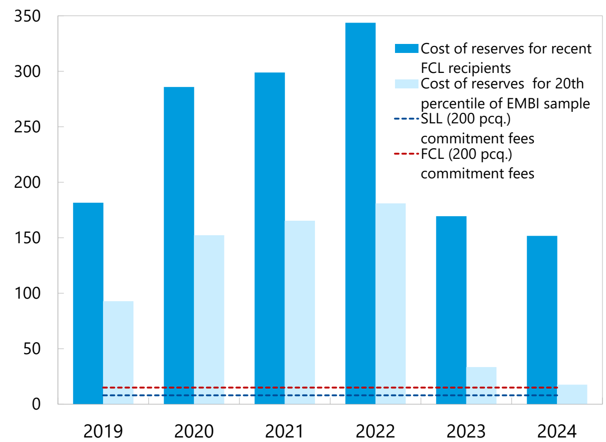
[13] The difference between the Annual Percentage Rate (APR) of the Fed swaps and the SLL are driven by short-term rate differentials between the US dollar and other currencies in the SDR basket (SDR Interest Rate Calculation).

[14] The Federal Reserve's standing dollar liquidity swap lines with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank have maturities ranging from overnight to three months (Federal Reserve Board - Central bank liquidity swaps). The term of the agreement for a FIMA Repo Facility is overnight or seven calendar days (The Fed - FIMA Repo Facility FAQs).

[15] When the bilateral repo lines that ECB established in 2020 with central banks of Hungary, Albania, the Republic of North Macedonia and the Republic of San Marino were originally due to expire at the end of March 2022 but extended to 15 January, 2023, then to 15 January 2024 (ECB agrees euro liquidity lines with non-euro area central banks until 15 January 2023, Decisions taken by the Governing Council of the ECB (in addition to decisions setting interest rates)).

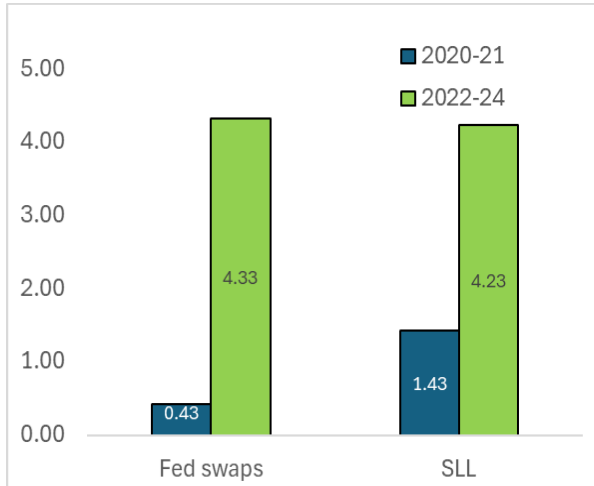
Figure 4. Illustrative Cost Comparison Between the SLL and Other Insurance Tools

Cost Comparison: Reserve Build-Up, FCL, and SLL
(Basis points)



Note: Blue bars represent the estimated cost of holding reserves for respective country groups. Cost of reserve buildup is proxied by the adjusted EMBI spreads which comprises the EMBIG sovereign spread, adjusted by adding the spread between 5-year Treasury bonds and the average of yields on the 2-year treasury bond and 3-month Treasury bills, to account for the potential lower maturity of reserves portfolios. Recent FCL recipients include Chile, Colombia, Mexico, Morocco, and Peru. Pcq = percent of IMF quota

Annual Percentage Rate (APR): Fed Swaps and SLL
(Percent)



Note: The APRs are averaged over the relevant periods (2020-21, 2022-24). The APR for Fed swap takes the simple average rate between 1-month and 3-month overnight swap interest rates and adds a spread of 25 bps. The APR for the SLL takes into account the basic rate of charge (SDR interest rate + margin), the service charge, and the non-refundable commitment fee. The margin over the SDR interest rate has been reduced to 60 basis points from 100 bps on November 1, 2024.

