

INTERNATIONAL MONETARY FUND

**GRA Lending Toolkit and Conditionality—Reform Proposals—Supplement 1,  
Revised Proposed Decisions**

Prepared by

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**I. Introduction\***

1. Following the circulation to members of the Executive Board of *GRA Lending Toolkit and Conditionality—Reform Proposals* (March 13, 2009), the Managing Director and Executive Directors have had further consultations on how best to advance the reform proposals in that paper. Based on those consultations, this supplement proposes revisions to Proposed Decisions IV, VI and VIII set forth in SM/09/69. No changes are proposed to Proposed Decisions I, II, III, V and VII. The entire set of proposed decisions, as revised, is set forth below. For easy reference, a redlined version of the proposed revisions is attached as Annex I.

**II. Flexible Credit Line (FCL) Arrangements**

2. Paragraph 2 of Proposed Decision IV on the Flexible Credit Line (FCL) Arrangements establishes the qualification criteria that must be met in order for the Fund to approve a member's request for an FCL arrangement. Paragraph 6(a)(i) of the proposed decision provides that, upon a member's expression of interest, staff will conduct a confidential preliminary assessment of whether the member meets the qualification criteria. In order to remove any ambiguities concerning the consistency of paragraph 6(a)(i) with paragraph 2, it is proposed to revise paragraph 6(a)(i) so as to provide a clear and direct link to paragraph 2 (*Revised Proposed Decision IV, paragraph 6(a)(i)*).

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\* This paper contains the Decisions adopted by the Executive Board on 3/24/09. Two of the proposed Decisions were revised after Supplement 1 was issued. Decision I becomes effective from May 1, 2009 to allow time to address transitional issues; and an editorial change was made to Decision IV: paragraph 6 a (i ) was split into (i) and (ii).

### **III. Surcharges on Purchases in the Credit Tranches and Under the Extended Fund Facility**

3. A number of revisions are proposed to Proposed Decision VI on Surcharges on Purchases in the Credit Tranches and Under the Extended Fund Facility. In particular, the date on which the new system of surcharges would come into effect would be August 1, 2009—the start of the next quarterly interest billing cycle—rather than May 1, 2009, to allow more time for members to consider the grandfathering option they would elect, and to give members currently discussing arrangements with the Fund a time-limited opportunity to elect to remain under the current system of surcharges for purchases under these arrangements (*Revised Proposed Decision VI, paragraph 1*). In addition, in line with the change of the effective date, the deadline for the election of the grandfathering option would be July 29, 2009 rather than April 30, 2009 (*Revised Proposed Decision VI, paragraph 2(b)*). Finally, greater clarity as to the timing of the application of the time-based surcharge is provided for the case of a member making use of the transitional measures in paragraph 2(a)(ii), but for whom a successor arrangement is subsequently approved (*Revised Proposed Decision VI, paragraph 3*).

### **IV. Repeal of Time-Based Repurchase Expectations**

4. It is proposed to revise Paragraph 7 of Proposed Decision VIII on Repeal of Time-Based Repurchase Expectations (TBRE) in order to change the effective date of the repeal of the TBRE policy to April 1, 2009 from the earlier proposed date of May 1, 2009. The original date was aligned with the proposed date for the effectiveness of the new system of surcharges. However, with the proposed delay in the latter, staff believes that an earlier date for repeal of the TRBE policy is feasible, given that the decision to shift to a new system of surcharges will have been taken, while still allowing sufficient time to make the system changes required for implementation of the elimination of TBRE.

### **V. Structural Measures under the Policy Support Instrument (PSI)**

5. Proposed Decision I, which effects a move to a primarily reviews-based approach with respect to the monitoring of structural conditionality in Fund arrangements, does not cover the monitoring of structural measures under the PSI, as PSIs are not Fund arrangements. However, the rationale underpinning the proposed new approach under Fund arrangements also applies to programs under a PSI. Staff therefore contemplates that a paper examining the monitoring of structural measures under the PSI, along with a proposed decision, will be sent to the Board in the near future.

