



IMF POLICY PAPER

REVIEW OF ACCESS LIMITS AND SURCHARGE POLICIES

April 2016

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** summarizing the decisions taken by the Executive Board at its meeting on February 17, 2016 in consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on January 20, 2016 for the Executive Board's consideration on February 1, 2016 and February 17, 2016.
- The **Review of Access Limits and Surcharge Policies—Supplementary Information and Revised Proposed Decisions**, prepared by IMF staff and completed on February 15, 2016 for the Executive Board's consideration.
- The **Review of Access Limits and Surcharge Policies—Revised Proposed Decisions**, prepared by IMF staff and completed on February 16, 2016 for the Executive Board's consideration.
- The **Review of Access Limits and Surcharge Policies—Revisions to Surcharge Calculations and Clarification of Decision on Commitment Fees**, prepared by IMF staff and completed on March 28, 2016 for the Executive Board's information.

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IMF Executive Board Reviews Access Limits, Surcharge Policies, and Other Quota-Related Policies

On February 17, 2016, the Executive Board of the International Monetary Fund (IMF) concluded a review of access limits, surcharge policies, and other quota-related policies. This review took place in response to the effectiveness of the quota increases under the 14th General Review of Quotas, which doubled members' quotas on average.

Background

A number of Fund policies have thresholds set as a percentage of members' quotas. These include, in particular, limits on members' normal access to Fund resources in the General Resources Account (GRA), and thresholds for surcharges¹ on high levels of outstanding Fund credit, and commitment fees. With quotas doubling on average and absent policy change, quota-based limits and thresholds would also have doubled in SDR terms. This would have eroded critical elements of the Fund's risk management framework, as it would have doubled, on average, access to Fund resources in the GRA without triggering safeguards under the exceptional access framework and SDR amounts on which surcharges do not apply, reducing the incentives for timely repayments. Inaction would also have resulted in a further slowing of the pace of accumulating precautionary balances. At the same time, the Board saw the need to maintain access relative to economic developments and metrics since the last review of access, in 2009, which called for some increase in limits and thresholds in SDR terms.

Executive Board Decisions

To reflect these considerations and ensure that no member's access to GRA resources declined in SDR terms (even those with low quota increases), the Executive Board decided to adjust annual and cumulative access limits to 145 and 435 percent of new quota, respectively from 200 and 600 percent, respectively, resulting in an average increase of

¹ Surcharges, which depend on the amount and time credit is outstanding, are designed to generate income to allow the Fund to accumulate precautionary balances and to discourage large and prolonged use of IMF resources. A rate of 200 basis points is paid on the amount of credit outstanding above 187.5 percent of quota. If credit remains above 187.5 percent of quota after three years, this surcharge rises to 300 basis points.

45 percent on average in the SDR terms. Also, specific access limits applicable to the Precautionary Liquidity Line (PLL) were halved to reflect the doubling of quotas on average.

The Executive Board decided to lower the threshold for level-based surcharges from 300 percent of quota to 187.5 percent. The Board also extended the trigger for time-based surcharges on credit outstanding under the Extended Fund Facility from 36 months to 51 months to better align this trigger with the repayment schedule under this facility.

Commitment fee thresholds were also lowered to reflect the doubling of quotas on average.² With the new thresholds, a 15 basis points fee will be charged on committed amounts of up to 115 percent (from 200 percent) of quota over a twelve month period; 30 basis points will be charged on committed amounts between 115 percent and 575 percent (from 1,000 percent) of quota; and 60 basis points will be charged on amounts exceeding 575 percent of quota.

The Executive Board also decided to adjust the quota-based threshold below which a member may be placed on an extended Article IV consultation cycle from 200 percent of quota to 145 percent of quota, consistent with its decision on access limits. The threshold for determining expected Post Program Monitoring (PPM) participation was halved to 100 percent of quota, as a transitory measure pending Board discussion of a forthcoming paper on the PPM framework.

To ensure no member is made worse off by the changes to access, level-based surcharge and commitment fee policies, the Executive Board approved a limited grandfathering for affected members.

² Commitment fees are intended to compensate the Fund if financial commitments are not drawn and to provide an incentive against unnecessarily high precautionary access. They are refunded *pro rata* if the amounts are drawn.



REVIEW OF ACCESS LIMITS AND SURCHARGE POLICIES

January 20, 2016

EXECUTIVE SUMMARY

Scope and strategy: This paper reviews access limits and surcharge policies in the Fund's General Resources Account (GRA). It builds on the preliminary Executive Board discussion that took place in May 2014, against the backdrop of the 14th Review quotas expected to become effective early in 2016, which will on average double individual members' quotas. At the meeting in 2014, most Directors considered that a moderate increase in normal access limits in SDR terms would broadly restore the normal Fund access to levels considered acceptable in 2009, and saw merit in adjusting the surcharge threshold to allow for a moderate increase in the SDR value of credit not subject to the charge.

Access proposal: The paper proposes to adjust the annual access limits to 140 percent of the new quotas and the cumulative access limits to 420 percent of the new quotas (net of scheduled repurchases). Such an adjustment would result in a 40 percent increase in the SDR value of the current limits (assuming the member's quota is doubled). This moderate increase of the normal access limits in SDR terms would help to attenuate the erosion of absolute access limits since 2009, while preserving the rigor of the exceptional access framework by maintaining its application at levels (relative to members' economies) that are comparable to 2009. The paper also proposes PLL-specific access limits to be halved to reflect the doubling of quotas upon effectiveness of the 14th Review, similar to the changes to RFI-specific access limits already adopted by the Executive Board in July 2015.

Surcharges proposal: Current surcharges continue to provide strong incentives for timely repurchases, underpinning the revolving nature of Fund resources, and support the accumulation of precautionary balances to help mitigate credit risks. Staff proposes keeping the level and time-based surcharge rates unchanged at 200 and an additional 100 basis points, respectively.

- *Level-based surcharge:* The paper presents two options for moderately increasing the surcharge threshold in SDR terms, in light of most Directors' views in 2014, to 175 or 200 percent of new quota. In either case the surcharge burden for affected members would be reduced but the Fund's income and accumulation of precautionary balances would also decline. On balance, staff recommends a surcharge level of 175 percent, which is more consistent with the Fund's broadly unchanged resource envelope and would limit the reduction in the pace of accumulating precautionary balances.

- *Time-based surcharge:* The paper maintains the proposal from 2014 to extend the point at which time-based surcharges on outstanding credit from the Extended Fund Facility (EFF) would be triggered, from 36 months to 51 months, to better align time-based surcharges with the start of repurchases (54 months under extended arrangements) and the nature of the balance of payments needs specific to the EFF. The paper notes the drawback that the extension would provide additional incentives for requesting extended arrangements over SBAs, though this will be mitigated by the fact that the choice between facilities in individual cases needs to be based on an analysis of the nature of members' balance of payments problems, and whether they qualify for assistance under an extended arrangement.
- *Fund income implications:* The proposed changes to the surcharge policy would lower debt service payments for current large users of the Fund's GRA, with a corresponding reduction in surcharge income. An adjustment in the level-based surcharge to 175 or 200 percent of quota and assuming February 1, 2016 quota increases, would result in a loss of income of roughly SDR 260 and 500 million in FY2016–25, respectively, as compared with the 150 percent threshold that would broadly off-set the effects of the quota increase. The income loss to the Fund of extending the time-based surcharge trigger for credit outstanding under the EFF to 51 months under the 175 percent threshold would be minimal as a result of the proposed grandfathering provisions, while under the 200 percent option, this would result in an additional SDR 75 million in reduced income.

Commitment fee thresholds proposal: Staff proposes a moderate increase in the SDR value of the commitment fee thresholds. Applying moderate increases—within the range proposed for surcharge thresholds—would imply step increases between 115 and 135 percent of quota for the lower commitment fee threshold (compared with 200 percent currently) and 575 and 675 percent for the higher threshold (compared with 1,000 percent currently). The impact on the Fund's incentive structure and income from the proposed changes in the thresholds for commitment fees would be relatively small. Consistent with the surcharge threshold proposal, staff recommends marginal increases to 115 and 575 to limit the erosion of the incentive structure, including in consideration of recent FCL discussions at the Board. If the policy change were to become effective on February 1, 2016, a portion of commitment fees with respect to current precautionary arrangements of about SDR 30–35 million would need to be refunded.

Article IV consultation cycle: Staff proposes to change the quota-based threshold of the outstanding Fund credit above which a member may not be placed on an extended Article IV consultation cycle from 200 percent of the current quota to 140 percent of quota.

Post-Program Monitoring (PPM). Staff proposes to halve the threshold for determining expectations of participation in PPM to 100 percent of new quotas, as a transitory measure before Board discussion of a forthcoming separate paper on the PPM framework.

Effectiveness: It is recommended that the proposals on new access limits and the quota-based thresholds relating to the Article IV consultation cycles and PPM become effective upon

the general conditions for effectiveness of the 14th Review quota increases being met. Changes to the level-based surcharges and commitment fees are proposed to become effective, with respect to each member: (i) once the member pays its quota increase under the 14th Review or (ii) at the end of the 30-day period after the general conditions for the effectiveness of the 14th Review quota increases have been met, whichever comes first. The extension of the time-based surcharge for extended arrangements is proposed to take effect immediately upon the adoption of the relevant Board decision.

Grandfathering: The paper proposes limited grandfathering for members affected by the proposed changes to access, surcharges and commitment fee policies.

Next review: Staff proposes a standard 5-year review period for access limits, although consideration could be given to an earlier review following the finalization of the 15th General Review of Quotas. Surcharge and commitment fees policies are subject to review on an as-needed basis—staff proposes that these policies also be reviewed within a 5-year period, if needed, although this review could be brought forward once the 15th General Review of Quotas is finalized.

Approved By
Sean Hagan
Siddharth Tiwari, and
Andrew Tweedie

Prepared by M. Albino-War, S. Davidovic, J. Hukka, L., Kohler, I. Lamba, D. McGettigan, D. Mikhail, D. Nana, A. Ndiaye, C. Oner, S. Rodriguez-Apolinar, Y. Sun-Wang (FIN), K. Christopherson, C. DeLong, H. The Pham, B. Steinki, J. Swanepoel, (LEG), L. Cubeddu, E. Hife and R. Perrelli (SPR), under the guidance of M. Fisher (FIN), R. Leckow and C. Ogada (LEG), and H. Bredenkamp (SPR).

CONTENTS

INTRODUCTION	6
REVIEW OF ACCESS LIMITS	7
A. Trends in the Use of GRA Resources	7
B. Evolution of Access Metrics	8
C. Proposal for Modifying Access Limits	9
REVIEW OF SURCHARGE POLICIES	20
A. Surcharge Level	24
B. Surcharge Threshold	26
C. Time Based Surcharges Under Extended Arrangements	29
REVIEW OF OTHER QUOTA-RELATED POLICIES	36
A. Commitment Fee Thresholds	36
B. The Threshold for Article IV Consultation Cycle and Post-Program Monitoring	39
SUMMARY OF PROPOSED DECISIONS	40
ANNEX	
1. Redline Version: Proposed Modification to Existing Decisions	49
BOXES	
1. History of Access Limits	13
2. The Risk Management Role of Access Limits	14
3. Evolution of Surcharges	22
4. Recent Experience with Early Repurchases—Iceland, Latvia, Hungary, Ireland, and Portugal	23
5. Market Access Following SBAs and Arrangements under the EFF	32
6. Calculation of Time-Based Surcharges	35
7. Commitment Fees (1952–2009)	38

FIGURES

1. Evolution of GRA Arrangements, 1995–2015 _____	16
2. Access Under SBAs and Extended Arrangements, 1980–2015 _____	17
3. Access Distribution Under SBAs and Extended Arrangements, Pre and Post GFC _____	17
4. Access in Absolute Terms in Relation to Economic Indicators, 1998–2015 _____	18
5. Absolute Access in Relation to GDP: World, EMDEs and AMs, 1998–2015 _____	18
6. Absolute Access Trends: Reform Options _____	19
7. Spread Between Market Rates and Cost of Fund Borrowing _____	25
8. Event Analysis: Spread Between Market Borrowing and the Structure of Surcharges _____	26
9. Commitment Fee Structure Under Different Scenarios _____	39

TABLES

1. Access Limits and Economic Indicators, 2009–16 _____	15
2. GRA and PRGT: Annual and Cumulative Normal Access Limits by Facility _____	15
3. Basic Information on Level and Time-Based Surcharges _____	21
4. Projected Fund Income from Surcharges Under Various Thresholds _____	28

APPENDIX TABLES

1. Access Under Fund GRA Arrangements Approved During 2008–15 _____	58
2. Trends in GRA-Supported Programs, 2003–15 _____	59
3. Fund Arrangements with Exceptional Access, 1995–2015 _____	60
4. Comparing May 2014 with Current Proposals _____	61

INTRODUCTION

1. **Quota increases under the 14th General Review are expected to become effective early in 2016.**¹ Overall Fund quotas would then double to SDR 477 billion with the increase in individual members' quotas ranging from 39 to 220 percent. Based on the current quota-based thresholds, this would double the resources in absolute (SDR) terms available to the average member under current normal access (i.e., without triggering the risk management framework under the exceptional access policy), and reduce or eliminate surcharges and commitment fees for the same level of nominal access, which would, absent any offsetting changes, erode critical elements of the Fund risk management framework. The paper therefore proposes changes in access limits, surcharge thresholds, and commitment fee thresholds, as well as the threshold for Article IV consultation cycles and Post-Program Monitoring, to take into account the 14th Review quota increases.²
2. **This paper follows up on the May 2014 Executive Board meeting to review overall access by members to the Fund's general resources and surcharges policies.**³ At the meeting, most Directors accepted that a moderate increase (25 percent in SDR terms) in annual and cumulative access limits would be needed to restore the size of normal Fund support (as a share of global GDP, trade, external liabilities, and gross external financing) to levels considered acceptable at the time of the 2009 Review.⁴ It was therefore proposed that annual and cumulative access limits could be set at 125 and 375 percent of quota, respectively, when the general conditions for the effectiveness of the 14th Review quota increases were met. With respect to surcharges, most Directors saw merit in adjusting the surcharge threshold to allow for a moderate increase in SDR value of the credit not subject to surcharges, in line with the proposed increase in access. Similarly, most Directors could go along with a moderate increase in the SDR value of commitment fee thresholds in line with the proposals for access and surcharges. This paper revisits the adequacy of these proposals

¹ Under Board of Governors Resolution 66–2, no quota increase under the 14th General Review of Quotas can become effective until three general effectiveness conditions are met: (i) members with no less than 70 percent of the total of quotas on November 5, 2010, consent to the increases in their quotas; (ii) the Sixth Amendment on Voice and Participation enters into force; and (iii) the Seventh Amendment on Board reform becomes effective. The general condition that has been holding back the effectiveness of the 14th Review quota increases is the effectiveness of the proposed Seventh Amendment to the Articles of Agreement (Board reform amendment). This amendment is expected to become effective shortly, once the Fund certifies that three-fifths of the members representing 85 percent of the total voting power have accepted it.

² Please see the supplements and the press release for final policy decisions and corrected Table 4.

³ According to the Executive Board Decision (EBD) [No. 14064 \(08/18\), adopted February 22, 2008](#), as amended by Decision [No. 14284 \(09/29\)](#), adopted on March 24, 2009, access limits were expected to be reviewed by 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." The decision on surcharges is to be reviewed on an as-needed basis, but with an expectation of a lag of at least five years from the previous review in accordance with Decision [No. 13814 \(06/98\)](#), adopted on November 15, 2006. Surcharge policies were last reviewed in 2009.

⁴ [GRA Lending Toolkit and Conditionality](#) (¶25) argued that the increase in access limits was necessary to restore limits to 1998 levels in relation to global trade and capital flows, while more than compensating for global GDP.

in light of economic and financial developments in the intervening period. This paper also reviews the quota-based threshold relevant for Article IV Consultation cycles and PPM.

3. The paper is structured as follows. Section I of the paper discusses trends in actual access levels under General Resources Account (GRA) facilities, and the evolution of normal access limits with respect to relevant economic indicators. Sections II of the paper discusses surcharge policies. Section III discusses commitments fees, the threshold for the outstanding Fund credit above which a member may not be placed on an extended Article IV consultation cycle, and the threshold for determining expectation of members' participation in Post-Program Monitoring (PPM). Section IV describes the proposed decisions. Proposed decisions are attached.

REVIEW OF ACCESS LIMITS

4. After peaking at the onset of the global financial crisis, the use of Fund's non-concessional resources has moderated somewhat. Members' efforts to correct macro policies and enhance fundamentals, together with a gradual recovery in global demand, have helped to ease the demand for GRA resources. An analysis of prospective demand for Fund resources is outside the scope of this paper, but there are evident risks related to structurally weak growth in key advanced and emerging economies, persistently lower commodities prices, tighter or more volatile global financial conditions, a sharp rise in migrant flows, and increased political and security risks.

A. Trends in the Use of GRA Resources

5. The number of active GRA arrangements has declined from its post-crisis peak, but remains well above pre-crisis levels. The onset of the global financial crisis in 2008, combined with the 2009–11 facilities reform, resulted in an increase in requests for new Fund arrangements. As a result, there were a total of 28 active GRA arrangements during 2010–12. Since 2012, this number has dropped to 25, still well above the average of 16 active arrangements in the 3-year period preceding the crisis (Figure 1). Meanwhile, the number of new arrangements has declined gradually towards pre-crisis levels, with an average of seven new arrangements per year during 2013–15 (Appendix Tables 1–2).

6. Access levels under Fund arrangements rose substantially in the aftermath of the global financial crisis. Deep-rooted external imbalances in some euro area members required an unprecedented scale of Fund support. The median access of the four largest euro area programs approved during 2010–12—namely, Greece (SBA in 2010; EFF in 2012); Ireland (EFF in 2010); and Portugal (EFF in 2011)—reached about 2,300 percent quota (SDR 23.7 billion), reflecting the size of their balance of payments needs in circumstances involving high fiscal financing requirements, structural imbalances, and relatively deep financial markets. Non-Euro area members have also requested larger arrangements, resulting in an overall rise in the median access from 50 percent of quota during 1995–2007 to 300 percent of quota during the post-crisis years. Taking all SBA and extended arrangements together, average access levels rose from around 125 percent of quota during 1995–2007 to around 540 percent of quota in 2008–15 (Figure 2). The increase in the

incidence of arrangements with high access reflects not only higher financing needs in absolute terms but also the erosion of quotas relative to a country's output, trade and financial flows.

7. The length of GRA-supported programs has also increased. The median duration of SBAs rose from 15 months during 1995–2007 to 24 months in 2008–15. The proportion of extended arrangements approved under the Extended Fund Facility (EFF), relative to all arrangements, increased from about 8 percent during 2000–09 to 35 percent during 2010–15.

8. GRA credit outstanding in SDR terms has declined from a post-crisis peak, reflecting early repurchases and delayed purchases by large borrowers, yet credit remains highly concentrated. After peaking at around SDR 94 billion in 2012, Fund credit outstanding had dropped to an SDR 51 billion by end-2015. The bulk of this decline consists of early repurchases, mainly by Ireland and Portugal, while delayed purchases, mainly by Greece and Ukraine, have increased members' credit outstanding by less than projected.⁵ Credit concentration remains very high, with the five largest borrowers holding nearly 90 percent of the Fund's total GRA credit outstanding, and the single largest borrower holding more than 30 percent of it (Figure 1).

9. Average access levels are higher when FCL and PLL arrangements are taken into consideration. These instruments are designed to provide stronger-performing members (under relevant qualification requirements) with high levels of access and, hence, assurance of sufficient foreign exchange liquidity in the event of a downside shock. The current four arrangements under the FCL/PLL instruments have average access around 820 percent of quota, representing a potential call on Fund resources close to SDR 70 billion (22 percent of the Fund's forward commitment capacity). Taking these into account, access levels in the GRA during 2010–15 averaged 675 percent of quota.

B. Evolution of Access Metrics

10. Access limits provide confidence to the membership regarding the availability of financing and represent an important credit and liquidity risk management tool for the Fund. As discussed in Boxes 1 and 2, access limits are intended to balance the need to provide members and markets with confidence regarding the scale of possible Fund financing with the need to preserve Fund liquidity and the revolving character of Fund resources. Reforms of access limits since the late 1990s have sought to correct the erosion of these limits relative to evolution of global GDP, trade and capital flows, while taking into account changes in overall Fund quotas.

11. In 2009, the IMFC called for the Fund to examine the appropriate size and composition of its resources needed to safeguard its long-term ability to meet members' needs, consistent with the Fund's status as a quota-based institution. In April 2009, the IMFC agreed that the Fund's lending capacity needed to be raised through immediate bilateral borrowing from members in the amount of US\$250 billion, subsequently incorporated into an expanded and more flexible New

⁵ Total early repurchases in FY2014–15 and so far in FY2016 amount to over SDR 25 billion.

Arrangements to Borrow (NAB).⁶ Recognizing that the IMF is, and should, remain a quota-based organization, the IMFC also called for the completion of the 14th Review by January 2011. The latter, once effective, would double Fund quotas, and would be combined with a roll-back of the NAB. In 2012, it was agreed that the Fund's lending capacity should be further expanded through the 2012 Borrowing Agreements, which provide a second line of defense to quota and NAB resources in a tail event. At end-2015, 33 of these borrowing agreements for a total of about US\$376 billion were effective.

12. The 2009 reforms also entailed a doubling of normal access limits in the GRA, which helped to restore the ratio of access limits to relevant global economic indicators. The 2009 decision to double normal access limits was undertaken in the context of the global financial crisis, and in anticipation of significant quota increases under the 14th General Review of Quotas. The doubling of access limits helped considerably to shift access levels—defined as the access limit multiplied by total Fund quota—closer to 1998 levels, particularly with respect to global trade, while more than compensating for global GDP growth and less than compensating for the evolution of non-FDI liabilities (Figure 4). Access limits and norms under the PRGT were also doubled in 2009.