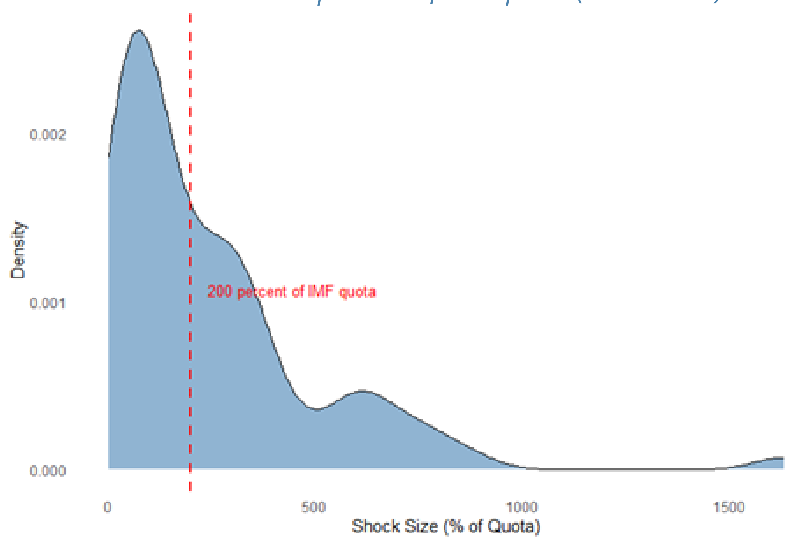
23. **The SLL shares certain design features with BSAs.** Its creation was grounded in evidence that disorderly market conditions in EMs have become more frequent, highly synchronized, and closely linked to global liquidity events, and that repeated small and short-lived but frequent liquidity events can accumulate into significant and persistent financial consequences for affected countries (IMF 2017). In response, the SLL was introduced as a revolving facility allowing countries to draw and repurchase multiple times within the approved access limit, thereby providing a flexible and predictable short-term backstop similar to BSAs.

24. **However, the SLL differs in several important aspects from BSAs and repo facilities extended by the Federal Reserve and the ECB.** These swap arrangements and repo facilities are primarily designed to alleviate strains in global funding markets by ensuring the availability of reserve currency liquidity to a wide range of counterparties, rather than targeting the specific BOP needs of individual countries. Their availability is also subject to the discretion of the liquidity-providing country. In contrast, the SLL is available to all qualifying IMF members with very strong fundamentals and policy frameworks, and is specifically tailored to provide insurance and contingent support for specific short-term and moderate BOP needs arising from external shocks. In this way, the SLL complements the liquidity provision function of major central bank swap lines.

25. An empirical analysis of the capital outflows in the sample of AEs and EMs that could potentially qualify for an SLL highlights the potential relevance of the facility's role as an appropriate backstop. To assess the relevance of the SLL in addressing shocks, staff examined the frequency and duration of financial account shocks between 2010 and 2024 across a sample of advanced and emerging economies potentially qualifying for the instrument**.** Since end-2020, sample countries have experienced financial account shocks measured by net portfolio outflows approximately every five quarters on average. The median shock lasted for two quarters with the associated outflows reaching 166 percent of quota. Notably, close to 60 percent of shocks remained below the SLL's access ceiling of 200 percent of quota, suggesting that the facility could help absorb the majority of such episodes (Figure 5). These trends are broadly consistent with those observed in the decade preceding the SLL's creation.

Figure 5. Distribution of Net Portfolio Outflows

Cumulative size in percent of IMF quota (2010-2024)



Note: The analysis covers a sample of advanced and emerging economies that could potentially qualify for an SLL arrangement. Shocks are defined as consecutive quarters of net portfolio outflows. The dashed red line represents 200 percent of quota corresponding to maximum access under the SLL.

26. Evolving global dynamics could increase the value of the SLL and FCL as complements to other forms of bilateral or market-based liquidity support. Amid growing geoeconomic fragmentation and heightened risks to price stability across large parts of the global economy, the prospect of large-scale central bank interventions and coordinated policy responses such as those witnessed during the pandemic are potentially less certain. As a result, the gaps in the GFSN may widen, particularly for countries with strong fundamentals, but limited access to market-based or bilateral liquidity sources. The SLL and FCL can help bridge these gaps and provide support to qualifying countries, thereby enhancing their resilience to shocks.

B. The SLL Within the Fund's Toolkit

27. Within the IMF's precautionary toolkit, the SLL and the FCL are differentiated by several features (Annex II), which are linked to the different balance of payments problems addressed by each instrument.