## **Revised Proposed Decisions**

Accordingly, the following decisions are proposed for adoption by the Executive Board.

Decisions I, II, III, IV, V, and VIII may be adopted by a majority of the votes cast;

Decisions VI and VII may be adopted by a 70 percent majority of the total voting power.

### **I. CONDITIONALITY GOVERNING THE USE OF FUND RESOURCES\***

\* This Decision was revised to be effective from May 1, 2009, rather than as of the date of the decision, to give time for transition.

The Fund decides that, effective May 1, 2009, it shall no longer establish structural performance criteria as a modality for monitoring performance under any type of Fund arrangement.

### **II. RELATIONSHIP BETWEEN PERFORMANCE CRITERIA AND PHASING OF PURCHASES**

#### **UNDER FUND GRA ARRANGEMENTS—OPERATIONAL GUIDELINES**

Decision No. 7925-(85/38), adopted March 8, 1985, as amended, shall be amended to read as follows:

1. The number of purchases and corresponding performance criteria in Fund GRA arrangements will depend on the circumstances of the member, provided however that there would be a minimum of two purchases (in addition to the initial purchase) and two sets of corresponding performance criteria during each 12-month period of an arrangement. In

considering a member's circumstances, the member's policies, and the likely timing of its balance of payments needs, and the external economic environment will be taken into account. For members facing an actual balance of payments crisis that may involve fast moving developments or an uncertain external economic environment, more frequent monitoring on a quarterly basis could be expected. In all cases, the purchase dates and the test dates for performance criteria would be expected to be distributed as evenly as possible throughout the period of the arrangement. In the case of performance criteria, the date of the first performance test would not normally be earlier than the date on which the arrangement becomes effective, and the date of the last performance test would not be earlier than three months from the end of the arrangement in cases where purchases are phased quarterly.

2. Every effort should be made to include performance criteria initially for as much of each 12-month period of a Fund GRA arrangement as possible. However, it may not always be possible to establish in advance one or more performance criteria for each 12-month period of the arrangement because of substantial uncertainties about major economic trends and normal time lags between the completion of program discussions and Executive Board discussion. Performance criteria should normally be included initially which would govern purchases over a period of at least six months of an arrangement. Indicative targets would normally be included at the outset for that part of each 12-month period of an arrangement for which performance criteria are yet to be established.

3. Access under a Fund GRA arrangement may be frontloaded as appropriate, taking into account a member's actual or potential need for resources from the Fund, the likely timing of the member's balance of payments need, the member's policies, the external economic environment, the sequencing of financing from other sources, and the desirability of maintaining a reasonable level of reserves.

4. Every effort should be made to: (i) limit to a minimum the lag between the beginning of a member's program and the date of discussion by the Executive Board of the member's request for a Fund arrangement; and (ii) limit the period between the approval by Fund management of the member's request and the Executive Board discussions of the request to no more than three months. Should the period in (ii) above be exceeded, the staff would confirm that the program as originally proposed remains generally appropriate. In cases where a delay indicates a significant slippage in the implementation of the agreed program, the program would be renegotiated, including the performance criteria and phasing of purchases.

5. Lags between the reporting of data relating to performance criteria should be minimized in order to preserve the reliability of data. All members are expected to limit such reporting lags to two months. Where reporting lags exceed two months, the staff will explain the reasons for such lags as well as the steps being taken to reduce them.

### III. ELIMINATION OF CERTAIN SPECIAL FACILITIES

1. The following decisions are hereby repealed:
  - (a) Decision No. 14184-(08/93), adopted 10/29/08, establishing the Short-Term Liquidity Facility;
  - (b) Decision No. 11627-(97/123), adopted 12/17/97, as amended, establishing the Supplemental Reserve Facility; and
  - (c) Decision No. 8955-(88/126), adopted 8/23/88, as amended, establishing the Compensatory Financing Facility.
  
2. References in other Fund decisions to the Short-Term Liquidity Facility, the Supplemental Reserve Facility, and the Compensatory Financing Facility are hereby deleted.