13. Since the doubling of access limits in 2009, the ratios of access limits to relevant global economic indicators have deteriorated significantly. Through end-2015, normal access limits are estimated to have declined since 2009 by 26 percent relative to world GDP, 32 percent vis-à-vis global trade (measured as the sum of exports plus imports), by 27 percent in relation to non-FDI external liabilities, and by 23 percent with respect to gross financing needs (Table 1).⁷ Access limits relative to trade, external liabilities and gross financing needs are currently much lower than 1998 levels—the benchmark used in earlier reviews, since the 1998 review restored access limits to the 1980s' levels—while the ratio of access limits to global GDP is roughly at that benchmark. The erosion of access limits relative to these economic metrics has been more pronounced for EMDEs, reflecting the fact that their share in global GDP continues to rise, and that their trade and financial ties with the rest of the world have deepened substantially since then. More precisely, since 2009 EMDEs' access limits have declined by roughly 40 percent relative to their GDP, total trade, and non-FDI external liabilities. It is worth noting, however, that absolute access levels in relation to GDP remain higher for the median EMDE than for the median advanced economy (Figure 5).

C. Proposal for Modifying Access Limits

14. In assessing the appropriateness of access limits, several considerations should be taken into account.

- *Size of Fund financial support.* Access limits should provide general guidance to members about the degree of financial support the Fund is normally prepared to provide in support of their

⁶ See also London Summit, Leaders' Statement, April 2009.

⁷ In response to guidance by Directors in 2008–09, an expanded set of metrics is used to judge the adequacy of quota-based access limits. In addition to looking at access levels relative to GDP and trade, this paper includes non-FDI liabilities and gross external financing needs (defined as the sum of the current account deficit plus debt falling due over the next 12 months) to capture increased financial integration and external vulnerabilities.

policy adjustment efforts and financing available by other official and market sources. As a general principle, access levels in *individual* cases should continue to be guided by case-specific considerations related to the member's balance of payments needs, capacity to repay, outstanding use of Fund resources, and record of such use in the past. To the extent that actual access levels by member countries rise over time in relation to established limits, this may be taken as indicative of larger balance of payments needs of members and, hence, may signal that an increase in the limits is warranted.

- *Exceptional access framework.* For risk management reasons (see Box 2), access limits should continue to ensure that the heightened safeguards under the exceptional access framework are applied at appropriate levels.
- *Liquidity.* Access limits are also a means of balancing demand for Fund resources with the available supply, to reduce the risk that Fund resources would be exhausted and ensure that members are not treated on a first-come-first-served basis. Once the 14th Review quota increases become effective, the NAB will be rolled back, keeping the Fund's resource envelope broadly unchanged, although less reliant on temporary resources.⁸

15. Staff considers that a 40 percent increase in access limits in the GRA (in SDR terms) is warranted upon effectiveness of the general conditions for the 14th Review quota increases. A 40 percent increase in the annual and cumulative access limits, in SDR terms, would broadly restore the value of normal Fund support to 2009 levels in relation to the average of global GDP, trade and non-FDI external liabilities (Table 1). Annual access limits would be established at 140 percent of quota, and cumulative limits at 420 percent of quota (net of scheduled repurchases).⁹ This is broadly consistent with the increase staff proposed in May 2014 (25 percent upon effectiveness of the 14th Review quota increases), since it takes into account two additional years of erosion of access limits relative to the relevant metrics. An increase of this magnitude would restore access limits relative to GDP (a proxy of capacity to repay) for EMDEs (after excluding China and India). It would also balance the need to provide appropriate comfort to members regarding the availability of Fund resources (in the context of continuing global trade and financial deepening, along with the risk of capital account reversal during the transition to tighter external financing conditions) against the need to safeguard Fund resources and risk management considerations. Under the revised limits, the Fund's exposure to credit risk from arrangements approved would remain around levels that were considered acceptable at the time of the 2009 access review. The revised access limits would maintain broadly at the 2009 levels the high scrutiny under the exceptional access framework when Fund credit is above the normal access limits. Table 1 and Figure 6 show the extent to which the proposals would restore the erosion in absolute access levels (defined as annual limits multiplied by

⁸ The Fund's Forward Commitment Capacity (FCC) going forward would also depend on the Board decision on the NAB deactivation, and the ratio of quota vs. borrowed resources it decides to use.

⁹ The proposed 40 percent increase in SDR terms would apply to members whose quota doubles under the 14th Review. Quota increases under the 14th Review vary between 39 percent and 220 percent since part of the objective of the 14th Review was to realign quotas to economic fundamentals.

the Fund quota) relative to GDP, trade, non-FDI external liabilities, and gross financing needs that has occurred since 2009.

16. A limited grandfathering is proposed for existing non-exceptional access cases. The new access limits would apply to all members when the general conditions for the effectiveness of the quota increases under the 14th Review have been met, i.e., irrespective of whether or not the quota increase under the 14th Review for a specific member has become effective. Members who were not subject to the exceptional access framework prior to the entrance into effect of the proposed modifications to overall access limits would be grandfathered. This means that if the change in access limits were to result in a member's access to Fund resources in the GRA exceeding the proposed new normal access limits, the exceptional access framework would not apply for the remainder of an existing arrangement (including in the event of a rephasing). However, additional access to Fund resources in the GRA under a new arrangement, or through an augmentation of access under an existing arrangement or an outright purchase under the RFI in an amount that exceeds the proposed new access limits would trigger the application of the exceptional access framework.¹⁰

17. Staff proposes to keep the average SDR value of PLL-specific access limits unchanged. Staff continues to consider that current PLL-specific access levels remain adequate to meet members' demand, as approved PLLs have been well below current access limits. Consistent with the May 2014 proposal, staff proposes halving the PLL-specific access limits (in percent of quota) once the 14th Review quota increases become effective. Accordingly, staff proposes that the specific cumulative limit for all access under the PLL by a member be adjusted from 1000 percent of quota to 500 percent of quota, net of scheduled repurchases. For PLL arrangements with a duration of one or two years, the annual access limit applicable at the time of approval of such arrangements will be reduced to 250 percent of quota (net of scheduled repurchases), and total access to 500 percent of quota (net of scheduled repurchases), subject to the additional consideration that PLL arrangements with a duration of one to two years for members without an actual balance of payment need at the time of approval will be phased with an initial amount not in excess of 250 percent of quota being available upon approval. Six-month PLL arrangements will normally be subject to a per arrangement limit of 125 percent of quota, net of scheduled repurchases, although a limit of 250 percent of quota, net of scheduled repurchases, shall apply to six-month PLL arrangements in exceptional circumstances where a member is experiencing or has the potential to experience short-term balance of payments needs that exceed the 125 percent of quota limit due to the impact of exogenous shocks (with total access under all six-month PLL arrangements in no event exceeding a cumulative access limit of 250 percent).

¹⁰ Under this proposal, while new normal access limits would fall below current normal access limits in SDR terms for 39 countries, these nominal reductions are marginal (averaging 2 percent). Moreover, there are currently no active normal access programs that would become exceptional access programs under the new proposal. Hence, the proposed grandfathering would apply to new arrangements approved ahead of the effectiveness of the new access limits policy.

18. In the case of the RFI, the Executive Board already acted. On July 1, 2015, it agreed to increase the annual and cumulative limits by 50 percent (Decision No. 15820 (15/66)), and to halve the new limits once the general conditions for the 14th Review quota increases are met (Decision No. 15821 (15/66))—thereby maintaining the 50 percent increase in SDR terms. Accordingly, following effectiveness of the 14th quota increase, the RFI would be subject to an annual access limit of 37.5 percent of quota, and to a cumulative access limit of 75 percent of the new quotas.

19. Access limits under the PRGT were increased by 50 percent in July 2015.¹¹ In the context of the Financing for Development Initiative, the Board on July 1, 2015 decided to raise access limits by 50 percent across all concessional facilities for all PRGT-eligible countries, and rebalanced the funding mix of concessional to non-concessional resources provided to blended arrangements. The Board also took the decision that those limits would be halved upon effectiveness of the 14th General Review of Quotas, thereby safeguarding the self-financing nature of the Fund's concessional lending over the long-term. Table 2 summarizes the access limits for GRA and PRGT facilities before and after the 14th Review quota increases become effective.

20. Staff proposes that overall access limits to the Fund's general resources be reviewed again in early 2021. The proposal is consistent with the standard 5-year review period, although consideration could be given to an earlier review following the effectiveness of the 15th General Review of Quotas.

¹¹ See [Financing for Development—Enhancing the Financial Safety Net for Developing Countries](#) (06/11/15); [Press Release No. 15/324](#) (07/08/15); Decision No. 15818 (15/66), adopted 07/01/15; and Decision No. 15819 (15/66), adopted 07/01/15.

Box 1. History of Access Limits

During the Fund's first three decades, access limits were maintained at levels originally set under the Articles (25 percent of quota on an annual basis and 100 percent on a cumulative basis), while the expansion of members' quotas did not keep pace with growth of the global economy. As a result, "absolute access limits," or the amount in SDRs/dollars that a member could purchase under the access limits, fell substantially relative to the scale of the global economy. In the mid-1970s, the structure of access limits was adjusted and the level increased, but the limits continued to be exceeded in practice.

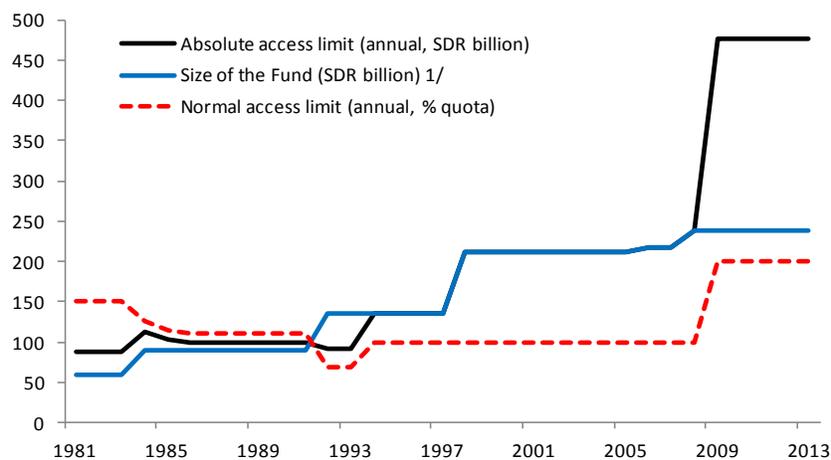
Quotas were increased substantially under two general reviews beginning in the 1980s, while both annual and cumulative access limits were gradually reduced to keep absolute access limits in SDR terms from increasing too sharply (Figure 1). Quotas were again increased in 1992, and annual access limits were raised temporarily in 1994 to partly correct for the erosion in absolute access limits relative to global GDP and trade.

In 1998, quotas were increased by 45 percent under the 11th General Review. Access limits were maintained at their existing levels, thereby providing for a parallel increase in absolute access limits. As a result, annual absolute access limits were restored to levels roughly in line with those in the early 1980s relative to global GDP and global trade. From 1994 to 2008, annual (cumulative) access limits remained constant at 100 (300) percent of quota, while quota increases did not keep pace with global growth and increased trade and financial integration.

Together with the 2006 ad hoc adjustments, the 2008 decision on ad hoc quota increases for 54 members raised nominal quotas by 11.5 percent in total, with an equivalent increase in the scale of absolute access limits. These ad hoc increases tended to benefit EMDEs, which received nominal increases ranging from 12 and 106 percent. While absolute access limits for EMDEs rose relative to key economic metrics, the ratio of quotas to these metrics remained well below 1998 levels.

The 2009 review of access increased the annual limits from 100 to 200 percent of quota and the cumulative limit from 300 to 600 percent of quota (net of scheduled repurchases). The 2009 reforms were proposed to restore limits to 1998 in relation to global trade and capital flows, while more than compensating for global GDP growth.

Fund Size and Annual Access Limits, 1981-2014



1/ Effective size of the Fund excludes bilateral borrowing arrangements in place during 2010-13.

Source: IFS and IMF staff calculations

Box 2. The Risk Management Role of Access Limits

Access limits are a key element of the Fund’s risk management framework. They are intended to balance the need to provide members and markets with confidence regarding the scale of possible Fund financing with the need to preserve Fund liquidity and the revolving character of Fund resources. Limits on annual access are intended to give confidence to members about the degree of financial support the Fund is normally prepared to provide over a 12-month period, while ensuring that members do not rely excessively on the Fund but also draw on other sources of financing and adopt appropriate adjustment measures. Annual limits are designed to reduce the risk that members exhaust their potential access to the Fund more rapidly than would be warranted by the nature and size of balance of payments needs. Cumulative access limits help to ensure that the Fund’s resources are not exhausted, so that borrowers need not be treated on a “first-come-first-served” basis. Access limits also reduce the risk that members become unable to repay the Fund, thereby safeguarding Fund resources.

Access limits set the threshold for triggering the application of exceptional access policies.

Access to GRA resources under Fund arrangements are generally determined by the member’s actual, prospective or potential balance of payments needs, its capacity to repay the Fund, the strength of the member’s adjustment effort, the amount of its outstanding use of Fund resources, and its record of such use in the past.¹ Thus, access limits do not set a ceiling on how much a member can obtain as financing from the Fund, but rather serve as a threshold beyond which a set of substantive and procedural requirements are triggered under the exceptional access policy. These requirements include early Board involvement on program discussions, assessment of four substantive criteria, higher requirements for program documentation, an assessment of financial risks to the Fund arising from the proposed access, an ex post evaluation within one year of the end of the program, explicit discussions of exit strategies and discussions of alternative forecast scenarios. The closer scrutiny by the Board under the exceptional access procedural framework reflects the consequential nature of these decisions for the member, the international financial system and the Fund. Limits also guide when a member’s credit outstanding is deemed to be substantially high such that post program monitoring is warranted after an arrangement expires.

¹ additional considerations apply to decisions on access under specific GRA financing instruments, such as caps or hard limits on access. While there is no cap on access to GRA resources, certain instruments in the Fund’s lending toolkit are designed with access caps. For instance, access under the Precautionary and Liquidity Line (PLL) is currently capped at 1000 percent of quota applicable cumulatively to all access under the PLL instrument. Access under the Rapid Financing Instrument (RFI) is currently limited to 75 percent of quota per year and 150 percent of quota on a cumulative basis.

Table 1. Access Limits and Economic Indicators, 2009–16

	2009	2015	Increase needed to restore 2015 actual access to 2009 level (in percent)	2015 Proposal 1/
Annual Access Limit	200%	200%	<i>n.a.</i>	140%
World Access to Indicators Index (1998=100)				
GDP	132.3	97.6	36	136.6
Trade (exports + imports)	108.1	73.9	46	103.5
Non-FDI External Liabilities	70.5	51.5	37	72.0
Gross Financing Needs	55.2	42.5	30	59.5
EMDE Access to Indicators Index (1998=100) 2/				
GDP	100.5	71.9	40	100.7
Trade (exports + imports)	78.8	52.9	49	74.0
Non-FDI External Liabilities	48.1	32.6	48	45.6
Gross Financing Needs	107.8	64.5	67	90.4

Source: WEO and IMF staff calculations

1/ New access limits apply to the 14th Review quotas.

2/ Excludes China and India.

Table 2. GRA and PRGT: Annual and Cumulative Normal Access Limits by Facility

	May 2014 1/ % of quota		Current 2/ % of quota		Post 14th quota increase (proposal)			
	Annual	Cumul.	Annual	Cumul.	Annual	Cumul.	% change in SDR terms, relative to:	
							May 2014	Current
GRA								
SBA/EFF	200.0	600.0	200.0	600.0	140.0	420.0	40.0	40.0
RFI	50.0	100.0	75.0	150.0	37.5	75.0	50.0	0.0
PLL 3/	500.0	1000.0	500.0	1000.0	250.0	500.0	0.0	0.0
PRGT								
ECF	100.0	300.0	150.0	450.0	75.0	225.0	50.0	0.0
RCF								
Normal	25.0	100.0	37.5	150.0	18.8	75.0	50.0	0.0
Shocks	50.0	100.0	75.0	150.0	37.5	75.0	50.0	0.0

1/ Date of last Board Discussion of access limits.

2/ On July 2015, the Board approved a 50% in PRGT access norms (ECF, RCF, SCF) and a similar increase in limits for RFI. It also approved halving these limits once the 14th quota increase went into effect.

3/ Arrangements with duration of 1-2 years. For 6-month arrangements, the annual and cumulative limits are 250 and 500 percent of quota.

Figure 1. Evolution of GRA Arrangements, 1995–2015

The number of Fund-supported programs and outstanding Fund credit both peaked in the aftermath of the GFC. Over the past five years, the access level and duration of Fund programs have been well above those found in the pre-GFC period. However, the need for Fund assistance has been gradually declining since 2010–11.

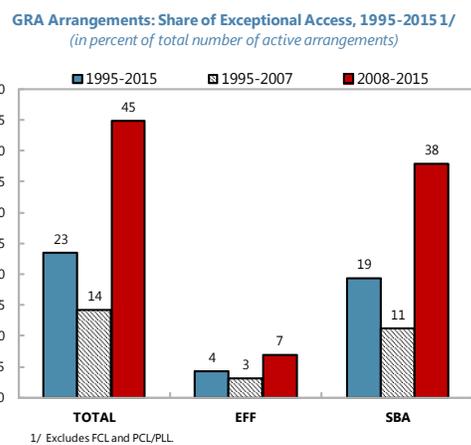
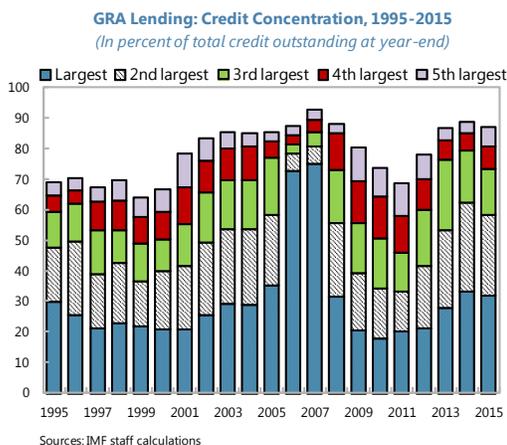
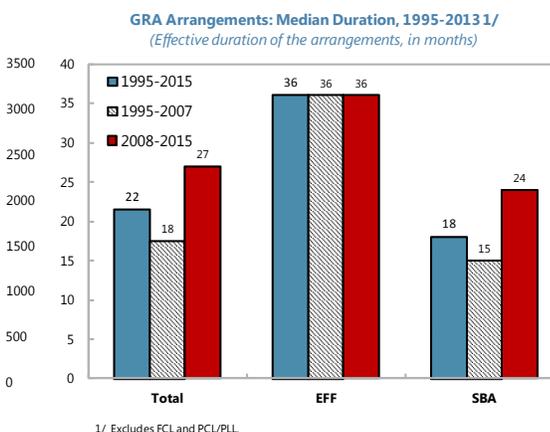
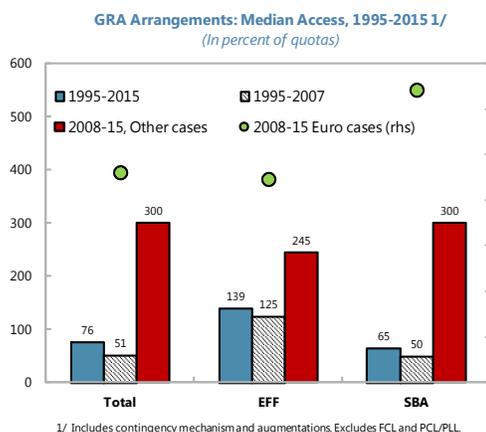
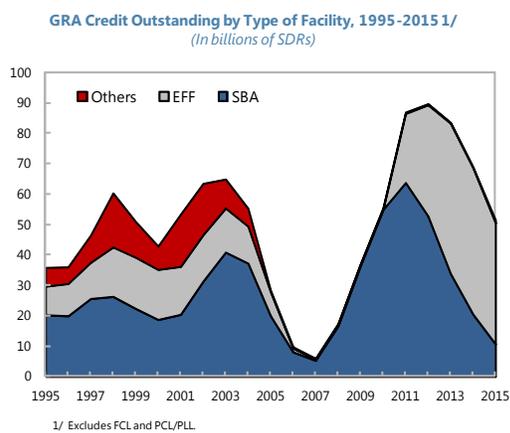
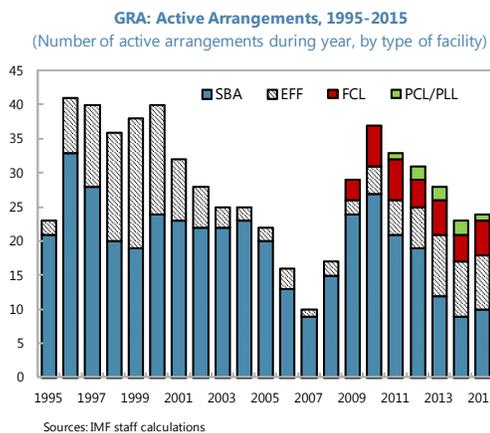
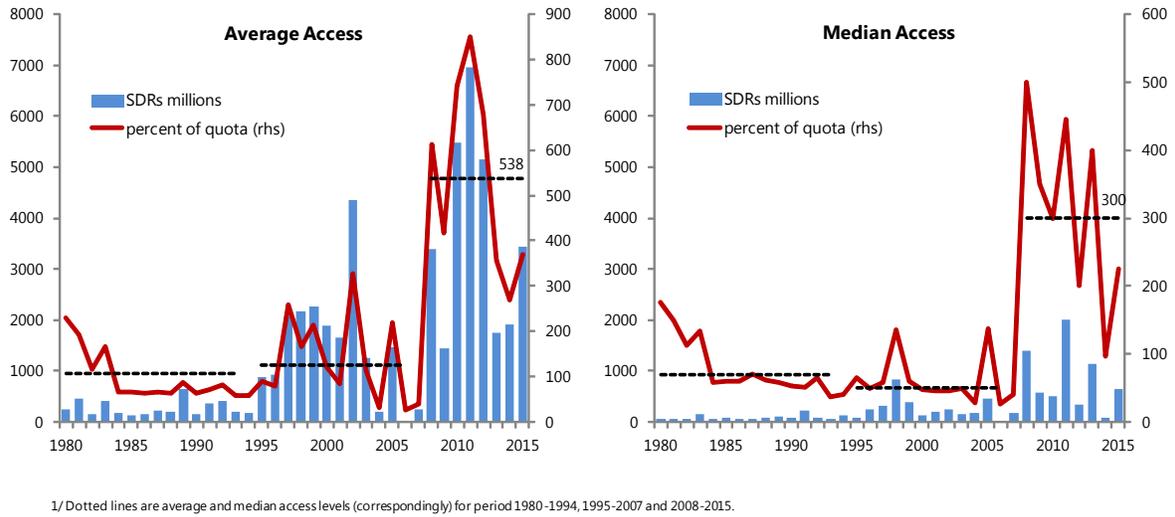
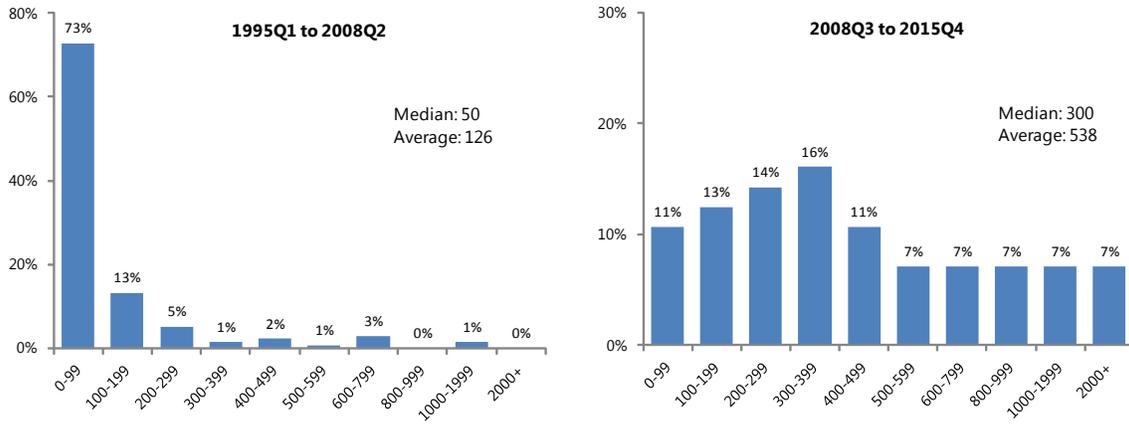