- The FCL is an instrument in the credit tranches which can help address all types of BOP needs and can be used for contingent or actual financing. In contrast, as a special facility, the SLL is tailored to a special BOP problem—potential moderate, short-term BOP difficulties reflected in pressures in the member's capital account and international reserves—making it a more targeted tool.
- In line with the above conceptual difference between the two instruments, access under the SLL is limited to 200 percent of quota and has a one-year repayment period, while the FCL does not have a hard cap on access and its standard repayment period extends up to five and a half years.
- While consecutive SLL and FCL arrangements are permitted, precautionary FCLs with access above 200 percent of quota (and all non-precautionary FCLs regardless of access levels) are also expected to be accompanied by the articulation of a credible exit strategy.
- For the SLL, the central bank may act as the sole signatory of the written communication where appropriate, which can facilitate the process compared to the FCL where typically both the central bank and Ministry of Finance sign.[16]
- The SLL has a lower commitment fee and a lower service charge than the FCL and other GRA instruments, making it more affordable in some circumstances (Figure 6).[17] For example, a country availing itself of a combined FCL and SLL of 200 percent of quota under each instrument for a total of 400 percent of quota would face an 11.5 bps commitment fee, compared with a 22.5 bps cost for an FCL arrangement with the same access. The SLL retains its cost advantage in case of drawing on the arrangement.[18]

---

[16] The Fund does not prescribe who should sign on behalf of the member in general when requesting Fund support, but rather, the written communication (or letter of intent as the case may be) should be signed by the agency that has domestic legal authority to enter into the financial obligations to the Fund on behalf of the member, and by the agencies who are responsible for implementing the policy commitments under the arrangement. For the SLL, this may be the central bank, depending on domestic circumstances. See IMF (2020) paragraphs 9-10 for further information.

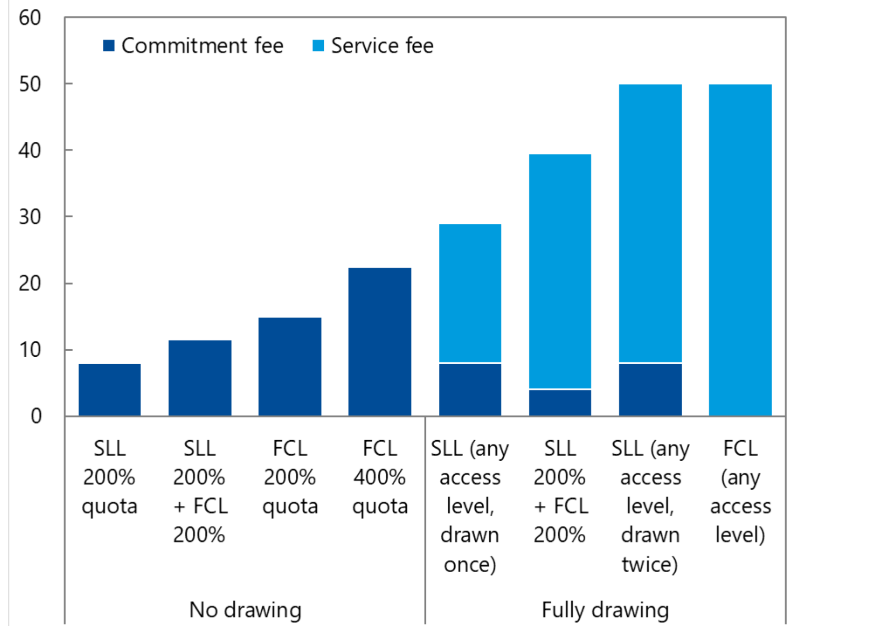
[17] A special fee structure applies to the SLL, including a non-refundable flat commitment fee of 8 bps and a service charge of 21 bps. The SLL's commitment fee is significantly lower than the upward-sloping commitment fees of 15-60bps generally applied to the FCL and other GRA arrangements. FCL resources are subject to a commitment fee levied at the start of each 12-month period on the amounts that could be drawn during that period (15 bps for committed amounts up to 200 percent of quota, 30 bps on committed amounts above 200 percent and up to 600 percent of quota and 60 bps on amounts exceeding 600 percent of quota). Fees are refunded pro rata if amounts are drawn during the arrangement. If the entire amount is purchased, the fee is fully refunded. However, no refund is made when no drawing occurs.