### IV. FLEXIBLE CREDIT LINE (FCL) ARRANGEMENTS\*

\*An editorial change was made subsequent to the issuance of Supplement 1 to split 6 (a) (i) into 6 (a) (i) and (ii).

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

2. An FCL arrangement shall be approved upon request in cases where the Fund assesses that the 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. In addition to a very positive assessment of the member’s policies by the Executive Board in the context of the most recent Article IV consultations, the relevant criteria for the purposes of assessing qualification for an FCL arrangement shall include: (i) a sustainable external position; (ii) a capital account position dominated by private flows; (iii) a track record of steady sovereign access to international capital markets at favorable terms; (iv) a reserve position that is relatively comfortable when the FCL is requested on a precautionary basis; (v) sound public finances, including a sustainable public debt position; (vi) low and stable inflation, in the context of a sound monetary and exchange rate policy framework; (vii) the absence of bank solvency problems that pose an immediate threat of a systemic banking crisis; (viii) effective financial sector supervision; and (ix) data transparency and integrity.

3. In light of the qualification criteria set out in paragraph 2 of this Decision, and except for the review requirement specified in paragraph 5 of this Decision, FCL arrangements shall not be subject to performance criteria or other forms of ex-post program monitoring.

4. There shall be no phasing under FCL arrangements and, accordingly, the entire amount of approved access will be available to the member upon approval of an FCL arrangement. A member may make one or more purchases up to the amount of approved access at any time during the period of the FCL arrangement, subject to the provisions of this Decision. The Fund shall not challenge a representation of need by a member for a purchase requested under an FCL arrangement.

5. (a) The Fund may approve a member's request for an FCL arrangement of either six months or twelve months duration. For FCL arrangements with a twelve-month duration, no purchase shall be made after six months have elapsed from the date of approval of the FCL arrangement until an Executive Board review of the member's policies has been completed. Such a review will assess the member's continued adherence to the qualification criteria specified in paragraph 2 of this Decision, and would be scheduled with the objective of completion by the Executive Board immediately prior to the lapse of the six-month period referred to above.

(b) An FCL arrangement will expire upon the earlier of: (i) the expiration of the approved term of the arrangement; (ii) the purchase by a member of the entire amount of approved access under the FCL arrangement; or (iii) the cancellation of the FCL arrangement by the member. Upon expiration of an FCL arrangement, the Fund may approve additional FCL arrangements for the member in accordance with the terms of this Decision.

6. (a) The following procedures and arrangements for consultations with the

Executive Board will apply following a member's expression of interest in an FCL arrangement:

- (i) Staff will conduct a confidential preliminary assessment of the qualification criteria set forth in paragraph 2.
- (ii) Where support from other creditors is likely to be important in helping a member address its balance of payments difficulties, staff will consult with key creditors as appropriate.
- (iii) Once management decides that access to Fund resources under this Decision may be appropriate, it will consult with the Executive Board promptly in an informal meeting. For this purpose, Executive Directors will be provided with a concise staff note setting out the basis on which approval could be recommended under this Decision.
- (iv) When the Managing Director is prepared to recommend approval of an FCL arrangement, the relevant documents, including (I) a written communication from the member requesting an FCL arrangement and outlining its policy goals and strategies for at least the duration of the arrangement as well as its commitment, whenever relevant, to take adequate corrective measures to deal with shocks that have arisen or that may arise, and (II) a staff report that assesses the member's qualification for financial assistance under the terms of this Decision, will be circulated to the Board. An assessment of the impact of the proposed FCL

arrangement on the Fund's finances and liquidity position will be included in the staff report.

(v) The minimum periods applicable to the circulation of staff reports to the Executive Board shall apply to requests under this Decision, 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.