Figure 2. Access Under SBAs and Extended Arrangements, 1980–2015



Source: IFS and IMF staff calculations

Figure 3. Access Distribution Under SBAs and Extended Arrangements, Pre and Post GFC



Source: IFS, Fund Arrangement Database and IMF staff calculations

Figure 4. Access in Absolute Terms in Relation to Economic Indicators, 1998–2015

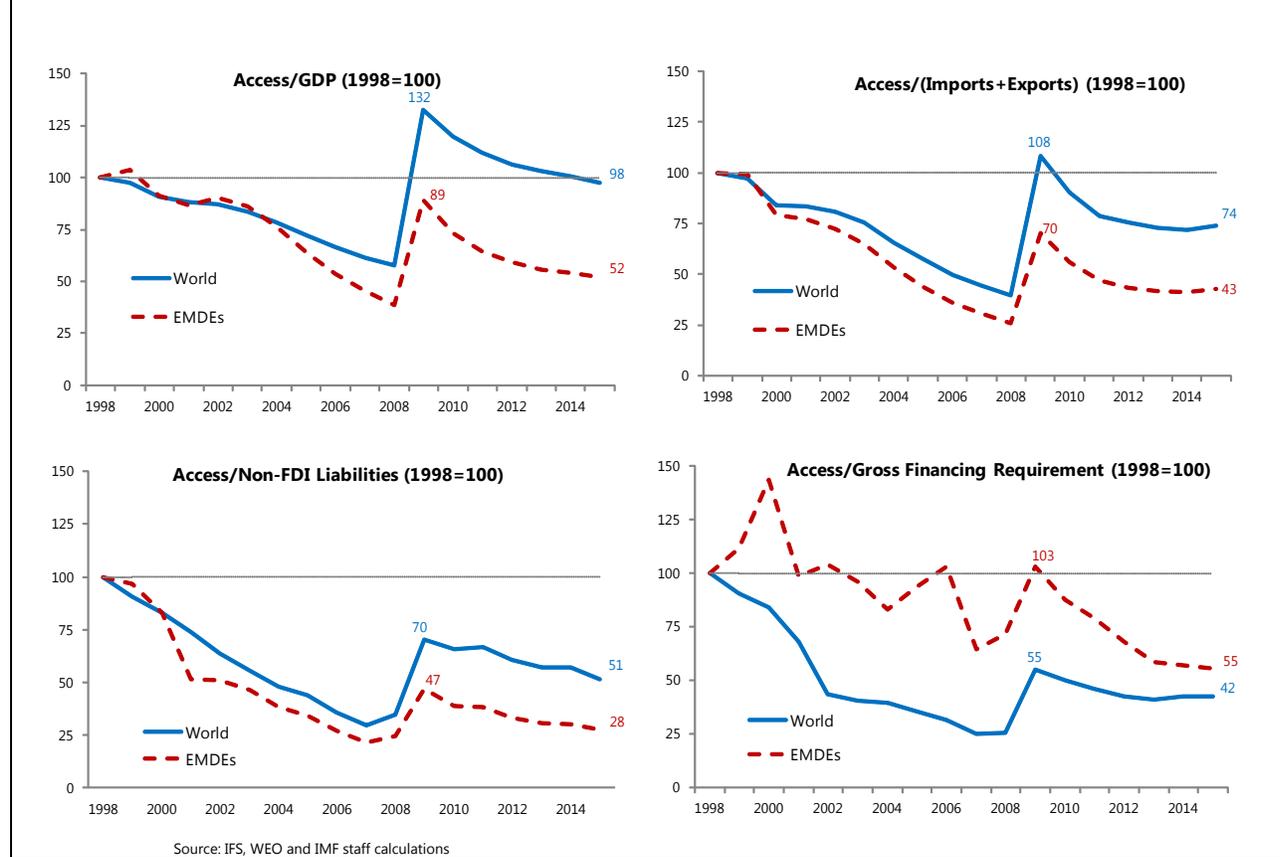


Figure 5. Absolute Access in Relation to GDP: World, EMDEs and AMs, 1998–2015

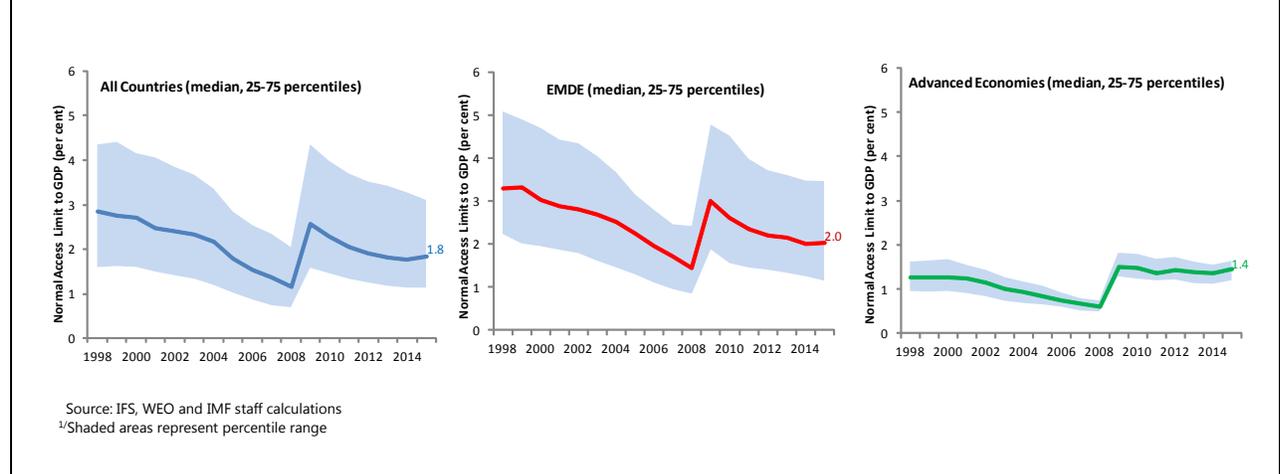
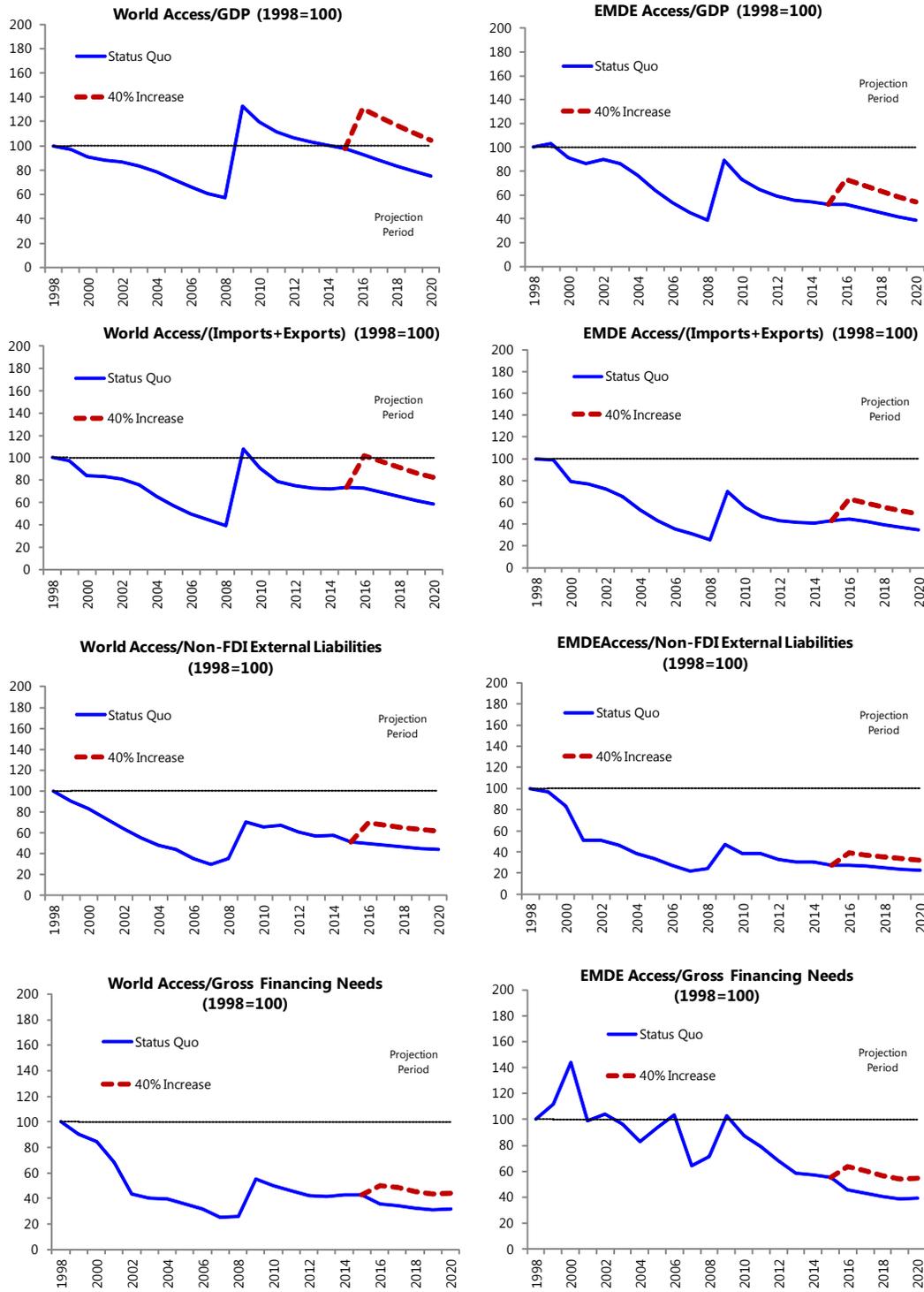


Figure 6. Absolute Access Trends: Reform Options
(assumes 14th Review becomes effective in 2016)



Source: IFS, WEO and IMF staff calculations

REVIEW OF SURCHARGE POLICIES

21. Surcharges are an important element of the Fund’s broad risk management framework intended to safeguard the revolving nature of Fund resources and help mitigate credit risk.

The current policy on level and time-based surcharges was introduced in 2009, and replaced the previous Time Based Repurchases Expectation Policy (TBRE) (see Box 3 for additional background on surcharge policy). A core objective of the 2009 reforms was to simplify the complex system of surcharges that varied across facilities and to provide stronger incentives for early repurchase. The current surcharge is set at 200 basis points on credit outstanding over 300 percent of quota, rising to 300 basis points when credit exceeds that threshold for more than three years. These level and time-based surcharges are intended to help mitigate credit risk by providing members with incentives to limit their demand for Fund assistance and encourage timely repurchases while at the same time generating income for the Fund to accumulate precautionary balances. Taken together, level- and time-based surcharges are calibrated to be broadly aligned with the market costs of borrowing for members emerging from balance of payments difficulties.

22. Surcharges have become more prevalent following the global financial crisis—as a result of the overall expansion in lending but also higher average access. As of November 30, 2015, more than a quarter of all members with GRA credit outstanding were subject to surcharges, down from close to 50 percent in FY 2013. Roughly 90 percent of credit outstanding has been subject to surcharges since 2009, reflecting the predominance of high and exceptional access arrangements. As a result, income from surcharges has increased substantially over the last five years—and amounted to around SDR 1.5 billion in FY2015 (see Table 3). This is broadly consistent with the target and assumed pace of accumulation of precautionary balances endorsed by the Executive Board in 2012 (with the target confirmed in 2014).¹² However, due to large early repurchases and delayed purchases, surcharge income is projected to decline substantially going forward even under current policies and quotas, constraining the Fund’s capacity to maintain the pace of accumulation of precautionary balances. As the Fund’s lending capacity is finite, incentives to limit the size of arrangements and encourage members to make repurchases when they face favorable spreads and have access to private capital markets play a crucial role in preserving the revolving nature of Fund resources.

¹² See [Review of the Adequacy of the Fund’s Precautionary Balances](#) (1/15/14) and [Press Release No. 14/75](#) (2/7/2014).

23. The current system of price-based incentives appears to have broadly achieved its objectives.

- Since 2008, five members with high levels of credit outstanding under the credit tranches—Iceland, Latvia, Hungary, Ireland and Portugal—have made large early repurchases (Box 4).¹³ Purchases under then-existing arrangements for two of these members—Iceland and Latvia—were grandfathered under the old policy on surcharges, and hence were not subject to the time-based element, while credit outstanding by Hungary, Ireland and Portugal were subject to the current system of surcharges. Early repurchases appear to coincide with regained market access and a reduction in the cost of market borrowing. Expectation of a boost to market confidence and domestic political considerations likely also contributed to early repurchases. Ireland made early repurchases that reduced its outstanding credit to just below the surcharge threshold as market access became relatively cheaper, suggesting that eliminating the surcharge was a motivation for making the early repurchases.
- Surcharges have allowed the Fund to build precautionary balances. These balances have increased from SDR 12.7 billion at end of FY 2014 to SDR 14.2 billion by the end of FY 2015. This level is below the current indicative target of SDR 20 billion and the current pace will not allow the indicative target to be reached over the medium-term.¹⁴

Table 3. Basic Information on Level and Time-Based Surcharges
(as of the end of the fiscal year—April 30)

	2008	2009	2010	2011	2012	2013	2014	2015
Number of member countries								
with GRA credit outstanding	22	29	32	36	37	34	32	29
subject to level-based surcharges 1/	2	7	10	13	15	16	14	10
subject to time-based surcharges	-	-	-	-	-	6	7	5
Total Fund credit outstanding at year-end (SDR millions) 2/	5,896	20,426	41,238	65,539	94,182	90,182	81,238	55,228
o/w subject to level-based surcharges 1/	4,523	18,473	36,799	56,038	87,303	80,923	69,813	43,742
o/w subject to time-based surcharges	-	-	-	-	-	19,787	45,398	35,329
Amount of Surcharge Income Collected (SDR millions, by year)								
from level-based surcharges	38	79	260	506	907	1,241	1,398	1,463
from time-based surcharges	-	-	-	-	-	89	272	473

1/ In FY2010 the new surcharges policy became effective. Iceland and Latvia elected to be grandfathered under the old surcharges policy.
2/ Comprises purchases/disbursements made after November 28, 2000.

¹³ Ireland's and Portugal's financing agreements under the European financing facilities (EFSF/EFSD) include a proportionate early repayment clause. This clause stipulates that, upon a member's early repayment to the IMF, a proportionate amount of the loan provided under the European financing facilities shall become immediately due and repayable. In the case of Ireland and Portugal, the Europeans decided to waive this clause.

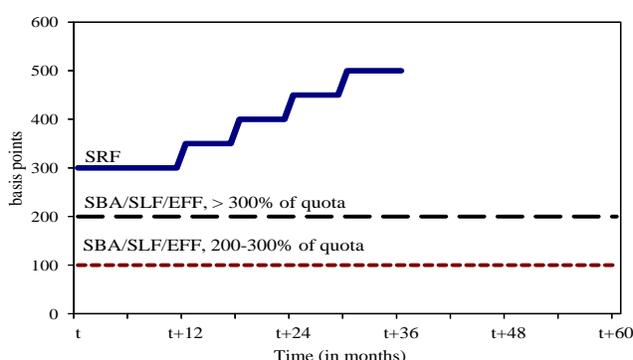
¹⁴ The Executive Board is due to assess the target level and the pace of accumulation in the upcoming 2016 review of precautionary balances.

Box 3. Evolution of Surcharges

Surcharges were introduced in 1997 with the establishment of the Supplemental Reserve Facility (SRF).^{1,2}

Applying only to the SRF, a time-based structure of surcharges and short-term maturities was designed to incentivize early repayment by members with exceptional access that were experiencing capital account crises. In 2000, level-based surcharges were introduced on purchases in the credit tranches and under extended arrangements, starting at 200 percent of quota to discourage unduly high access. Considerations were given to thresholds of 300 percent, consistent with the upper limit of “normal” access, and 100 percent to capture more prolonged users of Fund resources and allow for a more graduated charge.³ In the end, the Board adopted a threshold starting at 200 percent of quota with a two-step increase in the rate. At the same time a schedule of repurchase expectations was introduced, from which, however, a member could request an extension to the maximum allowed under the repurchase obligation schedule. This resulted in a complicated system of surcharges and maturities (see figure and table below).

Surcharge Structure Prior to 2009



Repurchase Expectations Policy

Facility	Repayment period (in years)	
	Expectations basis	Obligation basis 1/ 2/
Credit tranches	2 1/4 - 4	3 1/4 - 5
EFF	4 1/2 - 7	4 1/2 - 10
SRF	2 - 2 1/2	2 1/2 - 3
SLF	n.a.	3, 6, or 9 months

1/ For the credit tranches and the EFF, a member whose external position has not improved sufficiently to meet the expectations schedule without undue hardship or risk could request an extension.

2/ For the SRF, extensions provided if: (i) the member is unable to meet the repurchase expectation without undue hardship; and (ii) the member is taking actions to strengthen its balance of payments.

In 2009, surcharges were streamlined and aligned across all GRA facilities to simplify the structure of charges and to eliminate sources of misalignment of terms across facilities.⁴ At the same time, the time-based repurchase expectation policy was eliminated and replaced by applying time-based surcharges on credit outstanding under all GRA facilities, which was deemed more effective and transparent. In conjunction with a new time-based surcharge, the new single level-based threshold was set at the previous upper step of 300 percent of quota. Meanwhile, the level-based surcharge was established at 200 basis points, rising to 300 basis points when outstanding credit exceeds the threshold for more than three years. The reform also eliminated the SRF, on which time-based surcharges had previously been exclusively levied. Tailored time-based surcharges for EFF credit, consistent with EFF arrangements’ longer expected adjustment duration, were not proposed and the Executive Board agreed that high access was not normally expected under the EFF, and that future use under the EFF would likely be focused on low-income members.

¹ See [Annex I of Review of Charges and Maturities—Policies Supporting the Revolving Nature of Fund Resources](#) (5/24/2005).