[18] The SLL and the FCL share the same basic rate of charge and are both subject to level-based surcharges, but the SLL is not subject to time-based surcharges. Unlike the FCL, the SLL's commitment fee is non-refundable upon drawing. Even so, a single full drawing on an SLL with access of 200 percent of quota entails total fees of 29 bps, compared with 50 bps for an FCL with the same access. Similarly, a combination of FCL and SLL arrangements (200

(continued)

28. Recent experience and in-depth interviews with select country teams suggest that the SLL's advantages are perceived as limited relative to the FCL due to key design and signaling differences. The FCL's uncapped access, broader applicability to all BOP problems, and significantly longer repayment periods are perceived to enhance its attractiveness relative to the SLL. The SLL's short, twelve-month repayment period is an important perceived limitation relative to the FCL, given that policymakers might not be able to determine the duration of shocks ex-ante, making the FCL's longer repayment periods more attractive in uncertain environments.

Figure 6. Cost Comparison of SLL and FCL Arrangements
(In basis points)



Source: IMF staff calculations

29. The SLL's advantages, including its innovative revolving access and somewhat lower cost, are not perceived to fully offset the FCL's other strengths. The somewhat complex cost structure may have made it difficult to convincingly communicate this advantage to potential users. Moreover, the FCL can mimic to some extent some of the SLL's flexibility through purchases of less than the full approved access that leave the arrangement in place, and the ability to request an augmentation of access in case of increased BOP needs.[19]

30. The FCL's better established signaling effect is also perceived to be an important strength. Some countries may prefer the FCL given its identical ex-ante qualification standards but clearer track record of actual usage by large countries with strong economic fundamentals, bolstering its market signaling effect.

31. The 2023 Review sought to address some of these issues (see Box 2 and Annex III). However, it may still be too early to fully assess the impact, particularly given the limited time and

---

percent of quota under each instrument) fully drawn once entails total fees of 39.5 basis points, versus 50 bps for a single FCL with access of 400 percent of quota. Only if the SLL is drawn twice do total fees equal those under the FCL. However, the SLL's short duration and repayment period of one year and the application of a service charge on each drawing may limit the practical cost advantages of the SLL.

[19] In the case of Colombia, the only case to date where a purchase under an FCL arrangement was made, the arrangement was augmented, and at later stage was drawn in amounts lower than the full approved access. The country therefore maintained an additional buffer under the FCL (see IMF Press Release No. 20/363).

outreach since the launch in early 2025 of the finalized operational guidance reflecting the 2023 reforms (IMF 2025).

Box 2. An Overview of Reforms to the SLL Under the 2023 Review

The 2023 Review of the FCL, SLL and PLL introduced several enhancements to the SLL aimed at improving its flexibility, accessibility and complementary with other IMF instruments. These reforms included:

Changes to the SLL's modalities

- *Access Limit. The SLL's access limit was increased from 145 to 200 percent of quota.1/*
- *Explicit provisions on the concurrent use with the FCL, enabling complementary insurance against moderate and larger shocks. Combined use of the SLL and FCL is permitted for countries meeting the shared qualification criteria, presenting the BoP problem addressed under the SLL and where the external risks warrant it.*

Streamlining SLL requests and other procedural changes:

- *SLL offer and request. The authorities may now request approval of an SLL arrangement through a written communication, following a process analogous to the FCL.*
- *Synchronized approval of SLL offers/requests. The IMF may extend synchronized SLL offers to multiple members or approve synchronized SLL arrangement requests, for example in the event of worsening global economic conditions.*
- *Safeguards requirements. Full-fledged adverse scenarios are no longer required for standalone SLL requests.*
- *Streamlined transitions. A streamlined qualification assessment can be used in staff reports, when countries transition from/to an SLL or FCL arrangement, provided the new arrangement is approved within six months from the entering into effect of the SLL (or FCL) arrangement to be cancelled, or within six months of the mid-term of the FCL (in the case of transition from FCL to SLL). In these instances, country reports detailing the request for the new arrangement, and including an update on the member's BOP problem, can cross-reference the qualification in the most recent Board document, where staff assesses that the qualification still holds. Similar streamlined processes are introduced for concurrent use.*

1/ At the same time, the removal of exit expectations for precautionary FCLs with access 200 percent of quota and below may have tempered the impact of this change.