(b) A member requesting an FCL arrangement would not be subject to the Fund's policy on safeguards assessments for Fund arrangements. However, at the time of making a formal written request for an FCL arrangement, such a member requesting an FCL arrangement will provide authorization for Fund staff to have access to the most recently completed annual independent audit of its central bank's financial statements, whether or not the audit is published. This will include authorizing its central bank authorities and the central bank's external auditors to discuss the audit findings with Fund staff, including any written observations by the external auditors regarding weaknesses observed in internal controls. The member will be expected to act in a cooperative manner during such discussions with the staff. For as long as Fund credit is outstanding under this Decision, the member will also provide staff with copies of annual audited financial statements and management letters, together with an authorization to discuss audit findings with the external auditor.

7. The Emergency Financing Mechanism (EFM) procedures set forth in *Summing Up by the Chairman—Emergency Financing Mechanism Executive Board Meeting 95/98, 9/12/95*, shall not apply to requests for FCL arrangements.

8. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(b)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

9. Paragraph 1 of Decision No. 12865-(02/102), adopted September 25, 2002, shall be deleted, and Paragraph 2, 3 and 4 of the Decision shall be renumbered as Paragraph 1, 2 and 3, respectively.

10. This Decision shall be reviewed no later than two years after the date of its adoption, or whenever the total amount committed under this Decision reaches SDR 100 billion, whichever is earlier.

**V. ACCESS POLICY AND LIMITS IN THE CREDIT TRANCHES AND UNDER THE EXTENDED FUND FACILITY AND ON OVERALL ACCESS TO THE FUND'S GENERAL RESOURCES, AND EXCEPTIONAL ACCESS POLICY – REVIEW AND MODIFICATION**

1. Decision No. 14064-(08/18), adopted February 22, 2008, shall be amended to read as

follows:

“1. The Fund has reviewed the guidelines and the limits for access by members to the Fund’s general resources set forth in Decision No. 14064-(08/18), adopted February 22, 2008, as amended, and decides as follows.

2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 200 percent of quota; and (ii) a cumulative limit of 600 percent of quota, net of scheduled repurchases; provided that these limits will not apply in cases where a member requests a Flexible Credit Line arrangement in the credit tranches, although outstanding holdings of a member’s currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities.

3. The Fund may approve access in excess of the limits set forth in this Decision in exceptional circumstances, provided the following four substantive criteria are met:

(a) The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or the capital account, resulting in a need for Fund financing that cannot be met within the normal limits.

(b) A rigorous and systematic analysis indicates that there is a high

probability that the member's public debt is sustainable in the medium term. Debt sustainability for these purposes will be evaluated on a forward-looking basis and may take into account, inter alia, the intended restructuring of debt to restore sustainability. This criterion applies only to public (domestic and external ) debt. However, the analysis of such public debt sustainability will incorporate any potential contingent liabilities of the government, including those potentially arising from private external indebtedness.

(c) The member has prospects of gaining or regaining access to private capital markets within the timeframe when Fund resources are outstanding.

(d) The policy program of the member provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.

4. Unless otherwise specified in a general decision of the Executive Board, the procedures set forth in PIN/03/37 (3/21/03) and PIN/05/58 (5/4/05) shall apply to all cases involving access in excess of the limits set forth in this Decision.

5. The guidelines for access, the access limits set forth in this Decision, and the experience with access in amounts exceeding these limits shall be reviewed no later than March 29, 2014, on the basis of all relevant factors, including the magnitude of members'

balance of payments problems and developments in the Fund's liquidity.”

2. In the decision on transparency and publication policies, Decision No. 13564-(05/85), adopted October 5, 2005, as amended, the references to “100” and “300” in paragraph 4(b) shall be replaced with “200” and “600”, respectively.

3. In the decision on Post-Program Monitoring, Decision No. 13454-(05/26), adopted March 14, 2005, as amended, references to “100 percent” in paragraph 1 shall be replaced with “200 percent.”

**VI. SURCHARGES ON PURCHASES IN THE CREDIT TRANCHES AND UNDER THE  
EXTENDED FUND FACILITY**

Decision No. 12346-(00/117), adopted November 28, 2000 shall be amended to read as follows:

“1. Effective August 1, 2009, the rate of charge under Article V, Section 8(b) on the Fund's combined holdings of a member's currency in excess of 300 percent of the member's quota in the Fund resulting from purchases in the credit tranches and under the Extended Fund Facility shall be 200 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing; provided that the rate of charge in any case where such holdings in excess of 300 percent of quota are outstanding for more than three years after August 1, 2009 shall include an additional 100 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing.