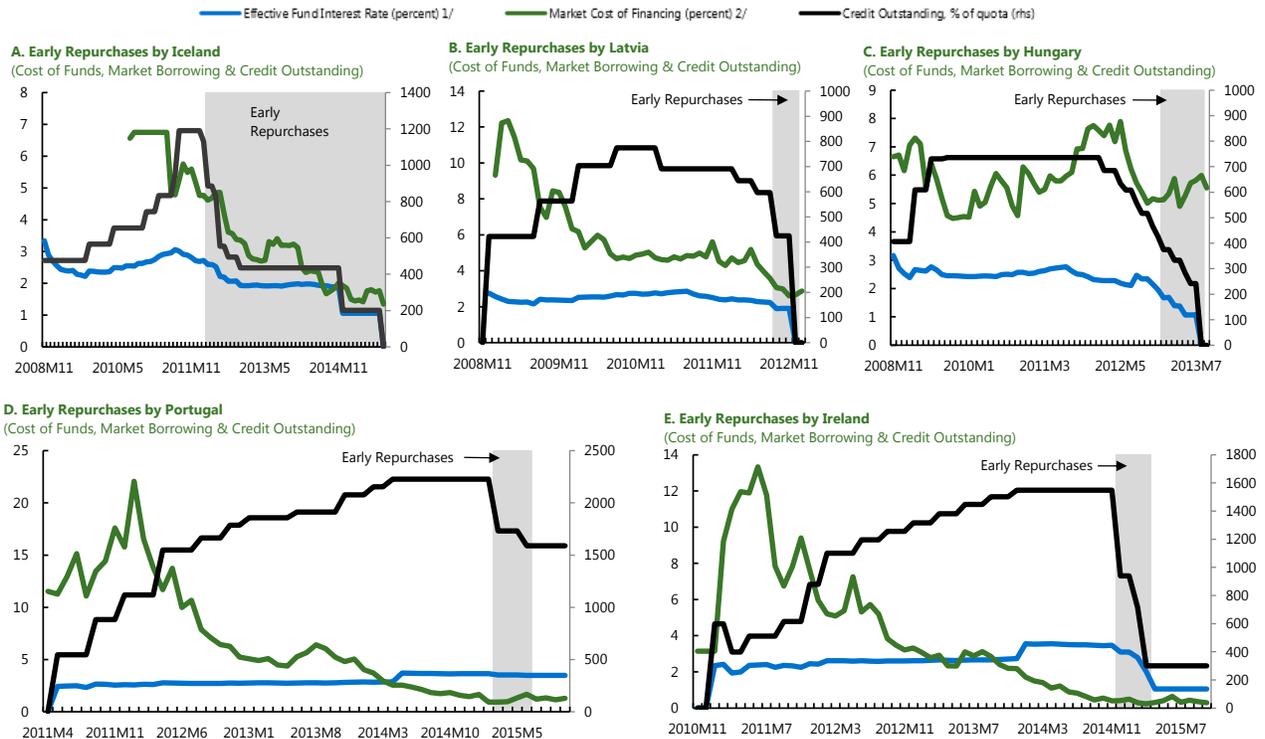
² Prior to 1981 when a flat rate of charge for all Fund credit financed with ordinary resources was introduced, the Fund operated a graduated structure of charges based on the level and duration of credit outstanding. Different rates of charge continued to apply on financing from borrowed resources until 1993.

³ [Review of Fund Facilities—Further Considerations](#) (07/10/2000) [Review of Fund Facilities—Follow Up](#) (08/31/2000).

⁴ See [GRA Lending Toolkit and Conditionality—Reform Proposals](#) (03/13/2009) and [Charges and Maturities – Proposals for Reform](#) (12/12/2008).

Box 4. Recent Experience with Early Repurchases—Iceland, Latvia, Hungary, Ireland, and Portugal

The figures below illustrate five post-GFC cases where early repurchases have typically coincided with regained market access and a reduction in the cost of market borrowing, although the experience across members is not uniform.¹ In some cases the positive market signal from repaying the Fund and domestic political considerations were also likely contributing factors, whereas in euro area cases uncertainty surrounding the fragile recovery may have motivated maintaining outstanding Fund credit for longer. In **Iceland** market confidence started improving ahead of the net repurchase period and the subsequent sizeable early repurchases appear to have reinforced the decline in market borrowing costs. In turn, the more recent second phase of early repurchases followed convergence of market and Fund borrowing costs. In **Latvia** access to comparably priced market financing following the economic adjustment coincided closely with the member fully clearing its credit outstanding with the Fund. In **Hungary**, the reduction in market borrowing costs closely trailed declining Fund credit at the start of the net repurchase period, but was cut short by domestic political uncertainty in early 2013. The subsequent early repurchases despite the higher cost of market financing may have reflected political considerations as well as the perceived stigma associated with Fund financing. In **Ireland and Portugal** market borrowing costs fell below the cost of Fund financing before the peak of credit outstanding and diverged further at the onset of the time-based surcharges, reflecting economic adjustment efforts and, in part, strengthening of European crisis management institutions. Access to cheaper market financing appears to have been a motivating factor for the early repurchases by these members. As a result of recent early repurchases, Ireland has reduced its credit outstanding to the surcharge threshold of 300 percent of quota.



Source: Bloomberg, Finance Department
 1/ The effective Fund interest rate includes the basic rate of charge and level and time-based surcharges, where applicable.
 2/ The market cost of financing for Iceland and Latvia is the sovereign US dollar bond with residual maturity closest to five years due to limited issuances and secondary market pricing. The market cost of financing for Hungary is the 5-year EMBIG yield. The market cost of financing for Ireland and Portugal are 5-year sovereign euro bond yields.

¹ Both Latvia and Iceland were grandfathered under the previous surcharge regime when the current regime was introduced in early 2009. Hence, they were not subject to time-based surcharges.

A. Surcharge Level

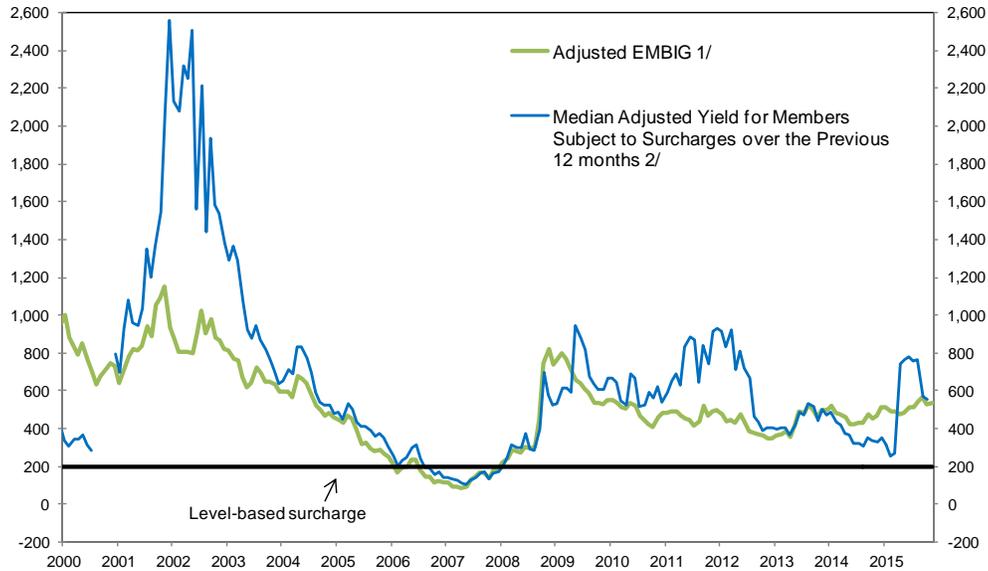
24. The current surcharge level appears to remain appropriate in light of market developments. Accordingly, no changes are proposed for the magnitude of the 200 basis points surcharge level and the additional time-based surcharge of 100 basis points.

- *Incentives to seek timely assistance:* The cost of Fund credit has remained well below market rates for most users of Fund resources since the global financial crisis (Figure 7).¹⁵ This suggests that the current level-based surcharge of 200 basis points has not represented a disincentive to seek assistance from the Fund and remains consistent with the cooperative nature of the institution. Market financing costs for emerging markets (measured here by the EMBI Global index yields netted for the basic rate of charge) dipped below the adjusted cost of Fund financing during 2005–08 in the context of unusually benign market conditions, but reversed sharply thereafter. The median market financing costs for a sample of current or recent high-access users of Fund resources (over 300 percent of quota) has similarly remained above the surcharge level, although in Ireland and Portugal market borrowing costs fell below cost of Fund financing before the expiration of their Fund-supported programs. At the Board discussion in 2014, Directors generally considered the surcharge level as appropriate in light of market developments.
- *Incentives for early repayment:* At the inception of high-access programs, the premium charged by markets is usually much higher than the level of Fund surcharges. This premium typically narrows significantly over the duration of a program, yet in most instances remains above level-based surcharges. The time-based surcharges of 100 basis points, coinciding roughly with the start of regular repurchases under an SBA (3¼ years after the first purchase), encourage early repurchases by further reducing the spread between market and Fund financing costs. Figure 8 illustrates this, based on a sample of countries for which high-access Fund arrangements were approved since 1997. For the median high-access user of Fund resources during 1995–2007 (Panel A), the spread between the cost of borrowing from the market and financing from the Fund approaches and ultimately falls below the level of time-based surcharges some months after the start of scheduled repurchases. For the high-access members since 2008 (Panel B) the spread tends to narrow from pre-program peaks, but, apart from few exceptions (including Ireland and Portugal), market borrowing costs have remained above the level and time-based surcharges. This partially reflects longer post-crisis adjustment periods, longer lags before members regain market access, and the recent increase in the cost of market financing for many EMDCs.
- As discussed above, the pricing of Fund credit is intended both to help manage the Fund’s liquidity and thereby preserve the revolving character of Fund resources, and to allow the Fund’s precautionary balances to be built. It is recognized that other members/organizations of the international community that provide additional financing to members implementing Fund-

¹⁵ The median adjusted yields between market rates and cost of Fund borrowing depicted in Figure 7 is based on a different sample than the spread shown in Figure 7 of the 2014 staff paper, where the median was calculated on basis of a fixed sample of members with exceptional access programs over the sample period.

supported programs may face different constraints and have somewhat different objectives. For these reasons, financing from such sources may involve some combination of longer maturities and lower costs than those associated with Fund credit (indeed, in some cases such support is provided in the form of grants).

Figure 7. Spread Between Market Rates and Cost of Fund Borrowing
(In basis points) ^{1,2/}

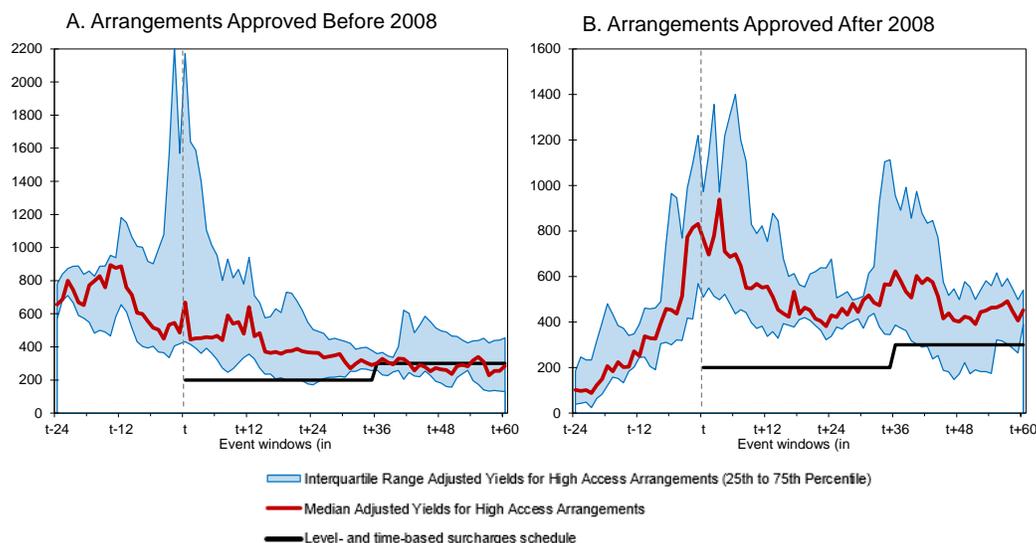


Sources: Bloomberg and Finance Department

1/ The adjusted Emerging Market Bond Index Global (EMBIG) is defined as the index yield net of the rate of charge.

2/ For simplicity, the sample includes yields for members whose credit outstanding exceeded 300 percent of quota in the previous 12 months (the higher level-based surcharge threshold before the 2009 reform). Adjusted yields for emerging market countries are calculated using country-specific EMBIG yields net of the rate of charge, subject to data availability. The adjusted yields for Greece, Ireland and Portugal are calculated using sovereign five-year euro bond yields. The sample size is limited by data availability in periods of low number of high access arrangements, including a break in the data in the last four months of 2000.

Figure 8. Event Analysis: Spread Between Market Borrowing and the Structure of Surcharges
(In basis points)^{1,2/}



Sources: Bloomberg, and Finance Department

1/ High access arrangements are defined as those with access in excess of 300 percent of quota. In cases of successor Fund arrangements only the most recent arrangement is considered. The adjusted yields are defined as the Emerging Market Bond Index Global (EMBIG) yields net of the adjusted rate of charge. The adjusted yields for Greece, Ireland and Portugal are calculated using sovereign five-year euro bond yields. The medians for the indicated time-periods are calculated based on all non-precautionary high access cases (including under the SRF), subject to data availability.

2/ Events refer to the dates when there were high access programs approved by the Fund. In the event window, t corresponds to the month when access was granted. The window shows 24 months (2 years) prior to each event and 60 months (5 years) after.

B. Surcharge Threshold

25. Adjusting the level-based surcharge threshold would be appropriate once the 14th Review quota increases become effective. In the absence of a reduction in the threshold in relation to quota, surcharges would apply only at much higher SDR amounts of credit outstanding. This would undermine an important element of the Fund's risk mitigation framework, discourage timely repurchases, and have an adverse impact on the Fund's income and its capacity to accumulate precautionary balances. By way of illustration, if the general effectiveness conditions for the 14th Review are met on February 1, 2016, an unchanged surcharge threshold would lower overall expected surcharge income over the period FY2016–25 by about SDR 1.7 billion as compared to unchanged thresholds and quotas (see Table 4).

26. At the preliminary discussion in 2014, the Board considered options for adjusting the surcharge threshold once the 14th Review quotas became effective. At the time, most Directors saw merit in adjusting the surcharge threshold to allow for a moderate increase in the SDR value of the credit not subject to surcharges. A few Directors, noting the expectations of borrowing countries for greater savings in the cost of Fund financing following the quota increases under the 14th Review, favored keeping the surcharge threshold at 300 percent of quota. Some other Directors preferred maintaining the current incentive structure by halving the surcharge threshold to 150 percent of quota, which would on average leave the surcharge thresholds unchanged in SDR terms.

27. While circumstances have changed somewhat since the 2014 preliminary discussion, the options considered at that time remain relevant. On the one hand, downward revisions to projections of the Fund’s income and pace of accumulation of precautionary balances in the context of still elevated risks to the Fund would support setting a threshold that would limit the loss of income.¹⁶ A lower threshold could also help to support the revolving nature of the Fund’s general resources against the backdrop of Fund’s resource envelope remaining broadly unchanged after the 14th Review quotas and the rollback of the NAB come into effect. On the other hand, the economic metrics that are relevant for access limits point to a further increase in members’ average capacity to repay the Fund, and so could support a somewhat higher increase in the threshold that would allow the changes in the access and surcharge thresholds to be aligned.

28. At the 2014 discussion, most Directors saw merit in a moderate increase of the threshold in SDR terms. Assuming effectiveness of 14th Review quotas on February 1, halving the surcharge threshold to 150 percent of quota (which would broadly maintain the SDR value of surcharges) would lead to a reduction in the Fund’s income of about SDR 61 million in FY 2016–25, because of differences in the size of the quota increases of members with outstanding credit. Two options of a moderate increase in the thresholds in SDR terms, in line with Directors’ views, are considered:

- **One option would be to set the new threshold at 175 percent of quota.** This would increase the threshold moderately in SDR terms, as supported by most Directors in 2014, by about 15 percent relative to the current threshold. Fund income would decline modestly relative to halving the threshold to 150 percent of quota, by SDR 259 million over FY2016–25 (Table 4), while incentives for early repurchases would be broadly preserved in the wake of the effectiveness of the 14th General Review quotas.¹⁷
- **A second option would be to set the threshold at 200 percent of quota.** This would be in line with lowest historical surcharge thresholds, and, while conceptually separate from access limits, would broadly align the two policies (increasing the threshold in SDR terms by about 35 percent relative to the current threshold). Changing the threshold to 200 percent of quota would give greater savings to large borrowers. On the other hand, it would result in an additional reduction in the Fund’s projected income over the period FY2016–25 of about SDR 238 million (SDR 497 million relative to halving the threshold to 150 percent of quota), further slowing the accumulation of precautionary balances.¹⁸ It would also lead to a further increase in the level of outstanding credit at which surcharges start to provide incentives for early repurchases.

¹⁶ Review of the Adequacy of the Fund’s Precautionary Balances *forthcoming*.

¹⁷ [Review of the Adequacy of the Fund’s Precautionary Balances](#) (1/15/14) and [Press Release No. 14/75](#) (2/8/2014).

¹⁸ The projected additional reduction in income is based on unchanged projected path of GRA credit outstanding, implicitly assuming that the difference between the thresholds under the two options would not affect early repurchases.

Table 4. Projected Fund Income from Surcharges under Various Thresholds 1/
(In millions of SDRs; FY 2016 to FY 2025)

	Current quota		Quota increase February 1, 2016 2/						
	Current Thresholds 3/	Full Off-set		Difference in income versus 150% 4/					
		150% of quota		175% of quota		200% of quota		300% of quota	
		36m	51m	36m	51m	36m	51m	36m	51m
EU members	2,541	2,484	2,483	-193	-195	-377	-378	-1,015	-1,013
Other members	1,635	1,631	1,623	-66	-66	-121	-193	-585	-657
Total	4,176	4,115	4,106	-259	-260	-497	-571	-1,600	-1,670

1/ Includes actual surcharge income for the first six months of FY 2016.

2/ Members that are subject to higher surcharges following the quota increases and adjustment of thresholds are assumed to be grandfathered under current quotas and thresholds.

3/ Baseline projections are based on existing active GRA arrangements, current quotas, and the current surcharges policy. It is assumed that Portugal makes advance repurchases of SDR 4.9 billion in March 2016 and that no further disbursements will be made under Greece's current EFF arrangement.

4/ Reduction of surcharge income relative to halving the thresholds (150% of quota) as a result of the changes in the thresholds and the time-based trigger for EFF arrangement following the quota increase.

29. While a number of tradeoffs must be considered, on balance staff recommends a more modest increase in the surcharge threshold to 175 percent. This approach would be more consistent with the Fund's broadly unchanged resource envelope, which suggests that the price-based incentive structure should not be weakened. It would support the pace of accumulating precautionary balances. At the same time, the alternative of 200 percent could be considered as a compromise, balancing a slower pace of reserve accumulation against increased savings for the Fund's largest borrowers.

30. It is proposed that the surcharge threshold be effective for each individual member, when the member pays its quota increase, or at the end of the 30 days after the general conditions for the effectiveness of the 14th Review quota increases, have been met ("Quota Payment Period"), whichever is earlier.¹⁹ By the end of the Quota Payment Period, the new thresholds would apply to all members, except those with existing arrangements who could be grandfathered (see below), regardless of whether they have consented to or paid for their respective quota increases under the 14th Review. The proposed rolling effectiveness of the new surcharge threshold for individual members is designed to avoid disadvantages for members and limit the negative impact on Fund income. Specifically, if the new surcharge threshold was to become effective immediately upon the effectiveness of the general conditions for the 14th Review quota increases, members may not have sufficient time to make quota increase payments, and the new threshold applied to members' old quota would result in higher surcharges on their outstanding Fund credit. If the new surcharge threshold was to enter into effect for all members at the end of the Quota Payment Period, members completing their quota increase payments before that would have

¹⁹ Board of Governors' Resolution No. 66-2 requires each member to pay its quota increase under the 14th Review within 30 days after the later of (a) the date on which it notifies the Fund of its consent for such increase, or (b) the date on which all of the general conditions for the 14th Review quota increases are met.

their new, higher quotas while continuing to be subject to the old threshold, which would result in lower surcharges and thus a higher reduction of income for the Fund.

31. Staff proposes that a grandfathering regime be put in place for members with credit outstanding and/or undrawn balances under existing arrangements at the time that the new threshold is adopted. Under the new surcharge regime, some members might be subject to higher surcharges, depending on the relative size of their quota increase and their credit outstanding at that time and going forward. Staff proposes a grandfathering regime under which members with credit outstanding or undrawn balances would be given the option to choose whether to pay surcharges based on their old quota/old threshold or new quota/new threshold.²⁰ This proposal—which is in line with views expressed by many Directors at the May 2014 Executive Board meeting—would ensure that current debtor members are not worse off in terms of surcharge cost for existing credit outstanding and undisbursed commitments compared to the current quota/current threshold.²¹ Grandfathering for a member would end when a new request for use of Fund resources for the member is approved (e.g., augmentation of an existing arrangement, or upon approval of new instrument or arrangement) after the new surcharge thresholds come into effect. Applying the new surcharge regime to all other cases at the end of the Quota Payment Period would ensure that the Fund’s credit exposure to each member is subject to a single system of surcharges to mitigate the credit risk.²² As such, staff would not favor an enhanced grandfathering option based on new quota/old threshold, as a number of Directors had suggested at the May 2014 Board meeting.

C. Time Based Surcharges Under Extended Arrangements

32. Time-based surcharges were designed to reflect repurchase schedules of high access credit tranche arrangements (e.g., SBA). When the current structure of surcharges was adopted in 2009, it was expected that arrangements involving high access would normally be in the credit tranches. At that time, the Board acknowledged that high access would not normally be expected under extended arrangements, which were viewed as particularly useful for providing blended support (with the ECF) to low income countries.²³ These countries typically require more comprehensive structural reforms, and therefore a longer period to achieve the needed balance of payments adjustment. In addition, these members were thought to face lower financing needs, given their relatively less developed financial markets and lower degree of financial integration with the rest of the world. Accordingly, high access and surcharges were viewed as relevant primarily for

²⁰ Members would have until the end of the 30-day Quota Payment Period to notify the Fund of their intention to benefit from grandfathering.

²¹ Based on current arrangements at the end of November 2015, three members are eligible for grandfathering if the level-based surcharge threshold is set at 175 percent, and two members if the threshold is 200 percent (one member with the EFF extension to 51 months).

²² This approach is consistent with the grandfathering approach used in March 2009 ([GRA Lending Toolkit and Conditionality—Reform Proposals](#), 3/13/09). The grandfathering regime is provided in the proposed decisions.

²³ The Executive Board also noted that the SBA would be a better instrument to deliver high access financing to members than extended arrangements.

credit tranche financing, and time-based surcharges were expected to start around the same timeframe as repurchases under the credit tranches (e.g., at 36 months for time-based surcharges as compared with 39 months for credit tranche repurchases) in all high access cases.²⁴

33. The use of extended arrangements, which have longer repayment schedules, with high access, calls for revisiting the design of the time-based surcharges, as originally conceived. A number of high access extended arrangements that are subject to surcharges were approved following the 2009 reform. Thirteen extended arrangements have been approved since 2009, including seven extended arrangements with access high enough to incur surcharges; these include the four members with the largest outstanding credit as a percentage of quota at this point. Under extended arrangements, repurchases are scheduled in twelve equal semiannual installments starting 4½ years from the date of each purchase, reflecting the relatively modest pace at which these members' balance of payments position is expected to strengthen. This could lead to a member receiving front-loaded financing from the Fund being subject to a time-based surcharge 1½ years before its repurchase schedule begins.