FUTURE PATHWAYS FOR THE SLL

32. The preceding discussion indicates that the SLL could be a relevant component of the IMF's precautionary toolkit and the broader GFSN, but the lack of demand raises questions about its design. Countries with strong fundamentals and policy frameworks will continue to face short-term capital account shocks that may strain their financial accounts. The SLL offers a targeted and cost-effective liquidity backstop, helping to fill persistent gaps in the GFSN, particularly for qualifying EMs. Its availability may also help limit the need for building larger buffers on their international reserves, which may be more costly. At the same time, the facility's limited uptake since its inception highlights persistent challenges, including a perceived lack of advantages relative to the FCL.

33. The review thus suggests several options for the SLL, each with advantages and limitations:

- *Letting the SLL lapse in April 2027 as the default path*. Discontinuation could be justified based on the limited uptake and the availability of the FCL to qualifying members. It would also streamline the precautionary toolkit and avoid perceptions of institutional inertia. However, the limited experience to date makes it difficult to assess the full value of the SLL. Discontinuation would remove a relatively untested instrument prior to a more comprehensive review of the Fund's precautionary toolkit that could consider at all options. It could be also perceived as limiting the Fund's flexibility in the current uncertain and volatile global economic context.
- *Targeted modifications of the SLL to enhance its appeal***.** Such potential modifications could have included marginally lowering commitment fees, modestly increasing access limits, extending the duration of SLL arrangements and their repayment period, or further streamlining approval processes. While such targeted changes could be useful in specific cases, they would be unlikely to materially boost demand or enhance the Fund's ability to support members. They would also be resource-intensive to implement and might create inconsistencies and overlaps within the precautionary toolkit.
- *More far-reaching adjustments to the SLL to fundamentally transform its design***.** They could include revisiting qualification criteria to better differentiate the SLL from the FCL or significant adjustments to access limits. Such reforms would inevitably raise important policy challenges and could create inconsistencies and overlaps with other instruments. For instance, changes to the SLL's qualification criteria could affect the signaling effect and coherence of other precautionary instruments. Substantial modifications to access limits, already increased in 2023, could compromise the SLL's intended focus on moderate short-term BOP needs. As such, they would be more appropriately explored in the context of a comprehensive review of the Fund's precautionary toolkit.
- *A short-term extension of the SLL's sunset clause, e.g., from April 2027 through end-October 2028, to leave any decision on its discontinuation or reform as part of a broader review of the precautionary toolkit.* This approach would retain the instrument for a short additional period to gain further experience after the 2023 reforms and allow for the decision to be made during a more holistic review of the Fund's precautionary instruments. However, there would be no guarantee that demand would materialize during the extended period. The instrument's status would also remain ambiguous, potentially leading to perception of institutional hesitation.

34. An informal meeting to engage with Executive Directors on the review of the SLL was held on November 10, 2025. Staff discussed the possibility of a short-term extension of the SLL through October 2028, with a broader review of the precautionary toolkit expected to take place ahead of the revised sunset deadline. A range of views were expressed by Executive Directors. An extension of the sunset requires approval by an eighty-five percent majority of the total voting power at the Executive Board.[20]

35. Building on the feedback received from the Board, staff proposes completing the SLL review with no further changes to the instrument. The SLL will lapse on the scheduled sunset date on April 14, 2027. Qualifying countries could request approval of SLL arrangements up until the scheduled sunset date. Pursuant to the SLL Decision, approved SLL arrangements during this period would remain in effect until the earlier of their expiration or their cancellation by the member.

36. Looking ahead, a comprehensive review of the precautionary toolkit is tentatively planned for 2028. This review will incorporate lessons from the experience accumulated since the 2023 review, and that with the SLL, as well as feedback from Directors and country teams. The objective will be to assess the adequacy, coherence, and effectiveness of the Fund's precautionary instruments in supporting members' BOP needs and crisis prevention. The review will build on conclusions from the recent work on the Global Financial Safety Net and the Review of Conditionality to ensure the Fund maintains a robust, flexible, and well-communicated precautionary toolkit that supports the resilience of the GFSN and meets the evolving needs of its diverse membership.

37. The paper sets forth a proposed decision for adoption by the Executive Board by a majority of votes cast. The decision will complete the SLL review, in accordance with Decision No. 16747-(20/43), adopted April 15, 2020 and Decision No. 17557-(23/76), adopted October 2, 2023, without an extension of the scheduled sunset date for the SLL.,

[20] An extension of the period for which the facility was initially created amounts to a re-creation of the facility with the same special features for which a qualified majority is required. Therefore, the same majority that was required for the creation of the facility is required for its extension.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

The Executive Board has completed the review of the Short-Term Liquidity Line ("SLL") in accordance with Paragraph 12 of the Decision on Short-Term Liquidity Line Arrangements, Decision No. 16747-(20/43), adopted April 15, 2020 ("SLL Decision") and Decision No. 17557-(23/76), adopted October 2, 2023. The term of the SLL as specified in Paragraph 12 of the SLL Decision shall remain unchanged.