2. (a) Notwithstanding paragraph 1 of this Decision, and except as otherwise specified in paragraph 3 of this Decision, a member with credit outstanding in the credit tranches or under the Extended Fund Facility on, or with an effective arrangement approved before, August 1, 2009 shall have the option to elect whether the rate of charge on such existing holdings of the member's currency, and on holdings of the member's currency arising from future purchases under such an existing arrangement, shall be computed:

(i) pursuant to paragraph 1 of this Decision or;

(ii) pursuant to the framework for surcharges on purchases in the credit tranches and under the Extended Fund Facility that was in effect from November 28, 2000 until the date of this Decision (as set out in the Annex to this Decision).

(b) A member with an election option under paragraph 2(a) of this Decision shall notify the Fund by July 29, 2009 whether it elects to have the rate of charge computed pursuant to paragraph 2(a)(i) or paragraph 2(a)(ii) of this Decision. A member failing to provide such notification by July 29, 2009 shall have the rate of charge computed pursuant to paragraph 2(a)(i) of this Decision.

3. When the Fund approves a new arrangement on or after August 1, 2009 for a member that has elected to have the rate of charge computed pursuant to paragraph 2(a)(ii) of this Decision, such election shall cease to apply as of the date of the approval of such an

arrangement and the rate of charge under this Decision on all holdings of the member's currency in the credit tranches or under the Extended Fund Facility shall be computed pursuant to paragraph 1 of this Decision; provided that the additional 100 basis points charge referred to in the proviso of paragraph 1 shall apply only in cases where the combined holdings of a member's currency remain in excess of 300 percent of the member's quota for more than three years after the date of approval of the new arrangement.

4. This Decision shall be reviewed in accordance with Decision No. 13814-(06/98), adopted November 15, 2006 on implementing streamlining of policy reviews.

## **VII. COMMITMENT FEE**

Rule I-8(a) and I-8(b) of the Fund's Rules and Regulations shall be revised to read as follows:

“(a) A charge shall be payable at the beginning of each twelve-month period (the “relevant period”) of an arrangement as follows:

- (i) 15/100 of 1 percent per annum on amounts of up to 200 percent of the member's quota that could be purchased during the relevant period;
- (ii) 3/10 of 1 percent per annum on amounts in excess of 200 percent and up to

1000 percent of the member's quota that could be purchased during the relevant period; and

(iii)  $\frac{3}{5}$  of 1 percent per annum on amounts in excess of 1000 percent of the member's quota that could be purchased during the relevant period.

(b) When a purchase is made under an arrangement, the amount of the charge paid shall be reduced, and a refund equal to the reduction shall be made, as follows:

(i) to the extent that purchases during the relevant period do not exceed 200 percent of the member's quota, the portion of the charge calculated in accordance with subparagraph (a)(i) above shall be reduced by the proportion that the amount of the purchase bears to the amount of the arrangement not exceeding 200 percent of the member's quota that could be purchased during the relevant period;

(ii) to the extent that purchases during the relevant period exceed 200 percent but do not exceed 1000 percent of the member's quota, the portion of the charge calculated in accordance with subparagraph (a)(ii) above shall be reduced by the proportion that the amount of the purchase bears to the amount of the arrangement exceeding 200 percent but not exceeding 1000 percent of the member's quota that could be purchased during the relevant period; and

(iii) to the extent that purchases during the relevant period exceeds 1000 percent of

the member's quota, the portion of the charge calculated in accordance with subparagraph (a)(iii) above shall be reduced by the proportion that the amount of the purchase bears to the amount of the arrangement exceeding 1000 percent of the member's quota that could be purchased during the relevant period."