34. The time-based surcharge trigger could be extended for arrangements under the EFF to align it better with the expected time for improvement of members' balance of payments.²⁵ Taking market access as an indicator for improvement in members' balance of payments, an analysis of past arrangements suggests that it has generally taken members with extended arrangements longer to access markets after the arrangement began than members with SBAs; 31 vs. 13 months on average, respectively (Box 5). Extending the time-based surcharge trigger for EFFs to 51 months while keeping it at 36 months for credit tranche purchases would have the time-based surcharge start applying 3 months before repayments fall due under each type of arrangement. In other words, the time-based surcharge trigger would be aligned across facilities in relation to the time when repurchases start.

35. While the choice of facilities should depend on the nature of members' balance of payments needs, such an extension would change the incentive structure between facilities. The longer repurchase periods already provide an incentive for members to request extended arrangements even when an arrangement in the credit tranches (specifically an SBA) would be more appropriate for addressing their balance of payments needs. Delaying the trigger-period for time-based surcharges under extended arrangements would further strengthen this incentive. This concern, however, is mitigated by the need to meet the qualification criteria for the relevant facility, irrespective of the member's intention, although determining the nature and duration of the member's financing needs may be difficult to ascertain in practice. Differentiating surcharges across

²⁴ For the purpose of this paper, access is defined to be "high" if it exceeds the thresholds that trigger surcharges. It is important to note that these thresholds are different from the normal access limits that trigger "exceptional" access.

²⁵ A move along these lines was considered under the 2009 review, but was rejected on the grounds that it undermined the reform's fundamental goal of simplifying the system. The important role of high access extended arrangements was not envisaged, however, at the time of the 2009 review, and so the issue of time-based surcharges was seen as essentially moot at the time.

facilities would also add complexity to the surcharge policy, going against a central goal of the 2009 reform.

36. Precautionary balances would accumulate at a marginally slower pace if such a change were to take place. The Fund's income from surcharges on outstanding credit and scheduled purchases under current arrangements would be reduced in aggregate by up to about SDR 75 million over FY2016–25, depending on the surcharge threshold selected, if the time-based trigger for extended arrangements were moved to 51 months as of February 1, 2016 (Table 4, second column of each scenario). Of the current group of members with credit outstanding, any savings would accrue mainly to Ukraine as other members having high access EFF arrangements have either made early repurchases or have maintained credit outstanding in excess of the threshold for periods beyond 51 months as of February 1, 2016.²⁶ All else unchanged, this would have a minor negative impact on precautionary balances which would remain below indicative target of SDR 20 billion over the medium term.²⁷

37. The Board did not reach a consensus view on extending the time-based surcharge trigger for EFF arrangements at its discussion in 2014. At that time, many Directors saw merit in lengthening it to 51 months, while maintaining the 36-month trigger for time-based surcharges on credit under the credit tranches. However, many other Directors were not in favor of the extension, pointing to the risks of creating perverse incentives for longer-term use of Fund resources, weakening the role of the SBA as the Fund's primary lending instrument, and slowing the pace of building up precautionary balances.

²⁶ Albania, Cyprus, and Pakistan would also benefit. Greece started paying time-based surcharges for the first quarter of FY2014, Portugal started paying time-based surcharges for the first quarter of FY2015.

²⁷ [Review of the Adequacy of the Fund's Precautionary Balances](#) (1/15/14) and [Press Release No. 14/75](#) (2/8/2014).

Box 5. Market Access Following SBAs and Arrangements Under the EFF

Members with an extended arrangement under the EFF in general need more time to correct their balance of payments problems. Extended arrangements are designed to provide medium-term financing to members that are experiencing deep payments imbalances because of structural impediments or that are characterized by slow growth and an inherently weak balance of payments position. Given these characteristics, it is expected that improving the balance of payments of these members will take more time compared to members that are supported under an SBA to correct short-term external imbalances.

As a result, countries with extended arrangements are likely to take longer to access markets after the program is initiated. Taking market access as an indication of improving balance of payments, this hypothesis is generally confirmed by data from recent SBAs and extended arrangements (see text Table). Since 1998, members under extended arrangements accessed the market on average 31 months from the onset of their arrangements while members under SBAs accessed the market on average 13 months after the onset of their respective arrangements.

However, within both of these groups of arrangements, there is notable variation in the duration of members regaining market access. Some caution is also needed in interpreting these figures as, in several cases, a rapid return to the market was preceded by a prolonged Fund financing engagement. Calculating the time from the onset of the Fund financing engagement (rather than from the onset of the last arrangement) increases the duration of regaining market access for both types of arrangements, but the duration remains longer for members under extended arrangements. Another caveat with the analysis is that absence from the markets could in some cases reflect the preference of countries with market access for alternative financing sources.

Text Table

Country 1/	Date of Arrangement	Regaining Market Access 2/	Duration for Regaining Access (Months)	Type of Arrangement
Indonesia *	Aug-98	Mar-04	55	EFF
Ukraine	Sep-98	Nov-02	50	EFF
Bulgaria	Sep-98	Nov-01	38	EFF
Jordan	Apr-99	Dec-04	68	EFF
Peru *	Jun-99	Nov-02	31	EFF
Colombia	Dec-99	Mar-00	3	EFF
Macedonia, FYR	Nov-00	Dec-05	61	EFF
Serbia & Montenegro	May-02	Jul-05	38	EFF
Sri Lanka	Apr-03	Oct-07	54	EFF
Albania	Jan-06	Oct-10	31	EFF
Ireland	Dec-10	Jul-12	19	EFF
Portugal	May-11	Jan-13	20	EFF
Greece	Mar-12	Not yet		EFF
Cyprus	May-13	Apr-14	11	EFF
Jamaica	May-13	Jul-14	14	EFF
Pakistan	Sep-13	Apr-14	6	EFF
Albania	Feb-14	Nov-15	21	EFF
Armenia *	Mar-14	Mar-15	12	EFF
Seychelles	Jun-14	Not yet		EFF
Ukraine *	Mar-15	Not yet		EFF
Average			31	

Box 5. Market Access Following SBAs and Arrangements under the EFF (concluded)

Text Table

Brazil *	Sep-02	Apr-03	7	SBA
Uruguay *	Apr-02	Oct-03	18	SBA
Dominican Republic *	Jan-05	Jul-05	6	SBA
Georgia	Sep-08	Apr-11	31	SBA
Ukraine	Nov-08	Sep-10	22	SBA
Hungary	Nov-08	Jul-09	8	SBA
Iceland	Nov-08	Jun-11	31	SBA
Pakistan	Nov-08	--		
Latvia	Dec-08	Jun-11	30	SBA
Belarus	Jan-09	Jul-10	14	SBA
Romania	May-09	Mar-10	10	SBA
Dominican Republic	Nov-09	Apr-10	6	SBA
Jamaica	Feb-10	Feb-11	12	SBA
Greece	May-10	--		
Ukraine *	Jul-10	Sep-10	2	SBA
Jordan 3/	Aug-12	Oct-13	14	SBA
Romania *	Sep-13	Oct-13	1	SBA
Tunisia 4/	Jun-13	Aug-13	2	SBA
Georgia	Jul-14	--		SBA
Honduras	Dec-14	Not yet		SBA
Ukraine	Apr-14	Not yet		SBA
Kenya	Feb-15	Not yet		SBA
Serbia, Republic of	Feb-15	Not yet		SBA
Average			13	

Source: IMF; Dealogic. Cbonds.

Based on the information available as of December 10, 2015 for countries with Fund programs approved during August 1998 to November 2015, subject to the availability of market access information.

1/ An (*) indicates prolonged Fund program engagement and this is signaled in the last Fund arrangement.

2/ Regaining market access is estimated from IMF country reports, and is proxied by the countries' first sovereign bond issuance on the international capital markets when no information is available in country reports.

3/ Facilitated by a US government guarantee.

4/ Facilitated by a Japanese government guarantee

38. Staff continues to support extending the trigger-period for time-based surcharges on credit under extended arrangements to 51 months, as in 2014, although an extension is not without drawbacks. Such an extension would align different time-based triggers with the maturity profiles of Fund credit under the respective financing facilities, benefiting members with longer-term balance of payments needs by providing a longer period before time-based surcharges are levied. At the same time, differentiating surcharges across facilities would add complexity and members would also have an additional incentive to request an extended arrangement, as opposed to an SBA. The latter risk should be mitigated by the fact that the choice between facilities in individual cases

must be based on an analysis of the nature of members' balance of payments problems, and whether they qualify for assistance under an extended arrangement.

39. It is proposed that this change be made effective immediately, i.e. upon adoption of the relevant Board decision. This decoupling from the effectiveness of level-based surcharge thresholds, as recommended in 2014, recognizes that this change reflects the characteristics of extended arrangements rather than the impact of the 14th Review quotas. Under this proposal, the calculation of time-based surcharges would need to distinguish between the two different sources for members whose credit outstanding originates from both purchases under the credit tranches and extended arrangements (see Box 6). Concerning outstanding credit in the credit tranche, staff considers that the current trigger-period for time-based surcharges of 36 months remains appropriate.

40. Staff proposes that surcharge policies be reviewed again in early 2021, if needed. Consideration could be given to an earlier review following the finalization of the 15th General Review of Quotas.

Box 6. Calculation of Time-Based Surcharges

Under current policies, time-based surcharges are levied when Fund credit outstanding in the GRA has been in excess of 300 percent of quota for more than 36 months. If the time-based trigger were lengthened to, say, 51 months for credit outstanding under an extended arrangement, it would become necessary to distinguish between credit outstanding under different types of GRA facilities and instruments. During the period from 36 to 51 months, only credit outstanding that originates from purchases in the credit tranches (including under SBAs) would be subject to time-based surcharges. Starting at 51 months, credit outstanding that originates from purchases under extended arrangements would also become subject to surcharges.

The proposed change in policy would only affect the period from 36 to 51 months, during which only credit outstanding on credit originating from purchases in the credit tranches would be subject to time-based surcharges. Specifically, time-based surcharges would be charged on that portion of total credit outstanding above the threshold that corresponds to the portion of credit outstanding in the credit tranches to total credit outstanding as illustrated below:

Modified Calculation of Surcharges (36-51 months)		
	Member A	Member B
Total credit outstanding from purchases in the credit tranche under EFFs	500% of quota 250% of quota 250% of quota	500% of quota 100% of quota 400% of quota
Amount above threshold for time-based surcharges	200% of quota	200% of quota
Ratio of credit outstanding in the credit tranches to total credit outstanding	1/2	1/5
Amount subject to time-based surcharges (36-51 months)	100% of quota	40% of quota

- **Most aspects of the current surcharge policy would be unchanged:** The “clock” for assessing the start of time based surcharges would be started when a member’s total GRA credit outstanding (regardless of whether it originated from purchases under the credit tranches or under extended arrangements) has exceeded the proposed new level-based threshold of 175/200 percent of quota.
- Time-based surcharges will continue to be levied until a member’s total outstanding use of Fund credit drops below 175/200 percent of quota.¹

¹ If a member chooses to take advantage of the grandfathering on the level-based surcharges, and thus to pay the level-based surcharges based on its old quota/old threshold, that member’s time-based surcharges will continue to be levied based on its old quota and the 300 percent quota threshold.

REVIEW OF OTHER QUOTA-RELATED POLICIES

A. Commitment Fee Thresholds

41. The current commitment fee structure was introduced in 2009 to help mitigate liquidity risks. The original rationale for charging a commitment fee for access under Fund arrangements is to compensate the Fund for the cost of establishing and monitoring arrangements and for setting aside resources to be used if a purchase were to be made. Subsequently, the current upwardly-sloping fee structure was introduced as part of the broader reforms in 2009, including the creation of the FCL, with the aim of discouraging unnecessarily high precautionary access and thereby helping to contain risks to the Fund's liquidity (see Box 7).

42. The Executive Board discussed commitment fees in 2014 on two occasions. In the preliminary discussion of the access limit and surcharge policy review, most Directors favored a modest increase in the threshold in SDR terms, thus effectively lowering commitment fees. However, in the 2014 FCL/PLL review a few weeks later, some Directors called for an increase, rather than a reduction, in the commitment fee (in basis points, not the threshold) to discourage prolonged large precautionary arrangements. In fact, options to increase the cost of commitment fees and better encourage exit from FCLs were discussed, but were ultimately considered premature pending more experience with FCLs.²⁸

43. Following the view of most Directors in the preliminary discussions in 2014, staff proposes a moderate increase in the SDR value of commitment fee thresholds. The commitment fee (in basis points) is also relevant for the incentive to exit FCL/PLL, and is covered in the regular reviews of these facilities (see below). Following the doubling of Fund quotas under the 14th Review, the current incentive structure would be broadly preserved by halving commitment fee thresholds, to 100 and 500 percent of quota, from 200 and 1,000 percent of quota currently. Applying the same moderate increase proposed for surcharge thresholds (in the 15 to 35 percent range), the commitment fee thresholds could be raised to between 115 and 135 percent of 14th Review quotas for the lower threshold and between 575 and 675 percent of quota for the higher threshold (see Figure 9). On balance, and in line with the surcharge threshold proposal, staff proposes to adopt new thresholds of 115/575 percent of quota to minimize the erosion of the incentive structure in view of recent Board discussions reviewing the FCL. These new thresholds would be effective for each member, once the member pays its quota increase under the 14th Review or at the end of the Quota Payment Period, whichever comes earlier.²⁹ The new commitment fee thresholds would apply to all members by the end of the Quota Payment Period (except those with

²⁸ See [Review of the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument](#) (1/28/2014).

²⁹ Similarly to the reasons applicable to the proposed effectiveness of the level-based surcharge threshold, the proposed rolling effectiveness of the new commitment fee thresholds for individual members is also designed to avoid disadvantages for members and limit negative impact on Fund income.

existing arrangements who could be grandfathered, see below), regardless of whether they have consented to or paid for their respective quota increases under the 14th Review.

44. The proposal represents a limited reduction of the risk mitigation elements of commitment fees:

- *Liquidity risks:* The marginal increase in commitment fee thresholds would not have a meaningful impact on liquidity risks facing the Fund. Concerns regarding FCL exit were addressed at least partly at the past FCL/PLL review by standardizing the access and approval process and including a well-articulated exit strategy in staff reports, although the increase in thresholds would run counter to the views expressed by some Directors that such fees should be increased, rather than lowered. Pending more experience, commitment fees, including the level of the fee, can be reviewed in the context of future FCL reviews.
- *Income and credit risks:* The impact on the Fund's income from the proposed changes in the thresholds for commitment fees would be manageable, resulting in a small reduction in the pace of accumulation of precautionary balances. If the policy changes become effective on February 1, 2016, projected income from commitment fees would be reduced by about SDR 30-35 million, equivalent to a portion of the already received commitment fees from current precautionary arrangements that would need to be refunded.

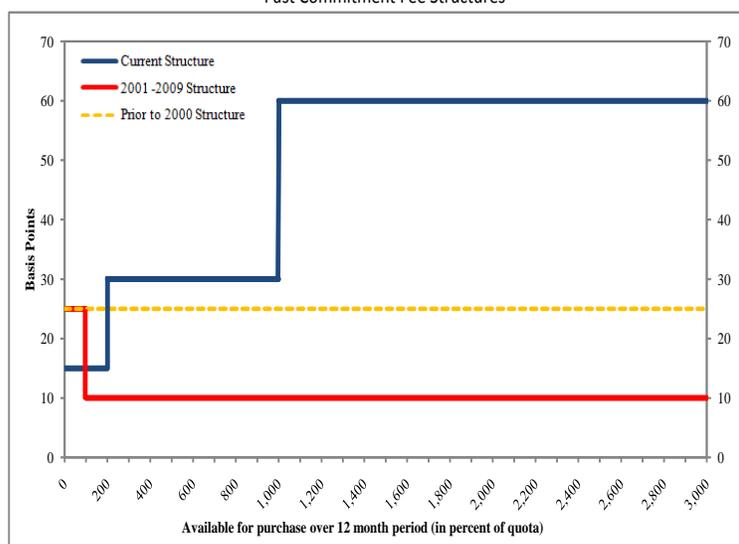
45. Staff proposes that any change in commitment fee thresholds become effective subject to a grandfathering regime for members with arrangements in effect at the time when the new commitment fee thresholds are adopted. Members with existing arrangements would be given the option to choose whether the commitment fee for any remaining balances should be calculated based on the old thresholds/old quota or the new thresholds/new quota.³⁰ Grandfathering for a member would end after a request for augmentation of an existing arrangement. Additionally, any new GRA arrangement approved after the Board adopts the new commitment fee thresholds will be subject to the new threshold.

³⁰ Similarly to what is proposed for surcharges, members would have until the end of the 30-day Quota Payment Period to notify the Fund of their intention to benefit from grandfathering.

Box 7. Commitment Fees (1952–2009)

Commitment fees were originally put in place to help manage incentives and compensate the Fund for cases in which commitments were not drawn. They were first introduced in conjunction with the establishment of the Stand-by Arrangement in 1952. Directors emphasized that while the charge should not discourage countries with need, it would serve as a deterrent to those who had no real reason to request Fund assistance. It was decided that a commitment charge of 25 basis points per year would be levied and if a member draws under the SBA, this charge would be credited against the service charge on a pro rata basis. In the context of the review of Fund facilities in 2000, a two-tier commitment fee schedule was adopted under which the fee remained at 25 basis points per annum for commitments up to 100 percent of quota and a lower 10 basis point fee was levied on amounts in excess of 100 percent of quota that could be purchased over the same period.¹ The lower 10 basis point fee for access above 100 percent of quota was adopted mainly to encourage the use of the then-existing Contingent Credit Line (CCL) and the declining schedule was motivated by the lower probability of drawing under the CCL which made refunds less likely. The argument is consistent with the prevailing view at the time that the basic rationale for charging commitment fees for contingent credits was to cover the cost of establishing and monitoring Fund arrangements.

Past Commitment Fee Structures

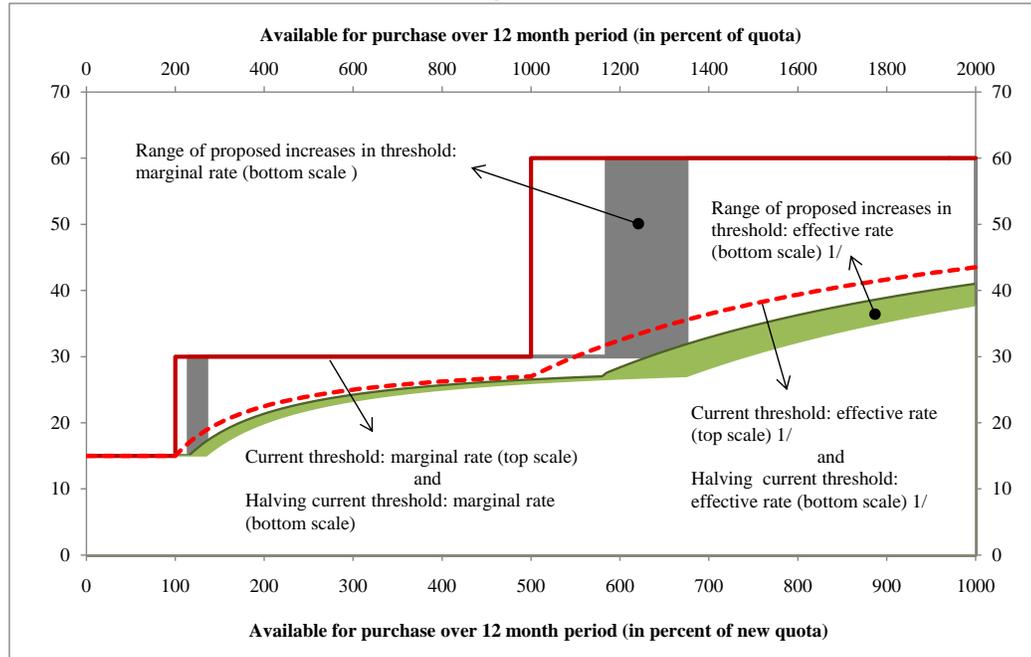


The current commitment fee schedule stems from the 2009 GRA lending toolkit reform, and reflects an expanded role for liquidity risks management.² Staff stressed the need to contain risks to the Fund liquidity associated with the FCL and expected greater use of HAPAs and proposed to revise the existing regressive schedule as it did not provide disincentives for excessive precautionary access. It was reiterated that large commitments have costs associated with the finite availability of Fund resources and such costs are likely to increase at the margin as resources available for other lending decline. In order to address these issues, the proposed new schedule increased progressively with access. Staff argued that such a commitment fee structure would generally increase incentives against unnecessarily high precautionary access and would also provide income to the Fund to help offset the cost of setting aside substantial financial resources. This role was further underscored at recent reviews of the FCL and PLL. At the same time, commitment fees would not be set so high as to discourage members from seeking precautionary arrangements.

^{1/} See [Review of Fund Facilities—Proposed Decisions and Implementation Guidelines](#) (11/03/00).

^{2/} See [GRA Lending Toolkit and Conditionality—Reform Proposals](#) (03/13/2009).

Figure 9. Commitment Fee Structure Under Different Scenarios
(In percent)



^{1/} The effective rate is the total commitment fee payable relative to total access available for purchase over a 12-month period.

B. The Threshold for Article IV Consultation Cycle and Post-Program Monitoring

46. Staff proposes to change the Article IV consultation cycle threshold in line with the proposed increase in access limits. In line with the general improvement in members repayment capacity, the threshold on outstanding Fund credit above which a member may not be placed on an extended Article IV consultation cycle would be raised 40 percent in SDR terms, consistent with staff’s proposal on access limits, from 200 percent of the current quota to 140 percent of quota. The policy would continue to ensure proper monitoring of circumstances and policies of members that have substantial Fund credit outstanding following the expiration of their arrangements. Appendix Table 4 compares Staff’s current proposals and options with those proposed in May 2014.