Annex I. IMF Facilities and the Global Financial Safety Net[1]

1. **IMF lending facilities are a critical layer of the Global Financial Safety Net (GFSN), alongside international reserves, BSAs, and RFAs.** The various GFSN layers offer financing when crises occur and complement countries' policy responses in cushioning the impact of shocks. As discussed in the paper "The Global Financial Safety Net in an Evolving World—A Stocktaking", the GFSN held up reasonably well during systemic crises, notably the GFC and the Covid-19 pandemic, helping to cushion their impact and preventing broader economic disruptions. Different GFSN layers have also helped countries and regions respond to idiosyncratic shocks over the past two decades.

2. **However, experience with the GFSN layers over the past two decades has been mixed.** Overall, the GFSN has remained heavily reliant on non-pooled resources and highly fragmented, with uneven country access to different layers. Moreover, the GFSN's effectiveness in incentivizing sound macroeconomic policies to reduce vulnerabilities and prevent crises has been limited outside of the IMF. Finally, coordination across GFSN layers remains largely informal and ad hoc, which constrains their effectiveness.

3. **The IMF holds a central and unique place in the GFSN due to its near-universal membership, macroeconomic surveillance and policy support, and capacity to lend across a wide range of economic circumstances.** The Fund's lending toolkit spans both disbursing arrangements for actual BOP needs—for urgent, short-term, and medium-term needs—as well as precautionary arrangements for potential BOP needs. The Fund also plays a unique stabilizing role through economic surveillance, and technical assistance. In addition, it can allocate Special Drawing Rights (SDR) to meet a long-term global need for supplementing existing reserve assets. In addition, the IMF's global membership, convening power, and trusted policy advisor role position it uniquely to coordinate with other sources of support, including RFAs, thereby enhancing the coherence and effectiveness of the GFSN (Box 2).

4. **Within the broader toolkit, the IMF's precautionary arrangements are critical to crisis prevention.** For members with potential balance of payments needs, precautionary financing ensures that the member can quickly make purchases if an actual BOP need were to emerge and if any applicable conditions are met. The instruments that offer precautionary financing are tailored to different balance of payments problems and are further differentiated in terms of the applicable qualification standard and conditionality (Figure 3).

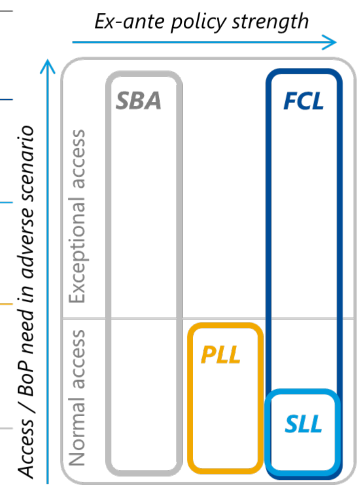
- The ***FCL*** provides uncapped, upfront access to resources for countries with very strong economic fundamentals and institutional policy frameworks (see footnote 2), with no ex-post conditionality, and is primarily aimed at bolstering market confidence in times of heightened external risks.

[1] See " The Global Financial Safety Net- A Stocktaking" (IMF 2025) for further discussion.

- The ***PLL*** is available to provide balance of payments support for members with sound economic fundamentals and institutional policy frameworks that may still face some vulnerabilities, offering financing with a mix of ex ante qualification criteria and ex-post conditionality.
- The ***SLL*** was introduced in 2020 to fill gaps identified in the 2016–2017 GFSN review which highlighted the importance of a "*standing liquidity backstop to members with strong fundamentals and policies for use when hit by liquidity shocks*". The SLL helps address this gap by offering predictable and renewable access to short-term liquidity for qualifying members facing external shocks, enhancing the flexibility and reach of the Fund's crisis-prevention framework.