#### **VIII. REPEAL OF TIME-BASED REPURCHASE EXPECTATIONS**

1. The decision on repurchases, Decision No. 5703-(78/39), adopted March 22, 1978, as amended, shall be amended as follows:

(a) Paragraphs 1(b), 1(c), and 8 on time-based repurchase expectations shall be deleted; and

(b) The numbering "(a)" in paragraph 1 shall be deleted.

2. In the decision on the Extended Fund Facility, Decision No. 4377-(74/114), adopted September 13, 1974, as amended, Paragraphs 10(a), 10(b), and 11 on repurchase expectations shall be deleted.

3. The decision on the publication of information on missed repurchase obligations, Decision No. 12547-(01/84) SRF/CCL, adopted August 22, 2001, shall be repealed.

4. In the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust Instrument annexed to Decision No. 8759-(87/176) ESAF, as amended, the reference to “, or is failing to meet a repurchase expectation pursuant to paragraph 1(b) of Decision No 5703-(78/39) or paragraph 10(a) of Decision No. 4377-(74/114)” in Section II, paragraph 1(d)(3) shall be deleted.

5. In Attachments A (Form of Stand-By Arrangement) and B (Form of Extended Arrangement) of Decision No. 10464-(93/130), adopted September 13, 1993, as amended, the reference to “, or (e) pursuant to paragraph 1(b) of Decision No. 5703-(78/39) or paragraph 10(a) of Decision No. 4377-(74/114)” shall be deleted.

6. The decision on attributions of reductions in Fund’s holdings of currencies, Decision No. 6831-(81/65), adopted April 22, 1981 and effective May 1, 1981, as amended, shall be amended as follows:

(a) Paragraphs 1(c) and 1(d) on repurchase expectations shall be deleted; and

(b) The references to “(c)” and “(d)” in paragraph 1(a) shall be deleted.

7. This Decision shall become effective on April 1, 2009.

## Annex to Decision VI

For purposes of paragraph 2(a)(ii) of Decision No. VI, the framework for surcharges on purchases in the credit tranches and under the Extended Fund Facility that was in effect from November 28, 2000 until the date of Decision No. VI is as follows: “The rate of charge under Article V, Section 8(b) on the Fund’s combined holdings of a member’s currency in excess of 200 percent of the member’s quota in the Fund resulting from purchases in the credit tranches and under the Extended Fund Facility made after November 28, 2000 shall be 100 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing, provided that the rate on such holdings in excess of 300 percent of the member’s quota shall be 200 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing.”

**ANNEX I.****Redlined Version of Revised Proposed Decisions IV, VI and VIII****IV. FLEXIBLE CREDIT LINE (FCL) ARRANGEMENTS**

1. The Fund decides that resources in the credit tranches may be made available under a Flexible Credit Line (FCL) arrangement, in accordance with the terms and conditions specified in this Decision.
  
2. An FCL arrangement shall be approved upon request in cases where the Fund assesses that the 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. In addition to a very positive assessment of the member’s policies by the Executive Board in the context of the most recent Article IV consultations, the relevant criteria for the purposes of assessing qualification for an FCL arrangement shall include: (i) a sustainable external position; (ii) a capital account position dominated by private flows; (iii) a track record of steady sovereign access to international capital markets at favorable terms; (iv) a reserve position that is relatively comfortable when the FCL is requested on a precautionary basis; (v) sound public finances, including a sustainable public debt position; (vi) low and stable inflation, in the context of a sound monetary and exchange rate policy framework; (vii) the absence of bank solvency

problems that pose an immediate threat of a systemic banking crisis; (viii) effective financial sector supervision; and (ix) data transparency and integrity.

3. In light of the qualification criteria set out in paragraph 2 of this Decision, and except for the review requirement specified in paragraph 5 of this Decision, FCL arrangements shall not be subject to performance criteria or other forms of ex-post program monitoring.

4. There shall be no phasing under FCL arrangements and, accordingly, the entire amount of approved access will be available to the member upon approval of an FCL arrangement. A member may make one or more purchases up to the amount of approved access at any time during the period of the FCL arrangement, subject to the provisions of this Decision. The Fund shall not challenge a representation of need by a member for a purchase requested under an FCL arrangement.