47. Staff also proposes to halve the current threshold for determining expectations of member’s participation in post-program monitoring (PPM) to 100 percent of quota. This is a transitory measure ahead of Board consideration of a separate forthcoming paper that will propose further changes in the Post-Program Monitoring framework, including quota-based thresholds on credit outstanding.

SUMMARY OF PROPOSED DECISIONS

48. The adoption of the following proposed decisions would be required to give effect to staff's reform proposals made in the paper. Six decisions are proposed for adoption by the Board, as follows:

- **Decision I on Access Limits:** Decision I modifies the annual and cumulative GRA access limits in line with staff's proposal, once the general effectiveness conditions for the entry into force of the 14th General Review are met. A limited grandfathering regime is provided for;
- **Decision II on PLL-Specific Access Limits:** Decision II halves the access limits applicable to PLL arrangements, once the general effectiveness conditions for the entry into force of the 14th General Review are met;
- **Decision III on Surcharge Policies:** Decision III modifies the Fund's surcharge policies: (i) with immediate effect, to extend the trigger for the time-based surcharge for outstanding purchases under the EFF to 51 months, and (ii) to modify the threshold for the level-based threshold to 175 percent of quota on the rolling effectiveness basis set out in the paper. A grandfathering regime is provided for credit outstanding and available under arrangements in force as of the date on which the Board adopts the new level-based threshold;
- **Decision IV on Commitment Fees:** Decision IV modifies the commitment fee thresholds to 115 and 575 percent of quota, respectively, on the same rolling effectiveness basis as is proposed in respect of the changes to the level-based surcharge. A limited grandfathering regime is included;
- **Decision V on Article IV Consultation Cycles:** Decision V modifies the quota-based threshold above which a member may not be placed on an extended Article IV consultation cycle from the current threshold of 200 percent of quota to 140 percent of quota; and
- **Decision VI on Post-Program Monitoring:** Decision VI halves the quota-based threshold on credit outstanding that triggers the expectation of PPM engagement from 200 percent of quota to 100 percent of quota.

The decisions on access, PLL-specific access limits, Article IV consultation cycles, and Post-Program Monitoring (Decisions I, II, V and VI) each may be approved with a majority of votes cast by the Executive Board. The decisions on surcharges and commitment fees (Decisions III and IV) each would require a majority carried by seventy percent of the total voting power, pursuant to the requirements of Article V, Section 8(d).³¹ Redline decisions showing the changes that are proposed to existing decisions are annexed and will be removed prior to publication.

³¹ Additionally, as the modification of the commitment fee policy entails a modification of Rule I-8, this modification would need to be submitted to the Board of Governors for review at their next regular meeting pursuant to Section 16 of the Fund's By-laws.

Proposed Decisions

Accordingly, the following decisions are proposed for adoption by the Executive Board. Decisions I, II, V and VI each may be adopted by a majority of the votes cast, and decisions III and IV each may be adopted by a 70 percent majority of the total voting power.

Decision I: 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. In Decision No. 14064-(08/18), adopted February 22, 2008, as amended, paragraphs 2, 4 and 6 shall be amended as follows:

a. Paragraph 2 shall be amended to read as follows:

“2. The overall access by members to the Fund’s general resources shall be subject to (i) an annual limit of 140 percent of quota; and (ii) a cumulative limit of 420 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.”

b. Paragraph 4 shall be amended to read as follows:

“4. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member’s access to the Fund’s resources under other PLL arrangements, shall in no event exceed a cumulative limit of 500 percent of quota, net of scheduled repurchases.”

c. Paragraph 6 shall be amended to read as follows:

“6. 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 [February 1, 2021], on the basis of all relevant factors, including the magnitude of members’ balance of payments problems and developments in the Fund’s liquidity.”

2. The modification of overall access limits set forth under this decision shall not cause members to be subject to the exceptional access policy if they were not subject to the said policy prior to the entrance into effect of this Decision, unless following the entrance into effect of this Decision the Executive Board approves access to the Fund’s general resources account under a new arrangement, or through an augmentation of access under an arrangement that was in place prior to the entrance into effect of this Decision, or through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits set forth under this decision.

Decision II: The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance--Precautionary and Liquidity Line (PLL) Arrangements

In Decision No. 15017-(11/112), adopted November 21, 2011, as amended, paragraph 4 shall be amended as follows:

1. Paragraph 4(a) shall be amended to replace “1000 percent of quota” with “500 percent of quota”.

2. Paragraph 4(b) and 4(b)(i) shall be amended to replace “500 percent of quota” with “250 percent of quota”.
3. Paragraph 4(c)(i) shall be amended to replace “250 percent of quota” with “125 percent of quota”.
4. Paragraph 4(c)(ii) shall be amended to replace “500 percent of quota” with “250 percent of quota” and to replace “250 percent of quota” with “125 percent of quota”.
5. Paragraph 4(c)(iii) shall be amended to replace “500 percent of quota” with “250 percent of quota”.

Decision III: Surcharges on Purchases in the Credit Tranches and Under the Extended Fund Facility

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

“1. The rate of charge under Article V, Section 8(b) on the Fund’s combined holdings of a member’s currency in excess of 175 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 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, on such holdings

in excess of the 175 percent threshold that have been outstanding for more than 36 months in the case of purchases in the credit tranches or that have been outstanding for more than 51 months in the case of purchases under the Extended Fund Facility.

2. Instead of the threshold of 175 percent referred to in paragraph 1 above, a threshold of 300 percent shall be used in computing the rate of charge under Article V, Section 8(b) on the Fund's combined holdings of a member's currency, prior to the effectiveness of the quota increase under the 14th General Review of Quotas for that member or prior to the end of the 30-day period for the payment of quota increases under the 14th General Review after the Fund notifies the membership that the general effectiveness conditions for quota increases under the 14th General Review of Quotas have been met (the "Quota Payment Period"), whichever is earlier.

3. A member with credit outstanding in the credit tranches or under the Extended Fund Facility, or with an arrangement in effect on [February 1, 2016], may notify the Fund by the end of the Quota Payment Period that it elects to have 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 effective arrangement, to be based on the threshold of 300 percent, instead of the threshold of 175 percent under paragraph 1 above, provided that the threshold of 300 percent would be applied to the member's quota in effect prior to its quota increase under the 14th General Review of Quotas. Absent such notification, the rate of charge shall be computed pursuant to paragraph 1 above. If a member has made an election under this paragraph 3, such election shall cease to apply as of the date of the Fund's approval of any new access to the Fund's general resources for that member,

including an augmentation of an arrangement in effect on [February 1, 2016], and the rate of charge under this Decision shall be computed for all holdings of the member's currency in the credit tranches or under the Extended Fund Facility pursuant to paragraph 1 above."

Decision IV: Commitment Fees

Rule I-8 shall be amended to read as follows:

"The following provisions shall apply to all GRA arrangements:

(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 115 percent of the member's quota that could be purchased during the relevant period; and
- (ii) $3/10$ of 1 percent per annum on amounts in excess of 115 percent and up to 575 percent of the member's quota that could be purchased during the relevant period; and
- (iii) $3/5$ of 1 percent per annum on amounts in excess of 575 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 under subparagraph (a) above 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 115 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 115 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 115 percent but do not exceed 575 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 115 percent but not exceeding 575 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 575 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 575 percent of the member's quota that could be purchased during the relevant period.
- (c) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period remaining unexpired at the date of cancellation for the amount that could still be purchased under the arrangement at the date of cancellation for which the member has paid a charge.
- (d) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.

- (e) Instead of the thresholds of 115 percent and 575 percent referred to in subparagraphs (a) and (b) above, the thresholds of 200 percent and 1000 percent, respectively, shall be used in computing charges and refunds for a member prior to the effective date of that member's quota increase under the 14th General Review of Quotas, or prior to the end of the 30-day period for the payment of quota increases under the 14th General Review after the Fund notifies the membership that the general effectiveness conditions for quota increases under the 14th General Review of Quotas have been met (the "Quota Payment Period"), whichever is earlier.
- (f) A member with an arrangement in effect on [February 1, 2016] may notify the Fund by the end of the Quota Payment Period that it elects to have the charges and refunds applicable to such arrangement to be based on the thresholds of 200 percent and 1000 percent of the member's quota in effect prior to the effectiveness of the quota increase for that member under the 14th General Review of Quotas, instead of the thresholds of 115 percent and 575 percent, respectively, under subparagraphs (a) and (b) above. Absent such notification, the relevant charges and refunds shall be determined under subparagraphs (a), (b), (c) and (d) above. If a member has made an election under this subparagraph (f), such election shall cease to apply as of the date of the Fund's approval of any augmentation of an arrangement in effect for that member prior to [February 1, 2016]. The member shall then be subject to the relevant charges and refunds as determined under subparagraphs (a), (b), (c) and (d). New arrangements approved by the Fund after [February 1, 2016] are not eligible for the election under this subparagraph (f)."

Decision V: Article IV Consultation Cycles

In Decision No. 14747-(10/96), as amended, paragraph 1(c) shall be amended to read as follows:

“1(c) the member has outstanding credit to the Fund under all facilities above one hundred and forty percent (140%) of the member’s quota.”

Decision VI: Post-Program Monitoring

In Decision No. 13454-(05/26), as amended, the references to “200 percent of quota” shall be replaced with “100 percent of quota”.

Annex I

Redline Version: Proposed Modification to Existing Decisions

Decision I. 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

2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of ~~200~~140 percent of quota; and (ii) a cumulative limit of ~~600~~420 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. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member's access to the Fund's resources under other PLL arrangements, shall in no event exceed a cumulative limit of ~~1000~~500 percent of quota, net of scheduled repurchases.
6. 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,~~[February 1st, 2021] on the basis of all relevant factors, including the magnitude of members' balance of payments problems and developments in the Fund's liquidity.

Decision II. ___ The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance--Precautionary and Liquidity Line (PLL) Arrangements

- 4.(a) Subject to paragraphs 4(b) and 4(c) of this Decision, access to Fund resources under the PLL instrument shall be subject to a cumulative cap of ~~1000~~500 percent of quota, net of scheduled repurchases, which shall apply to all PLL arrangements regardless of duration.
- 4.(b) In addition to the PLL instrument access cap specified in paragraph 4(a) above, access under PLL arrangements with a duration of one to two years shall be subject to an annual access limit of ~~500~~250 percent of quota (net of scheduled repurchases) applicable at the time of approval of such arrangements, and shall be subject to the following additional considerations.
- (i) For one-year PLL arrangements approved for members not having an actual balance of payment need at the time of approval of the arrangement, the entire amount of approved access shall be available upon approval of the arrangement and shall remain available throughout the arrangement period, subject to completion of a six-monthly review as specified in paragraph 3(b) of this Decision. For PLL arrangements with a duration of one to two years approved for members not having an actual balance of payment need at the time of approval of the arrangement, purchases shall be phased, with an initial amount not in excess of ~~500~~250 percent of quota being available upon approval of the arrangement and the remaining amount being made available at the beginning of the second year of arrangement, subject to completion of the relevant six-monthly reviews specified in paragraph 3(b) of this Decision.

- 4.(c) In addition to the PLL instrument access cap specified in paragraph 4(a) above, the following access limits and additional considerations shall apply to six-month PLL arrangements:
- (i) A per arrangement limit of ~~250-125~~ percent of quota, net of scheduled repurchases, shall normally apply to six-month PLL arrangements, with the entire amount of approved access being available to the member upon approval of the arrangement and remaining available throughout the arrangement period.
 - (ii) A per arrangement limit of ~~500-250~~ percent of quota, net of scheduled repurchases, shall apply to six-month PLL arrangements in exceptional circumstances where a member is experiencing or has the potential to experience short-term balance of payments needs that exceed the ~~250-125~~ percent of quota limit specified in paragraph 4(c)(i) above due to the impact of exogenous shocks, including heightened regional or global stress conditions. Accordingly, the Fund may in these circumstances, and on a case-by-case basis, approve a new six-month PLL arrangement or augment access under an existing six-month PLL arrangement up to this higher limit, with the entire amount of approved access being available to the member upon approval of the arrangement or, in the case of augmentations, upon completion of an ad hoc review under paragraph 4(d) below, and remaining available throughout the arrangement period.
 - (iii) Total access to Fund resources under all six-month PLL arrangements shall in no event exceed a cumulative six-month PLL arrangement access limit of ~~500-250~~ percent of quota, net of scheduled repurchases.

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

~~1. Effective August 1, 2009, the~~ 1. ~~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~~175 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.~~, as adjusted for purposes of burden sharing, on such holdings in excess of the 175 percent threshold that have been outstanding for more than 36 months in the case of purchases in the credit tranches or that have been outstanding for more than 51 months in the case of purchases under the Extended Fund Facility.

~~2. (a) Notwithstanding~~ 2. (a) Notwithstanding ~~the~~ threshold of 175 percent referred to in paragraph 1 of this Decision, and except as otherwise specified in above, a threshold of 300 percent shall be used in computing the rate of charge under Article V, Section 8(b) on the Fund's combined holdings of a member's currency, prior to the effectiveness of the quota increase under the 14th General Review of Quota's for that member or prior to the end of the 30-day period for the payment of quota increases under the 14th General Review after the Fund notifies the membership that the general effectiveness conditions for quota increases under the 14th General Review of Quotas have been met (the "Quota Payment Period"), whichever is earlier.

~~3. A member paragraph 3 of this Decision, a member~~ with credit outstanding in the credit tranches or under the Extended ~~August~~Fund Facility, or with an arrangement in effect on ~~[February 1, 2009 shall2016]~~, may notify the Fund by the end of the Quota Payment Period that it elects to 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 effective~~ arrangement, ~~to be based on the threshold of 300 percent, instead of the threshold of 175 percent under paragraph 1 above, provided that the threshold of 300 percent would be applied to the member's quota in effect prior to its quota increase under the 14th General Review of Quotas. Absent such notification, the rate of charge shall be computed:~~

~~(i) pursuant to paragraph 1 of this Decision~~ above 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. If a member with has made an election option under this 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 Fund's approval of such any new access to the Fund's general resources for that member, including an augmentation of an arrangement in effect on [February 1, 2016], and the rate of charge under this Decision shall be computed for~~

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 above; 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.~~

Decision IV. Commitment Fees

The following provisions shall apply to all GRA arrangements:

- (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~~115 percent of the member's quota that could be purchased during the relevant period; and
 - (ii) ~~3~~3/10 of 1 percent per annum on amounts in excess of ~~200~~115 percent and up to ~~1000~~575 percent of the member's quota that could be purchased during the relevant period; and
 - (iii) 3/5 of 1 percent per annum on amounts in excess of ~~1000~~575 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 under subparagraph (a) above 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 200115 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 200115 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 200115 percent but do not exceed 1000575 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 200115 percent but not exceeding 1000575 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 1000575 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 1000575 percent of the member's quota that could be purchased during the relevant period.
- (c) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period

remaining unexpired at the date of cancellation for the amount that could still be purchased~~s~~ under the arrangement at the date of cancellation for which the member has paid a charge.

(d) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.

(e) Instead of the thresholds of 115 percent and 575 percent referred to in subparagraphs (a) and (b) above, the thresholds of 200 percent and 1000 percent, respectively, shall be used in computing charges and refunds for a member prior to the effective date of that member's quota increase under the 14th General Review of Quotas, or prior to the end of the 30-day period for the payment of quota increases under the 14th General Review after the Fund notifies the membership that the general effectiveness conditions for quota increases under the 14th General Review of Quotas have been met (the "Quota Payment Period"), whichever is earlier.

(f) A member with an arrangement in effect on [February 1, 2016] may notify the Fund by the end of the Quota Payment Period that it elects to have the charges and refunds applicable to such arrangement to be based on the thresholds of 200 percent and 1000 percent of the member's quota in effect prior to the effectiveness of the quota increase for that member under the 14th General Review of Quotas, instead of the thresholds of 115 percent and 575 percent, respectively, under subparagraphs (a) and (b) above. Absent such notification, the relevant charges and refunds shall be determined under subparagraphs (a), (b), (c) and (d) above. If a member has made an election under this subparagraph (f), such election shall cease to apply as of the date of the Fund's approval of any augmentation of an arrangement in effect for that member prior to [February 1, 2016]. The member shall then be subject to the relevant charges and refunds as

determined under subparagraphs (a), (b), (c) and (d). New arrangements approved by the Fund after [February 1, 2016] are not eligible for the election under this subparagraph (f).

Decision V. Article IV Consultation Cycles

- (c) the member has outstanding credit to the Fund under all facilities above one hundred and forty ~~two hundred~~ percent (~~200~~140%) of the member's quota.

Decision VI. Post-Program Monitoring

1. If outstanding credit to a member from the Fund's General Resources Account (GRA), or from the Fund as Trustee of the Poverty Reduction and Growth Facility Trust (PRGF Trust), or a combination thereof, exceeds a threshold of ~~200~~ 100 percent of quota, and the member does not have a program supported by a Fund arrangement or is not implementing a staff monitored program with reports issued to the Executive Board, or the member does not have a program supported by a Policy Support Instrument ("PSI"), the member will be expected to engage in Post-Program Monitoring (PPM) with the Fund of its economic developments and policies upon the recommendation of the Managing Director. Where the above criteria are met, the Managing Director shall recommend PPM to the Executive Board, unless, in the view of the Managing Director, the member's circumstances (in particular, the strength of the member's policies, its external position, or the fact that a successor arrangement or a staff monitored program is expected to be in place within the next six months) are such that the process is unwarranted. PPM will normally cease when the member's outstanding credit falls below the threshold of ~~200~~ 100 percent of quota.

Appendix Table 1. Access Under Fund GRA Arrangements Approved During 2008–15 ^{1/}

Country	Effective date of arrangement	Original Duration (Months)	Original Amount Approved		Access				Fund Credit Outstanding		
			(SDR million)	(% of quota)	First Year Disbursements (% of quota)	Actual Avg. Annual Access (% of quota)	Total amount disbursed (% of quota)	Total amount disbursed (SDR million)	Original Expiration Date	Start of Arrangement (SDR million)	End of Arrangement (SDR million)
Non-precautionary on approval–SBA											
Georgia	9/15/2008	18	477	317	108	212	384	577	Mar-10	0	527
Ukraine	11/5/2008	24	11,000	802	219	401	510	7,000	Nov-10	69	8,250
Hungary	11/6/2008	17	10,538	1,015	406	716	735	7,637	Apr-10	0	7,637
Seychelles	11/14/2008	13	18	200	70	185	125	11	Dec-09	0	12
Iceland	11/19/2008	24	1,400	1,190	476	595	1,190	1,400	Nov-10	0	770
Pakistan	11/24/2008	23	5,169	500	200	261	478	4,936	Oct-10	8	5,233
Latvia	12/23/2008	27	1,522	1,200	422	533	775	982	Mar-11	0	982
Belarus	1/12/2009	15	1,618	419	134	335	587	2,270	Apr-10	0	2,270
Armenia	3/6/2009	28	368	400	176	171	381	350	Jul-11	0	403
Mongolia	4/1/2009	18	153	300	100	200	240	123	Oct-10	0	123
Romania	5/4/2009	24	11,443	1,111	424	555	1,026	10,569	May-11	0	10,569
Bosnia and Herzegovina	7/8/2009	36	1,015	600	108	200	200	338	Jun-12	0	338
Sri Lanka	7/24/2009	20	1,654	400	50	240	400	1,654	Mar-11	47	970
Dominican Republic	11/9/2009	28	1,095	500	91	214	350	766	Mar-12	289	824
Angola	11/23/2009	27	859	300	80	133	300	859	Feb-12	0	773
Maldives	12/4/2009	36	49	600	50	200	100	8	Dec-12	1	8
Jamaica	2/4/2010	27	821	300	151	133	198	542	May-12	0	542
Iraq	2/24/2010	24	2,377	200	25	100	90	1,070	Feb-12	0	1,070
Greece	5/9/2010	36	26,433	3,212	584	1,071	2,131	17,542	May-13	0	21,739
Antigua and Barbuda	6/7/2010	36	81	600	125	200	500	68	Jun-13	0	68
Ukraine	7/28/2010	29	10,000	729	91	302	164	2,250	Dec-12	7,000	7,016
St. Kitts and Nevis	7/27/2011	36	53	590	249	197	532	47	Jul-14	2	36
Kosovo	4/27/2012	20	91	154	7	93	133	78	Dec-13	19	95
Jordan	8/3/2012	36	1,364	800	150	267	800	1,364	Aug-15	0	1,364
Bosnia and Herzegovina	9/26/2012	24	338	200	30	100	250	423	Sep-14	338	431
Tunisia	6/7/2013	24	1,146	400	34	200	350	1,003	Jun-15	0	1,003
Ukraine	4/30/2014	24	10,976	800	217	400	217	2,973	Apr-16	2,578	3,785
Georgia	7/30/2014	36	100	67	53	22	53	80	Jul-17	97	n.a.
Kosovo	7/29/2015	22	148	250	48	136	48	28	May-17	81	n.a.
Precautionary on approval–SBA											
Honduras	4/7/2008	12	39	30	0	30	0	0	Apr-09	0	0
El Salvador	1/16/2009	14	514	300	0	257	0	0	Mar-10	0	0
Serbia, Republic of	1/16/2009	15	351	75	150	60	292	1,368	Apr-10	0	1,181
Costa Rica	4/11/2009	15	492	300	0	240	0	0	Jul-10	0	0
Guatemala	4/22/2009	18	631	300	0	200	0	0	Oct-10	0	0
El Salvador	3/17/2010	36	514	300	0	100	0	0	Mar-13	0	0
Honduras	10/1/2010	18	65	50	0	33	0	0	Mar-12	0	0
Romania	3/31/2011	24	3,091	300	0	150	0	0	Mar-13	10,569	8,501
Serbia, Republic of	9/29/2011	18	935	200	0	133	0	0	Mar-13	1,368	1,065
Georgia	4/11/2012	24	125	83	0	42	0	0	Apr-14	537	121
Romania	9/27/2013	24	1,751	170	0	85	0	0	Sep-15	6,650	192
Honduras	12/3/2014	36	78	60	0	20	0	0	Dec-17	0	n.a.
Kenya	2/2/2015	12	353	130	0	130	0	0	Feb-16	0	n.a.
Serbia, Republic of	2/23/2015	36	935	200	0	67	0	0	Feb-18	102	n.a.
EFF arrangements											
Liberia	3/14/2008	36	343	265	265	88	265	343	Mar-11	200	0
Seychelles	12/23/2009	36	20	225	10	75	263	23	Dec-12	0	27
Moldova	1/29/2010	36	185	150	16	50	121	149	Jan-13	0	149
Armenia	6/28/2010	36	133	145	19	48	145	133	Jun-13	350	316
Ireland	12/16/2010	36	19,466	2,322	598	774	2,322	19,466	Dec-13	0	19,466
Portugal	5/20/2011	36	23,742	2,306	545	769	2,228	22,942	May-14	0	22,942
Greece	3/15/2012	48	23,785	2,159	127	540	928	10,225	Mar-16	17,542	n.a.
Jamaica	5/1/2013	48	615	225	50	56	163	445	Apr-17	542	n.a.
Cyprus	5/15/2013	36	891	563	47	188	438	693	May-16	0	n.a.
Pakistan	9/4/2013	36	4,393	425	35	142	313	3,240	Sep-16	2,398	n.a.
Albania	2/28/2014	36	295	492	157	164	205	123	Feb-17	5	n.a.
Armenia	3/7/2014	38	82	89	26	28	38	35	May-17	224	n.a.
Seychelles	6/4/2014	36	11	105	30	35	45	5	Jun-17	28	n.a.
Ukraine	3/11/2015	48	12,348	900	345	225	345	4,728	Mar-19	3,785	n.a.
FCL											
Mexico	4/17/2009	12	31,528	1,000	0	1,091	0	0	Apr-10	0	0
Poland	5/6/2009	12	13,690	1,000	0	1,000	0	0	May-10	0	0
Colombia	5/11/2009	12	6,966	900	0	900	0	0	May-10	0	0
Mexico	3/25/2010	12	31,528	1,000	0	1,200	0	0	Mar-11	0	0
Colombia	5/7/2010	12	2,322	300	0	300	0	0	May-11	0	0
Poland	7/2/2010	12	13,690	1,000	0	1,544	0	0	Jul-11	0	0
Mexico	1/10/2011	24	47,292	1,500	0	783	0	0	Jan-13	0	0
Poland	1/21/2011	24	19,166	1,400	0	700	0	0	Jan-13	0	0
Colombia	5/6/2011	24	3,870	500	0	250	0	0	May-13	0	0
Mexico	11/30/2012	24	47,292	1,304	0	652	0	0	Nov-14	0	0
Poland	1/18/2013	24	22,000	1,303	0	652	0	0	Jan-15	0	0
Colombia	6/24/2013	24	3,870	500	0	250	0	0	Jun-15	0	0
Mexico	11/26/2014	24	47,292	1,304	0	652	0	0	Nov-16	0	n.a.
Poland	1/14/2015	24	15,500	918	0	459	0	0	Jan-17	0	n.a.
Colombia	6/17/2015	24	3,870	500	0	250	0	0	Jun-17	0	n.a.
PCL/PLL											
Macedonia, FYR	1/19/2011	24	413	599	286	300	286	197	Jan-13	0	197
Morocco	8/3/2012	24	4,117	700	0	350	0	0	Aug-14	0	0
Morocco	7/28/2014	24	3,235	550	0	275	0	0	Jul-16	0	n.a.