Annex 1. Figure 1. IMF's Precautionary Instruments: Schematic Overview

	BoP need	BoP shock	Access limit[1] pcq	Conditionality: Ex-ante	Conditionality: Ex-post	Duration
FCL *Flexible Credit Line*	Potential *or* Actual	Any shocks	**No limit**, 200 w/o exit expectations	**Very strong** macro fundamentals, policies and institutions	**None**	1 or 2 years
SLL *Short-term Liquidity Line*	Potential	Short-term & moderate from capital flow volatility	200			1 year
PLL *Prec. and Liquidity Line*	Potential *or* Actual	Any shocks	600 (300/yr)	**Sound** macro fundamentals, policies and institutions	Key weak areas	6 months, 1 to 2 years
SBA *Stand-By Arrangement*	Potential *or* Actual	Any shocks	No limit[1]	N/A	Quantitative performance criteria + structural benchmarks	6–36 months



Note: "Pcq" stands for "percent of IMF quota". The Policy Coordination Instrument (not pictured) is a related non-financial instrument that can facilitate access to other layers of the Global Financial Safety Net. The Stand-By Credit Facility, a facility under the Poverty Reduction and Growth Trust, can also be requested on a precautionary basis.

[1] Actual access is informed, inter alia, by the BoP need in the adverse scenario. PLL and SBA access is subject to IMF policies on Exceptional Access.

Annex II. Comparison Between the FCL and the SLL

	Short-term Liquidity Line (SLL)	Flexible Credit Line (FCL)
Facility	Special facility	Credit tranches
Objective	Provide liquidity support for special BoP needs to members with very strong economic fundamentals, institutional policy framework, and policies	Allow members with very strong economic fundamentals, institutional policy framework, and policies to deal with any type of BoP needs
BOP need	Potential, moderate short-term BoP difficulties reflected in capital account pressures, resulting from volatility in international capital markets reasonably expected to require, at most, fine-tuning of monetary and exchange rate policies	Any
Qualification	• Based on an assessment of (i) very strong fundamentals and institutional policy frameworks (ii) very strong policies (in the past, currently, and commitment to maintaining them).	
Repurchase period	12 months	3¼-5 years
Access	Up to 200 percent of quota; revolving access	No access limit
Duration of arrangement	12 months	1 or 2 years
Charges and fees	• Nonrefundable commitment fee (8bps) • Service charge (21bps) • Normal rate of charge Normal surcharge schedule	• Normal schedule for commitment fees that are refundable on drawings (15 bps up to 200 percent of quota, 30 bps from 200 to 600 percent of quota, and 60 bps above 600 quota) • Normal service charge (50 bps) • Normal rate of charge and surcharge schedule
Activation	Member can choose to have the Board approve the "extension of an offer"—in which case the arrangement enters into effect upon the Fund confirming receipt of the written communication — or to request the arrangement, in which case the arrangement enters into effect upon Board approval. No prior informal Board meeting required	Upon Board approval of the request for the arrangement; prior informal Board meeting required (unless request is for successor FCL under limited circumstances).
Signatory	Given the more limited anticipated adjustment (if needed), sole central bank signatory of the written communication possible in certain cases	Both the central bank and the government generally sign the written communication given the broad nature of BoP needs that can be addressed under the FCL
Budget support	Should not be used for budget support	Can be used for budget support (an MoU between the ministry of finance and the central bank is required).
Ex-post conditionality	None	None
Reviews	None	Annual mid-term review for two-year arrangements
Successor arrangements	No restrictions, upon Board assessment of continued qualification of potential BoP need	Exit expected as external risk declines; articulation of exit not required for access below 200 percent of quota (for a precautionary FCL)
Concurrent use with RSF	Cannot act as an accompanying UCT arrangement for an RSF	A two-year FCL can act as an accompanying UCT arrangement for an RSF

Annex III. Concurrent Use of the SLL and the FCL

1. **With the same total access level, the concurrent use of the Short-Term Liquidity Line (SLL) and the Flexible Credit Line (FCL) can have advantages over using the FCL alone**. The concurrent use provides enhanced insurance against:

- **Longer-term shocks with a short-term component.** When the uncertainty associated with a large longer-term shock triggers additional market volatility, drawing on both instruments can be optimal. The authorities can use the FCL to create space to undertake necessary policy adjustments while employing the SLL to deal with market volatility (for instance, to ease strain on reserves if foreign-currency interventions are used to cushion high market volatility that is not justified by fundamentals).