5. (a) The Fund may approve a member's request for an FCL arrangement of either six months or twelve months duration. For FCL arrangements with a twelve-month duration, no purchase shall be made after six months have elapsed from the date of approval of the FCL arrangement until an Executive Board review of the member's policies has been completed. Such a review will assess the member's continued adherence to the qualification criteria specified in paragraph 2 of this Decision, and would be scheduled with the objective of completion by the Executive Board immediately prior to the lapse of the six-month period referred to above.

(b) An FCL arrangement will expire upon the earlier of: (i) the expiration of the approved term of the arrangement; (ii) the purchase by a member of the entire amount of approved access under the FCL arrangement; or (iii) the cancellation of the FCL arrangement by the member. Upon expiration of an FCL arrangement, the Fund may approve additional FCL arrangements for the member in accordance with the terms of this Decision.

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

(i) Staff will conduct a confidential preliminary assessment of the qualification criteria set forth in paragraph 2~~member's economic position, policies and track record of policy implication.~~ Where support from other creditors is likely to be important in helping a member address its balance of payments difficulties, staff will consult with key creditors as appropriate.

(ii) Once management decides that access to Fund resources under this Decision may be appropriate, it will consult with the Executive Board promptly in an informal meeting. For this purpose, Executive Directors will be provided with a concise staff note setting out the basis on which approval could be recommended under this Decision.

(iii) When the Managing Director is prepared to recommend approval of an

FCL arrangement, the relevant documents, including (I) a written communication from the member requesting an FCL arrangement and outlining its policy goals and strategies for at least the duration of the arrangement as well as its commitment, whenever relevant, to take adequate corrective measures to deal with shocks that have arisen or that may arise, and (II) a staff report that assesses the member's qualification for financial assistance under the terms of this Decision, will be circulated to the Board. An assessment of the impact of the proposed FCL arrangement on the Fund's finances and liquidity position will be included in the staff report.

(iv) The minimum periods applicable to the circulation of staff reports to the Executive Board shall apply to requests under this Decision, 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.

(b) A member requesting an FCL arrangement would not be subject to the Fund's policy on safeguards assessments for Fund arrangements. However, at the time of making a formal written request for an FCL arrangement, such a member requesting an FCL arrangement will provide authorization for Fund staff to have access to the most recently completed annual independent audit of its central bank's financial statements, whether or not the audit is published. This will include authorizing its central bank authorities and the central bank's external auditors to discuss the audit findings with Fund staff, including any

written observations by the external auditors regarding weaknesses observed in internal controls. The member will be expected to act in a cooperative manner during such discussions with the staff. For as long as Fund credit is outstanding under this Decision, the member will also provide staff with copies of annual audited financial statements and management letters, together with an authorization to discuss audit findings with the external auditor.

7. The Emergency Financing Mechanism (EFM) procedures set forth in BUFF/95/102, 9/21/1995 shall not apply to requests for FCL arrangements.

8. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(b)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

9. Paragraph 1 of Decision No. 12865-(02/102), adopted September 25, 2002, shall be deleted, and Paragraph 2, 3 and 4 of the Decision shall be renumbered as Paragraph 1, 2 and 3, respectively.

10. This Decision shall be reviewed no later than two years after the date of its adoption, or whenever the total amount committed under this Decision reaches SDR 100 billion, whichever is earlier.

**VI. SURCHARGES ON PURCHASES IN THE CREDIT TRANCHES AND UNDER THE  
EXTENDED FUND FACILITY**

Decision No. 12346-(00/117), adopted November 28, 2000 shall be amended to read as follows:

“1. Effective ~~May~~ August 1, 2009, the rate of charge under Article V, Section 8(b) on the Fund’s combined holdings of a member’s currency in excess of 300 percent of the member’s quota in the Fund resulting from purchases in the credit tranches and under the Extended Fund Facility shall be 200 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing; provided that the rate of charge in any case where such holdings in excess of 300 percent of quota are outstanding for more than three years after ~~May~~ August 1, 2009 shall include an additional 100 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing.