Source: Executive Board documents, and IMF staff calculations.

^{1/} Reflects amounts and duration agreed at the time the arrangements were initially approved; excludes potential access under external contingency mechanisms and other augmentations.

Appendix Table 2. Trends in GRA-Supported Programs, 2003–15 ^{1/}

	Average									
	2003-07	2008	2009	2010	2011	2012	2013	2014	2015	
Number of active programs	19.6	17	29	37	33	31	28	23	24	
of which:										
SBA	17.4	15	24	27	21	19	12	9	10	
EFF	2.2	2	2	4	5	6	9	8	8	
FCL/PLL/PCL	n.a.	n.a.	3	6	7	6	7	6	6	
Number of new programs (includes renewal)	5.6	9	17	13	8	7	7	8	6	
SBA	5.2	8	13	7	3	4	2	3	3	
EFF	0.4	1	1	3	1	1	3	3	1	
FCL/PLL/PCL	n.a.	n.a.	3	3	4	2	2	2	2	
of which: Precautionary at approval										
SBA	3.2	1	4	2	2	1	1	1	2	
EFF	0.0	0	0	0	0	0	0	0	0	
of which: Exceptional access										
SBA	0.8	5	10	2	2	1	1	1	0	
EFF	0.0	1	0	1	1	1	0	0	1	
Access average (new programs, in percent of quota)										
SBA	88.9	704	495	756	363	309	285	309	193	
EFF	26.2	265	300	872	2306	2159	404	229	900	
FCL/PLL/PCL	n.a.	n.a.	967	767	1000	1002	902	927	709	
Duration average (new programs, in months)										
SBA	24.6	26	24	29	27	26	24	32	23	
EFF	36.0	6	48	36	36	48	40	37	48	
FCL/PLL/PCL	n.a.	n.a.	12	10	24	24	24	24	24	
Memo items:										
Precautionary SBA (in % of new SBAs)	61.5	13	31	29	67	25	50	33	67	
Precautionary EFF (in % of new EFFs)	0.0	0	0	0	0	0	0	0	0	
Exceptional SBA (in % of new SBAs)	15.4	63	77	29	67	25	50	33	0	
Exceptional EFF (in % of new EFFs)	0.0	100	0	33	100	100	0	0	100	

1/ Reflects amounts and duration agreed at the time the arrangements were initially approved; excludes external contingency mechanism and augmentations.

Appendix Table 3. Fund Arrangements with Exceptional Access, 1995–2015 ^{1/}

	Date of Approval	Type of Arrangement	GRA Credit Outstanding prior to Approval of Programs, in percent of quota	Total Arrangement Amounts Under All Facilities	
				in SDR millions	in percent of quota
A. Not subject to surcharges					
1 Mexico	2/1/1995	SBA	149	12,070	688
2 Russia I	3/26/1996	EFF	166	6,901	160
3 Thailand	8/20/1997	SBA	-	2,900	505
4 Indonesia I*	11/5/1997	SBA	-	8,338	557
5 Korea	12/4/1997	SBA	-	15,500	1,938
6 Indonesia II*	8/25/1998	EFF	245	5,383	259
7 Brazil	12/2/1998	SBA	-	10,420	480
8 Turkey I*	12/22/1999	SBA	46	15,038	300
9 Indonesia III	2/4/2000	EFF	359	3,638	175
10 Brazil	9/14/2001	SBA	98	12,144	400
11 Serbia, Republic of	1/16/2009	SBA	-	2,619	560
12 Mongolia	4/1/2009	SBA	-	153	300
13 Costa Rica	4/11/2009	SBA	-	492	300
14 Mexico	4/17/2009	FCL	-	31,528	1,000
15 Guatemala	4/22/2009	SBA	-	631	300
16 Poland	5/6/2009	FCL	-	13,690	1,000
17 Colombia	5/11/2009	FCL	-	6,966	900
18 Mexico II	3/25/2010	FCL	-	31,528	1,000
20 Poland II	7/2/2010	FCL	-	13,690	1,000
21 Mexico III	1/10/2011	FCL	-	47,292	1,500
22 Macedonia, FYR	1/19/2011	PLL	-	413	600
23 Poland III	1/21/2011	FCL	-	19,166	1,135
24 Romania II	3/31/2011	SBA	1,026	3,091	300
25 Colombia II	5/6/2011	FCL	-	3,870	500
26 Jordan	8/3/2012	SBA	150	1,364	800
27 Morocco	8/3/2012	PLL	-	4,117	700
27 Mexico IV	11/30/2012	FCL	-	47,292	1,500
28 Poland IV	1/18/2013	FCL	-	22,000	1,303
28 Colombia III	6/24/2013	FCL	-	3,870	500
29 Morocco II	7/28/2014	PLL	-	3,235	550
29 Mexico V	11/26/2014	FCL	-	47,292	1,304
30 Poland V	1/14/2015	FCL	-	15,500	918
30 Colombia IV	6/17/2015	FCL	-	3,870	500
B. Subject to surcharges					
1 Turkey II	2/4/2002	SBA	1165	12,821	1,330
2 Brazil*	9/6/2002	SBA	769	27,375	902
3 Argentina	1/24/2003	SBA	498	2,175	103
4 Argentina II	9/20/2003	SBA	517	8,981	424
5 Turkey III	5/11/2005	SBA	1357	6,662	691
6 Uruguay	6/8/2005	SBA	534	766	250
7 Liberia 2/	3/14/2008	EFF	155	343	265
8 Georgia 3/*	9/15/2008	SBA	-	747	497
9 Ukraine	11/5/2008	SBA	5	11,000	802
10 Hungary	11/6/2008	SBA	-	10,538	1,015
11 Iceland	11/19/2008	SBA	-	1,400	1,190
12 Pakistan 3/	11/24/2008	SBA	1	5,169	500
13 Latvia	12/23/2008	SBA	-	1,522	1,071
14 Belarus, Republic of	1/12/2009	SBA	-	2,270	587
15 El Salvador	1/16/2009	SBA	-	514	300
16 Armenia	3/6/2009	SBA	-	534	580
17 Romania	5/4/2009	SBA	-	11,443	1,111
18 Sri Lanka	7/24/2009	SBA	11	1,654	400
19 Greece	5/9/2010	SBA	-	26,433	3,212
20 Ukraine II	7/28/2010	SBA	510	10,000	729
21 Ireland	12/16/2010	EFF	-	19,466	1,548
22 Portugal	5/20/2011	EFF	-	23,742	2,306
23 St. Kitts	7/27/2011	SBA	25	53	590
24 Greece II	3/15/2012	EFF	1,592	23,785	2,159
25 Ukraine III	4/30/2014	SBA	157	10,976	800
26 Ukraine IV	3/11/2015	EFF	276	12,348	900
Number of arrangements			60		
Number of countries			39		

Source: IMF Finance Department.

Note: countries in italic represent precautionary arrangements; unshaded cases represent new arrangements since SM09/68 Supplement 2, March 29, 2009.

1/As of November 30, 2015, excluding SRFs. All arrangements were approved for amounts above annual and/or cumulative limits.

2/Liberia's exceptional access arrangement was granted in the context of Liberia's clearance of arrears to the Fund. It excludes the credit outstanding to the PRGF trust.

3/Excludes the credit outstanding to the PRGF trust.

*Includes augmentations.

Appendix Table 4. Comparing May 2014 with Current Proposals

	May 2014 Proposal			Current Proposal			
	% quota			% quota			
	Annual	Cumul.	% change ^{4/}	Annual	Cumul.	% change ^{4/}	
GRA access limits							
Overall	125	375	25	140	420	40	
RFI ^{1/}	50	100	0	37.5	75.0	50	
PLL ^{2/}	500	1000	0	250	500	0	
Level based surcharges		% quota	% change ^{4/}	% quota	% change ^{4/}		
Option 1	...	150	0	...	175	16.7	
Option 2	...	175-200	16.7-33.3	...	200	33.3	
Time based surcharges for EFFs		No. months	increase	No. months	increase		
Option 1	...	36	0	...	36	0	
Option 2	...	51	15	...	51	15	
Commitment Fee threshold		Low	High	% change ^{4/}	Low	High	% change ^{4/}
		115-135	575-675	15-35	115	575	15
Article IV Cycle Threshold ^{3/}		% quota	% change ^{4/}	% quota	% change ^{4/}		
	...	125	25	...	140	40	

Source: Staff Calculations and SM/14/101.

1/ On July 1, 2015, the Board agreed to increase the annual and cumulative limits by 50 percent (Decision No. 15820–(15/66)), and to halve the new limits once the general conditions for the 14th Review quota increases are met (Decision No. 15821–(15/66))—thereby maintaining the 50 percent increase in SDR terms. Accordingly, following effectiveness of the 14th quota increase, the RFI would be subject to an annual access limit of 37.5 percent of quota, and to a cumulative access limit of 75 percent of the new quotas.

2/ Arrangements with duration 1-2 years. Six-month PLL arrangements will normally be subject to a per arrangement limit of 125 percent of quota, net of scheduled repurchases, although a limit of 250 percent of quota, net of scheduled repurchases, shall apply to six-month PLL arrangements in exceptional circumstances where a member is experiencing or has the potential to experience short-term balance of payments needs that exceed the 125 percent of quota limit due to the impact of exogenous shocks (with total access under all six-month PLL arrangements in no event exceeding a cumulative access limit of 250 percent).

3/ Credit threshold beyond which delays in Article IV consultations are not permitted.

4/ Percent change in SDR terms.



February 15, 2016

REVIEW OF ACCESS LIMITS AND SURCHARGE POLICIES— SUPPLEMENTARY INFORMATION AND REVISED PROPOSED DECISIONS

Approved By
Sean Hagan,
Siddharth Tiwari, and
Andrew Tweedie

Prepared by L. Kohler, D. Nana, A. Ndiaye, C. Oner, Y. Sun-Wang (FIN), K. Christopherson, C. DeLong, H. The Pham, B. Steinki, J. Swanepoel, (LEG), L. Cubeddu and R. Perrelli (SPR), under the guidance of M. Fisher (FIN), R. Leckow and C. Ogada (LEG), and H. Bredenkamp (SPR).

CONTENTS

INTRODUCTION	2
UPDATED STAFF PROPOSAL	2
PROPOSED DECISIONS	3

INTRODUCTION

1. At the Executive Board meeting on February 1, 2016 on the *Review of Access Limits and Surcharge Policies*, Executive Directors expressed a range of views with respect to staff's proposals set out in the staff report (1/20/2016). Building on that discussion, and subsequent consultations, this supplement outlines a revised package of reforms that seeks to secure broad support on all decisions governing these issues. This supplement presents a revised set of proposals, and a revised set of proposed decisions.

UPDATED STAFF PROPOSAL

2. **Access limits:** Some Executive Directors called for a slightly larger increase than proposed by staff in the staff report so that no member's access to GRA resources would decline in SDR terms when the 14th Review quota increases take effect. To accommodate this view, staff proposes to increase access limits in SDR terms by an average of 45 percent, and to set annual and cumulative access limits, respectively, at 145 percent and 435 percent of the new quota (net of scheduled repurchases) (Decision I). The revised proposal continues to be broadly anchored on the same methodology and relevant global economic metrics presented by staff and adopted in previous reviews. Staff maintains its proposal to halve limits for the Precautionary and Liquidity Line when the 14th Review quota increases take effect (Decision II).

3. **Surcharge threshold and time-based triggers:** The revised proposal sets the level-based surcharge threshold at 185 percent, which strikes a balance between the two options (175 percent and 200 percent) presented in the main paper (see Table 1, which is a revised and expanded version of Table 4 presented in the staff paper). Staff maintains its proposal to extend the trigger for time-based surcharges related to holdings resulting from purchases under extended arrangements to 51 months. Given that some members have paid their quota increases before the new thresholds become effective, the decision clarifies that a temporary drop of a member below the current 300 percent threshold for surcharges following the quota payments and pending effectiveness of the new surcharge threshold would not interrupt the 36 and 51 month periods for time-based surcharges for a member. This change is important to prevent the time-based "clock" from resetting to zero, thereby undermining the price-based incentives for early repurchase as members' external positions strengthen. It was not needed when the original paper was issued as at the time it was assumed that all quota increases would become effective only after the new thresholds had been approved. The decision further clarifies that for purposes of measuring the 36 and 51 month periods for time based surcharges, the previous 300 percent threshold based on the old quota will be used for any period prior to the effectiveness of the new thresholds.

Table 1. Projected Fund Income from Surcharges under Various Thresholds 1/

(In millions of SDRs: FY 2016 to FY 2025)

	Current quota Current Thresholds 3/	Quota increase February 1, 2016 2/									
		Full Off-set		Difference in income versus 150% 4/							
		150% of quota		175% of quota		185% of quota		200% of quota		300% of quota	
		36m	51m	36m	51m	36m	51m	36m	51m	36m	51m
EU members	2,735	2,679	2,677	-193	-195	-267	-269	-377	-378	-1,015	-1,013
Other members	1,635	1,631	1,623	-66	-66	-92	-97	-121	-193	-585	-657
Total	4,371	4,309	4,300	-259	-260	-359	-366	-497	-571	-1,600	-1,670

1/ Includes actual surcharge income for the first six months of FY 2016.

2/ Members that are subject to higher surcharges following the quota increases and adjustment of thresholds are assumed to be grandfathered under current quotas and thresholds.

3/ Baseline projections are based on existing active GRA arrangements, current quotas, and the current surcharges policy. It is assumed that Portugal makes early repurchases of SDR 2.8 billion in February and March 2016 and that no further disbursements will be made under Greece's current EFF arrangement. This represents an update to the information presented in Table 4 of

SM/16/10 due to information that became available subsequently to issuance.

4/ Reduction of surcharge income relative to halving the thresholds (150% of quota) as a result of the changes in the thresholds and the time-based trigger for EFF arrangement following the quota increase.

4. Other Quota-Related Policies: With respect to commitment fees, staff maintains its proposal of thresholds of 115 and 575 percent of quota, representing a 15 percent increase on average in SDR terms (Decision IV). Staff proposes to modify the quota-based threshold above which a member may not be placed on an extended Article IV consultation cycle to 145 percent of quota, consistent with its proposal on access limits. It continues to recommend halving the quota-based threshold for post-program monitoring as a temporary measure until the policy is reviewed later this year (Decisions V and VI).

5. Effectiveness of the new thresholds: The proposed changes for access, Article IV consultations, and post program monitoring would become effective as of the date of the Board decision. Regarding the new thresholds for surcharges and commitment fees, staff maintains its proposal of a rolling effectiveness as quota increases under the 14th Review become effective but not later than February 26, even though the quota increases for a number of members have already become effective in the interim. Surcharges and commitment fees for these members will be calculated based on the old thresholds and the new quotas for the period from the effectiveness of the quota increase to the effectiveness of the new surcharge and commitment fee thresholds. Any refunds of commitment fees will be made after quota subscriptions have been paid and the revised policy has been adopted. The limited grandfathering regime under the original surcharge and commitment fee proposals is retained.

PROPOSED DECISIONS

6. Decisions reflecting the updated staff proposals are attached. In addition to reflecting staff's revised proposal, the decisions also include a number of technical changes from the version set forth in the staff paper. The decisions on access limits and surcharge policies (Decisions I and III) reflect drafting changes to provide for reviews on an "as needed" basis, consistent with the April

2015 Executive Board decision on implementing streamlining of policy reviews.¹ The summing up will reflect Directors' views on bringing forward the next review to an earlier date, without affecting the general review frequency. In the decisions on surcharges and commitments fees (Decisions III and IV), all references to the initial 30 day quota payment period are being replaced with the actual dates of "February 25, 2016" where it refers to the last day of the 30 day period, and "February 26, 2016" where it refers to the first day after the 30 day period has expired. At the time of issuance of the original paper, the date of the entry into force of the Board Reform Amendment that triggers the initial 30 quota payment period was not known so no specific date could be provided. With the entry into force of the Board reform amendment on January 26, 2016, the 30 day period ends on February 25, 2016. Finally, level and time based surcharges are now separated in different sub-paragraphs and transition issues such as rolling effectiveness for each surcharge element is addressed separately.

7. The decisions on access, PLL-specific access limits, Article IV consultation cycles, and Post-Program Monitoring (Decisions I, II, V and VI) each may be approved with a majority of votes cast by the Executive Board. The decisions on surcharges and commitment fees (Decisions III and IV) each would require a seventy percent majority of the total voting power, pursuant to the requirements of Article V, Section 8(d).² Redline decisions showing the changes to staff's earlier proposals are annexed for information.

¹ See Decision No. 13814-(06/98), adopted November 15, 2006 and Decision No. 15764-(15/39), adopted April 23, 2015. See also Table 4 of [Selected Streamlining Proposals Under the FY16-FY18 Medium-Term Budget—Implementation Issues](#) (5/15/2015).

² Additionally, as the modification of the commitment fee policy entails a modification of Rule I-8, this modification would need to be submitted to the Board of Governors for review at their next regular meeting pursuant to Section 16 of the Fund's By-laws.

Revised Proposed Decisions

Accordingly, the following decisions are proposed for adoption by the Executive Board. Decisions I, II, V and VI each may be adopted by a majority of the votes cast, and decisions III and IV each may be adopted by a 70 percent majority of the total voting power.

Decision I: 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. In Decision No. 14064-(08/18), adopted February 22, 2008, as amended, paragraphs 2, 4 and 6 shall be amended as follows:

a. Paragraph 2 shall be amended to read as follows:

"2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 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."

b. Paragraph 4 shall be amended to read as follows:

"4. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member's access to the Fund's resources under other PLL arrangements, shall in no event exceed a cumulative limit of 500 percent of quota, net of scheduled repurchases."

c. Paragraph 6 shall be amended to read as follows:

“6. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews.”

2. The modification of overall access limits set forth under this decision shall not cause members to be subject to the exceptional access policy if they were not subject to the said policy prior to the entrance into effect of this Decision, unless following the entrance into effect of this Decision the Executive Board approves access to the Fund’s general resources account under a new arrangement, or through an augmentation of access under an arrangement that was in place prior to the entrance into effect of this Decision, or through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits set forth under this decision.