- **Shocks of a limited scale and uncertain duration.** It may be more cost-effective to first draw on the SLL. If the shock persists, the authorities can draw on the FCL, allowing them the necessary time to undertake a deeper adjustment while repurchasing the SLL without incurring undue strain.

2. **Following the policy changes introduced in the 2023 Review of FCL, SLL and Precautionary Liquidity Line (PLL), the procedures for the concurrent use of the SLL and FCL have been streamlined**.

- Countries can request arrangements under both the FCL and the SLL in a single written communication, with both arrangements considered during the same Board meeting. Since both arrangements share the same qualification criteria, the only additional requirement compared to a stand-alone FCL would be the discussion of potential moderate short-term BOP difficulties from capital flow volatility (and its corresponding consideration in the adverse scenario) and relevant capacity-to-repay analysis.

- In the case of a 2-year FCL arrangement, the mid-term review of qualification under the FCL can be undertaken simultaneously with a new SLL request. Both arrangements can be discussed in a single document during the same Board meeting.

References

Abadie, Alberto. 2021. *Using synthetic controls: Feasibility, data requirements, and methodological aspects*. Journal of Economic Literature 59.2 (2021): 391-425.

Choi, Mark, Linda Goldberg and Robert Leeman. 2022. *The Fed's Central Bank Swap Lines and FIMA Repo Facility*, New York FED Economic Policy Review No. 28, June 2022

Federal Open Market Committee. 2021. *Standing FIMA Repurchase Agreement Resolution.* Adopted effectively July 27, 2021; as amended effectively January 25, 2022.

Gallagher, Kevin P, José Antonio Ocampo, and Ulrich Volz. *IMF Special Drawing Rights: A key tool for attacking a COVID-19 financial fallout in developing countries*. Brookings Commentary March 2026, 2020

International Monetary Fund. 1994. *Short-Term Financing Facility*. Policy Paper, September 26, 1994

_____, 2000a, *Review of the Compensatory and Contingency Financing Facility (CCFF) and Buffer Stock Financing Facility (BSFF)—Preliminary Considerations.* Policy Paper, January 14, 2000.

_____, 2000b, *Review of Fund Facilities—Preliminary Considerations.* Policy Paper, March 2, 2000.

_____, 2009, *Review of Fund Facilities—Analytical Basis for Fund Lending and Reform Options.* Policy Paper, February 6, 2009.

_____, 2010, *The Fund's Mandate—The Legal Framework*. Policy Paper, January 22, 2010.

_____, 2011a, *Analytics of Systemic Crises and the Role of Global Financial Safety Nets*. Policy Paper, May 31, 2011.

_____, 2011b, *Review of the Flexible Credit Line and Precautionary Credit Line*. Policy Paper, November 1, 2011.

_____, 2014. *Assessing Reserve Adequacy—Specific Proposals*. Policy Paper December 2014

_____, 2016. *Adequacy of The Global Financial Safety Net*, Policy Papers March 10, 2016.

_____, 2017a. *Adequacy of The Global Financial Safety Net: Considerations for Fund Toolkit Reform*, Policy Papers December 19, 2017.

_____, 2017b. *Adequacy of the Global Financial Safety Net-Review of the Flexible Credit Line and Precautionary and Liquidity Line and Proposals for Toolkit Reforms*.

_____, 2022. Chile: *Request For an Arrangement Under the Flexible Credit Line And Cancellation of the Arrangement under the Short-Term Liquidity Line*. Country Report No. 2022/283.

_____, 2023. *Review of the Flexible Credit Line, The Short-Term Liquidity Line and the Precautionary and Liquidity Line, and Proposals for Reform*.

_____, 2025. *Flexible Credit Line and Short-Term Liquidity Line-Operational Guidance Note*.

_____,2025. *The Global Financial Safety Net —A Stocktaking*.

Levy Yeyati, Eduardo and Tito Cordella. 2010. *Global safety nets: The IMF as a Swap Clearing Hous*e. VOX EU Column, April 18, 2010

Lisi, Giulio. 2022. *IMF's Precautionary Lending Instruments: Have They Worked?*. IMF Working Paper No. 2022/256

Perks, Michael, Yudong Rao, Jongsoon Shin and Kiichi Tokuoka. *Evolution of Bilateral Swap Lines*. Working Paper No. 2021/210

Rodrik. 2006. *The Social Cost of Foreign Exchange Reserves*. NBER Working Paper No 11952.