2. (a) Notwithstanding paragraph 1 of this Decision, and except as otherwise specified in paragraph 3 of this Decision, a member with credit outstanding in the credit tranches or under the Extended Fund Facility on, or with an effective arrangement approved before, ~~May~~ August 1, 2009 shall have the option to elect whether the rate of charge on such existing holdings of the member’s currency, and on holdings of the member’s currency arising from future purchases under such an existing arrangement, shall be computed:

(i) pursuant to paragraph 1 of this Decision or;

(ii) pursuant to the framework for surcharges on purchases in the credit tranches and under the Extended Fund Facility that was in effect from November 28, 2000 until the date of this Decision (as set out in the Annex to this Decision).

(b) A member with an election option under paragraph 2(a) of this Decision shall notify the Fund by ~~April 30~~ July 29, 2009 whether it elects to have the rate of charge computed pursuant to paragraph 2(a)(i) or paragraph 2(a)(ii) of this Decision. A member failing to provide such notification by ~~April 30~~ July 29, 2009 shall have the rate of charge computed pursuant to paragraph 2(a)(i) of this Decision.

3. When the Fund approves a new arrangement on or after ~~May~~ August 1, 2009 for a member that has elected to have the rate of charge computed pursuant to paragraph 2(a)(ii) of this Decision, such election shall cease to apply as of the date of the approval of such an arrangement and the rate of charge under this Decision on all holdings of the member's currency in the credit tranches or under the Extended Fund Facility shall be computed pursuant to paragraph 1 of this Decision; provided that the additional 100 basis points charge referred to in the proviso of paragraph 1 shall apply only in cases where the combined holdings of a member's currency remain in excess of 300 percent of the member's quota for more than three years after the date of approval of the new arrangement.

4. This Decision shall be reviewed in accordance with Decision No. 13814-(06/98), adopted November 15, 2006 on implementing streamlining of policy reviews.

**VIII. REPEAL OF TIME-BASED REPURCHASE EXPECTATIONS**

1. The decision on repurchases, Decision No. 5703-(78/39), adopted March 22, 1978, as amended, shall be amended as follows:

(a) Paragraphs 1(b), 1(c), and 8 on time-based repurchase expectations shall be deleted; and

(b) The numbering “(a)” in paragraph 1 shall be deleted.

2. In the decision on the Extended Fund Facility, Decision No. 4377-(74/114), adopted September 13, 1974, as amended, Paragraphs 10(a), 10(b), and 11 on repurchase expectations shall be deleted.

3. The decision on the publication of information on missed repurchase obligations, Decision No. 12547-(01/84) SRF/CCL, adopted August 22, 2001, shall be repealed.

4. In the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust Instrument annexed to Decision No. 8759-(87/176) ESAF, as amended, the reference to “, or is failing to meet a repurchase expectation pursuant to paragraph 1(b) of Decision No 5703-(78/39) or paragraph 10(a) of Decision No. 4377-(74/114)” in Section II, paragraph 1(d)(3) shall be deleted.

5. In Attachments A (Form of Stand-By Arrangement) and B (Form of Extended Arrangement) of Decision No. 10464-(93/130), adopted September 13, 1993, as amended, the reference to “, or (e) pursuant to paragraph 1(b) of Decision No. 5703-(78/39) or paragraph 10(a) of Decision No. 4377-(74/114)” shall be deleted.
  
6. The decision on attributions of reductions in Fund’s holdings of currencies, Decision No. 6831-(81/65), adopted April 22, 1981 and effective May 1, 1981, as amended, shall be amended as follows:
  - (a) Paragraphs 1(c) and 1(d) on repurchase expectations shall be deleted; and
  
  - (b) The references to “(c)” and “(d)” in paragraph 1(a) shall be deleted.
  
7. This Decision shall become effective on ~~May~~ April 1, 2009.