Decision II: The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance--Precautionary and Liquidity Line (PLL) Arrangements

In Decision No. 15017-(11/112), adopted November 21, 2011, as amended, paragraph 4 shall be amended as follows:

1. Paragraph 4(a) shall be amended to replace “1000 percent of quota” with “500 percent of quota”.

2. Paragraph 4(b) and 4(b)(i) shall be amended to replace “500 percent of quota” with “250 percent of quota”.
3. Paragraph 4(c)(i) shall be amended to replace “250 percent of quota” with “125 percent of quota”.
4. Paragraph 4(c)(ii) shall be amended to replace “500 percent of quota” with “250 percent of quota” and to replace “250 percent of quota” with “125 percent of quota”.
5. Paragraph 4(c)(iii) shall be amended to replace “500 percent of quota” with “250 percent of quota”.

Decision III: Surcharges on Purchases in the Credit Tranches and Under the Extended Fund Facility

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

“1. Subject to paragraph 2 below, the rate of charge under Article V, Section 8(b) on the Fund’s combined holdings of a member’s currency in excess of [185] percent of the member’s quota in the Fund resulting from purchases in the credit tranches and under the Extended Fund Facility

i. 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 a threshold of 300 percent shall

apply until the earlier of (i) the effectiveness date of the quota increase under the 14th General Review of Quotas for that member, or (ii) February 26, 2016; and

ii. shall include an additional 100 basis points per annum, as adjusted for purposes of burden sharing, on such holdings in any case where they are outstanding for more than 36 months in the case of purchases in the credit tranches, or 51 months in the case of purchases under the Extended Fund Facility, provided that the relevant threshold shall be 300 percent for the period prior to the effectiveness of a member's quota increase under the 14th General Review or February 26, 2016, whichever is earlier, and provided further that if, during the period of February 1 through [February 17, 2016], the Fund's combined holdings of a member's currency subject to charges fell below 300 percent of the member's quota, such interruption shall not be taken into account for purposes of calculating the 36 and 51 month periods.

2. A member with credit outstanding in the credit tranches or under the Extended Fund Facility, or with an arrangement in effect on [February 17, 2016], may notify the Fund by February 25, 2016 that it elects to have 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 effective arrangement, to be based on the threshold of 300 percent member's quota in effect prior to its quota increase under the 14th General Review of Quotas, instead of the threshold of [185] percent under paragraph 1 above. Absent such notification, the rate of charge shall be computed pursuant to paragraphs 1 and 2 above. If a member has made an election under this paragraph 2, such election shall cease to apply as of the date of the Fund's approval of any new access to the Fund's general resources for that member, including an augmentation of an arrangement in effect on [February 17, 2016], and the rate of charge under this Decision shall be computed for all holdings of

the member's currency in the credit tranches or under the Extended Fund Facility pursuant to paragraph 1 above.

3. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 13814-(06/98), adopted November 15, 2006, and Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews."

Decision IV: Commitment Fees

Rule I-8 shall be amended to read as follows:

"The following provisions shall apply to all GRA arrangements:

- (a) Subject to paragraphs (e) and (f) below, 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 115 percent of the member's quota that could be purchased during the relevant period; and
 - (ii) 3/10 of 1 percent per annum on amounts in excess of 115 percent and up to 575 percent of the member's quota that could be purchased during the relevant period; and
 - (iii) 3/5 of 1 percent per annum on amounts in excess of 575 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 under subparagraph (a) above 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 115 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 115 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 115 percent but do not exceed 575 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 115 percent but not exceeding 575 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 575 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 575 percent of the member's quota that could be purchased during the relevant period.
- (c) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period remaining unexpired at the date of cancellation for the amount that could still be purchased under the arrangement at the date of cancellation for which the member has paid a charge.

- (d) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.
- (e) Instead of the thresholds of 115 percent and 575 percent referred to in subparagraphs (a) and (b) above, the thresholds of 200 percent and 1000 percent, respectively, shall be used in computing charges and refunds for a member until the earlier of (i) the effective date of that member's quota increase under the 14th General Review of Quotas, or February 26, 2016.
- (f) A member with an arrangement in effect on [February 17, 2016] may notify the Fund by February 25, 2016 that it elects to have the charges and refunds applicable to such arrangement to be based on the thresholds of 200 percent and 1000 percent of the member's quota in effect prior to the effectiveness of the quota increase for that member under the 14th General Review of Quotas, instead of the thresholds of 115 percent and 575 percent, respectively, under subparagraphs (a) and (b) above. Absent such notification, the relevant charges and refunds shall be determined under subparagraphs (a), (b), (c) and (d) above. If a member has made an election under this subparagraph (f), such election shall cease to apply as of the date of the Fund's approval of any augmentation of an arrangement in effect for that member prior to [February 17, 2016]. The member shall then be subject to the relevant charges and refunds as determined under subparagraphs (a), (b), (c) and (d). New arrangements approved by the Fund after [February 17, 2016] are not eligible for the election under this subparagraph (f)."

Decision V: Article IV Consultation Cycles

In Decision No. 14747-(10/96), as amended, paragraph 1(c) shall be amended to read as follows:

“1(c) the member has outstanding credit to the Fund under all facilities above one hundred and forty-five percent (145%) of the member’s quota.”

Decision VI: Post-Program Monitoring

In Decision No. 13454-(05/26), as amended, the references to “200 percent of quota” shall be replaced with “100 percent of quota”.

Redlined Version: Revised Proposed Decisions

Accordingly, the following decisions are proposed for adoption by the Executive Board. Decisions I, II, V and VI each may be adopted by a majority of the votes cast, and decisions III and IV each may be adopted by a 70 percent majority of the total voting power.

Decision I: 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

3. In Decision No. 14064-(08/18), adopted February 22, 2008, as amended, paragraphs 2, 4 and 6 shall be amended as follows:

a. Paragraph 2 shall be amended to read as follows:

"2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of ~~140~~145 percent of quota; and (ii) a cumulative limit of ~~420~~435 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."

b. Paragraph 4 shall be amended to read as follows:

"4. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member's access to the Fund's resources under other PLL arrangements, shall in no event exceed a cumulative limit of 500 percent of quota, net of scheduled repurchases."

c. Paragraph 6 shall be amended to read as follows:

~~“6. 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 [February 1, 2021], on the basis of all relevant factors, including the magnitude of members’ balance of payments problems and developments in the Fund’s liquidity.”~~

“6. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews.”

4. The modification of overall access limits set forth under this decision shall not cause members to be subject to the exceptional access policy if they were not subject to the said policy prior to the entrance into effect of this Decision, unless following the entrance into effect of this Decision the Executive Board approves access to the Fund’s general resources account under a new arrangement, or through an augmentation of access under an arrangement that was in place prior to the entrance into effect of this Decision, or through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits set forth under this decision.

Decision II: The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance--Precautionary and Liquidity Line (PLL) Arrangements

In Decision No. 15017-(11/112), adopted November 21, 2011, as amended, paragraph 4 shall be amended as follows:

6. Paragraph 4(a) shall be amended to replace “1000 percent of quota” with “500 percent of quota”.
7. Paragraph 4(b) and 4(b)(i) shall be amended to replace “500 percent of quota” with “250 percent of quota”.
8. Paragraph 4(c)(i) shall be amended to replace “250 percent of quota” with “125 percent of quota”.
9. Paragraph 4(c)(ii) shall be amended to replace “500 percent of quota” with “250 percent of quota” and to replace “250 percent of quota” with “125 percent of quota”.
10. Paragraph 4(c)(iii) shall be amended to replace “500 percent of quota” with “250 percent of quota”.

Decision III: Surcharges on Purchases in the Credit Tranches and Under the Extended Fund Facility

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

“1. Subject to paragraph 2 below, the ~~The~~ rate of charge under Article V, Section 8(b) on the Fund’s combined holdings of a member’s currency in excess of ~~175~~[185] percent of the member’s quota in the Fund resulting from purchases in the credit tranches and under the Extended Fund

Facility

- i. _____ 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 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, on such holdings in excess of the 175 percent threshold that have been outstanding for more than 36 months in the case of purchases in the credit tranches or that have been outstanding for more than 51 months in the case of purchases under the Extended Fund Facility-, provided that a threshold of 300 percent shall apply until the earlier of (i) the effectiveness date of the quota increase under the 14th General Review of Quotas for that member, or (ii) February 26, 2016; and~~
- ii. _____ ~~2. Instead shall include an additional 100 basis points per annum, as adjusted for purposes of burden sharing, on such holdings in any case where~~ of the threshold of 175 percent referred to in paragraph 1 above, a threshold of 300 percent shall be used in computing ~~they are outstanding for more than 36 months in the~~ rate ~~case~~ of ~~charge~~ purchases in the credit tranches, or 51 months in the case of purchases under Article V, Section 8(b) on the Fund's combined holdings of a member's currency, the Extended Fund Facility, provided that the relevant threshold shall be 300 percent for the period prior to the effectiveness of ~~the~~ a member's quota increase under the 14th General Review ~~of Quotas for that member or prior to the end of the 30-day period for the payment of quota increases under the 14th General Review after the Fund notifies the membership that the general effectiveness conditions for quota increases under the~~

~~14th General Review of Quotas have been met (the "Quota Payment Period"), or February 26, 2016, whichever is earlier, and provided further that if, during the period of February 1 through [February 17, 2016], the Fund's combined holdings of a member's currency subject to charges fell below 300 percent of the member's quota, such interruption shall not be taken into account for purposes of calculating the 36 and 51 month periods.~~

2. A member with credit outstanding in the credit tranches or under the Extended Fund Facility, or with an arrangement in effect on [February ~~117~~, 2016], may notify the Fund by ~~the end of the Quota Payment Period~~February 25~~6~~, 2016 that it elects to have 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 effective arrangement, to be based on the threshold of 300 percent, ~~instead of the threshold of 175 percent under paragraph 1 above, provided that the threshold of 300 percent would be applied to the~~ member's quota in effect prior to its quota increase under the 14th General Review of Quotas, ~~instead of the threshold of [185] percent under paragraph 1 above.~~ Absent such notification, the rate of charge shall be computed pursuant to ~~paragraph~~paragraphs 1 and 2 above. If a member has made an election under this paragraph ~~32~~, such election shall cease to apply as of the date of the Fund's approval of any new access to the Fund's general resources for that member, including an augmentation of an arrangement in effect on [February ~~117~~, 2016], and the rate of charge under this Decision shall be computed for all holdings of the member's currency in the credit tranches or under the Extended Fund Facility pursuant to paragraph 1 above.".

3. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 13814-(06/98), adopted November 15, 2006, and Decision No. 15764-(15/39), adopted April 23,

2015, on implementing streamlining of policy reviews.”

Decision IV: Commitment Fees

Rule I-8 shall be amended to read as follows:

“The following provisions shall apply to all GRA arrangements:

- (g) Subject to paragraphs (e) and (f) below, Aa 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 115 percent of the member’s quota that could be purchased during the relevant period; and
 - (ii) 3/10 of 1 percent per annum on amounts in excess of 115 percent and up to 575 percent of the member’s quota that could be purchased during the relevant period; and
 - (iii) 3/5 of 1 percent per annum on amounts in excess of 575 percent of the member’s quota that could be purchased during the relevant period.

- (h) When a purchase is made under an arrangement, the amount of the charge paid under subparagraph (a) above 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 115 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 115 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 115 percent but do not exceed 575 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 115 percent but not exceeding 575 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 575 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 575 percent of the member's quota that could be purchased during the relevant period.
- (i) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period remaining unexpired at the date of cancellation for the amount that could still be purchased under the arrangement at the date of cancellation for which the member has paid a charge.
- (j) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.

(k) ~~Instead of the thresholds of 115 percent and 575 percent referred to in subparagraphs (a) and (b) above, the thresholds of 200 percent and 1000 percent, respectively, shall be used in computing charges and refunds for a member prior to until the earlier of (i) the effective date of that member's quota increase under the 14th General Review of Quotas, or prior to the end of the 30-day period for the payment of quota increases under the 14th General Review after the Fund notifies the membership that the general effectiveness conditions for quota increases under the 14th General Review of Quotas have been met (the "Quota Payment Period"), whichever is earlier February 26, 2016.~~

(l) A member with an arrangement in effect on [February ~~17~~, 2016] may notify the Fund by ~~the end of the Quota Payment Period February 26~~, 2016 that it elects to have the charges and refunds applicable to such arrangement to be based on the thresholds of 200 percent and 1000 percent of the member's quota in effect prior to the effectiveness of the quota increase for that member under the 14th General Review of Quotas, instead of the thresholds of 115 percent and 575 percent, respectively, under subparagraphs (a) and (b) above. Absent such notification, the relevant charges and refunds shall be determined under subparagraphs (a), (b), (c) and (d) above. If a member has made an election under this subparagraph (f), such election shall cease to apply as of the date of the Fund's approval of any augmentation of an arrangement in effect for that member prior to [February ~~17~~, 2016]. The member shall then be subject to the relevant charges and refunds as determined under subparagraphs (a), (b), (c) and (d). New arrangements approved by the Fund after [February ~~17~~, 2016] are not eligible for the election under this subparagraph (f)."

Decision V: Article IV Consultation Cycles

In Decision No. 14747-(10/96), as amended, paragraph 1(c) shall be amended to read as follows:

"1(c) -the member has outstanding credit to the Fund under all facilities above one hundred and forty-five percent (~~140~~145%) of the member's quota."

Decision VI: Post-Program Monitoring

In Decision No. 13454-(05/26), as amended, the references to "200 percent of quota" shall be replaced with "100 percent of quota".

Review of Access Limits and Surcharge Policies—Revised Proposed Decisions
February 16, 2016

IMF document cited in this report is available at www.imf.org

Revised Proposed Decisions

Accordingly, the following decisions are proposed for adoption by the Executive Board. Decisions I, II, V and VI each may be adopted by a majority of the votes cast, and Decisions III and IV each may be adopted by a 70 percent majority of the total voting power.

Decision I: 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. In Decision No. 14064-(08/18), adopted February 22, 2008, as amended, paragraphs 2, 4 and 6 shall be amended as follows:

a. Paragraph 2 shall be amended to read as follows:

"2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 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."

b. Paragraph 4 shall be amended to read as follows:

"4. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member's access to the Fund's resources under other PLL arrangements, shall in no event exceed a cumulative limit of 500 percent of quota, net of scheduled repurchases."

c. Paragraph 6 shall be amended to read as follows:

“6. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews.”

2. The modification of overall access limits set forth under this decision shall not cause members to be subject to the exceptional access policy if they were not subject to the said policy prior to the entrance into effect of this Decision, unless following the entrance into effect of this Decision the Executive Board approves access to the Fund’s general resources account under a new arrangement, or through an augmentation of access under an arrangement that was in place prior to the entrance into effect of this Decision, or through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits set forth under this decision.

Decision II: The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance--Precautionary and Liquidity Line (PLL) Arrangements

In Decision No. 15017-(11/112), adopted November 21, 2011, as amended, paragraph 4 shall be amended as follows:

1. Paragraph 4(a) shall be amended to replace “1000 percent of quota” with “500 percent of quota”.

2. Paragraph 4(b) and 4(b)(i) shall be amended to replace “500 percent of quota” with “250 percent of quota”.
3. Paragraph 4(c)(i) shall be amended to replace “250 percent of quota” with “125 percent of quota”.
4. Paragraph 4(c)(ii) shall be amended to replace “500 percent of quota” with “250 percent of quota” and to replace “250 percent of quota” with “125 percent of quota”.
5. Paragraph 4(c)(iii) shall be amended to replace “500 percent of quota” with “250 percent of quota”.

Decision III: Surcharges on Purchases in the Credit Tranches and Under the Extended Fund Facility

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

- “1. Subject to paragraphs 2 and 3 below, the rate of charge under Article V, Section 8(b) on the Fund’s combined holdings of a member’s currency in excess of 185* percent of the member’s quota

* At the Executive Board Meeting held on February 17, 2016, the Executive Board decided to set the surcharge threshold at 187.5 percent of the member’s quota. As such, all references to 185 percent in the proposed decision were replaced with 187.5 percent in the final decision.

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 and shall include an additional 100 basis points per annum, as adjusted for purposes of burden sharing, on such holdings in any case where they are outstanding for more than 36 months in the case of purchases in the credit tranches, or 51 months in the case of purchases under the Extended Fund Facility.

2. The relevant threshold in paragraph 1 shall be 300 percent instead of 185 percent: (i) for all members until [February 17, 2016]; and (ii) for members whose quota increase under the 14th Review was not effective on [February 17, 2016] until the date their quota increase under the 14th General Review becomes effective, or February 26, 2016, whichever is earlier. If, during the period of February 1 through February 16, 2016, the Fund's combined holdings of a member's currency resulting from purchases in the credit tranches and under the Extended Fund Facility fell below 300 percent of the member's quota, such interruption shall not be taken into account for purposes of calculating the 36 and 51 month periods.

3. A member with credit outstanding in the credit tranches or under the Extended Fund Facility, or with an arrangement in effect on [February 17, 2016], may notify the Fund by February 25, 2016 that it elects to have 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 effective arrangement, to be based on the threshold of 300 percent member's quota in effect prior to its quota increase under the 14th General Review of Quotas, instead of the threshold of 185 percent

under paragraph 1 above. Absent such notification, the rate of charge shall be computed pursuant to paragraphs 1 and 2 above. If a member has made an election under this paragraph 2, such election shall cease to apply as of the date of the Fund's approval of any new access to the Fund's general resources for that member, including an augmentation of an arrangement in effect on [February 17, 2016], and the rate of charge under this Decision shall be computed for all holdings of the member's currency in the credit tranches or under the Extended Fund Facility pursuant to paragraph 1 above.

4. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 13814-(06/98), adopted November 15, 2006, and Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews."

Decision IV: Commitment Fees

Rule I-8 shall be amended to read as follows:

"The following provisions shall apply to all GRA arrangements:

- (a) Subject to paragraphs (e) and (f) below, 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 115 percent of the member's quota that could be purchased during the relevant period; and
 - (ii) 3/10 of 1 percent per annum on amounts in excess of 115 percent and up to 575 percent of the member's quota that could be purchased during the relevant period; and

- (iii) 3/5 of 1 percent per annum on amounts in excess of 575 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 under subparagraph (a) above 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 115 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 115 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 115 percent but do not exceed 575 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 115 percent but not exceeding 575 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 575 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 575 percent of the member's quota that could be purchased during the relevant period.

- (c) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period remaining unexpired at the date of cancellation for the amount that could still be purchased under the arrangement at the date of cancellation for which the member has paid a charge.
- (d) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.
- (e) Instead of the thresholds of 115 percent and 575 percent referred to in subparagraphs (a) and (b) above, the thresholds of 200 percent and 1000 percent, respectively, shall be used in computing charges and refunds for a member until the earlier of (i) the effective date of that member's quota increase under the 14th General Review of Quotas, or (ii) February 26, 2016.
- (f) A member with an arrangement in effect on [February 17, 2016] may notify the Fund by February 25, 2016 that it elects to have the charges and refunds applicable to such arrangement to be based on the thresholds of 200 percent and 1000 percent of the member's quota in effect prior to the effectiveness of the quota increase for that member under the 14th General Review of Quotas, instead of the thresholds of 115 percent and 575 percent, respectively, under subparagraphs (a) and (b) above. Absent such notification, the relevant charges and refunds shall be determined under subparagraphs (a), (b), (c) and (d) above. If a member has made an election under this subparagraph (f), such election shall

cease to apply as of the date of the Fund's approval of any augmentation of an arrangement in effect for that member on [February 17, 2016]. The member shall then be subject to the relevant charges and refunds as determined under subparagraphs (a), (b), (c) and (d). New arrangements approved by the Fund after [February 17, 2016] are not eligible for the election under this subparagraph (f)."

Decision V: Article IV Consultation Cycles

In Decision No. 14747-(10/96), as amended, paragraph 1(c) shall be amended to read as follows:

"1(c) the member has outstanding credit to the Fund under all facilities above one hundred and forty-five percent (145%) of the member's quota."

Decision VI: Post-Program Monitoring

In Decision No. 13454-(05/26), as amended, the references to "200 percent of quota" shall be replaced with "100 percent of quota".

Revised Proposed Decisions

Accordingly, the following decisions are proposed for adoption by the Executive Board. Decisions I, II, V and VI each may be adopted by a majority of the votes cast, and ~~decisions~~Decisions III and IV each may be adopted by a 70 percent majority of the total voting power.

Decision I: 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. In Decision No. 14064-(08/18), adopted February 22, 2008, as amended, paragraphs 2, 4 and 6 shall be amended as follows:

a. Paragraph 2 shall be amended to read as follows:

"2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 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."

b. Paragraph 4 shall be amended to read as follows:

"4. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member's access to the Fund's resources under other PLL arrangements, shall in no event exceed a cumulative limit of 500 percent of quota, net of scheduled repurchases."

c. Paragraph 6 shall be amended to read as follows:

“6. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews.”

2. The modification of overall access limits set forth under this decision shall not cause members to be subject to the exceptional access policy if they were not subject to the said policy prior to the entrance into effect of this Decision, unless following the entrance into effect of this Decision the Executive Board approves access to the Fund’s general resources account under a new arrangement, or through an augmentation of access under an arrangement that was in place prior to the entrance into effect of this Decision, or through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits set forth under this decision.

Decision II: The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance--Precautionary and Liquidity Line (PLL) Arrangements

In Decision No. 15017-(11/112), adopted November 21, 2011, as amended, paragraph 4 shall be amended as follows:

1. Paragraph 4(a) shall be amended to replace “1000 percent of quota” with “500 percent of quota”.

2. Paragraph 4(b) and 4(b)(i) shall be amended to replace “500 percent of quota” with “250 percent of quota”.
3. Paragraph 4(c)(i) shall be amended to replace “250 percent of quota” with “125 percent of quota”.
4. Paragraph 4(c)(ii) shall be amended to replace “500 percent of quota” with “250 percent of quota” and to replace “250 percent of quota” with “125 percent of quota”.
5. Paragraph 4(c)(iii) shall be amended to replace “500 percent of quota” with “250 percent of quota”.

Decision III: Surcharges on Purchases in the Credit Tranches and Under the Extended Fund Facility

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

- “1. Subject to ~~paragraph~~paragraphs 2 and 3 below, the rate of charge under Article V, Section 8(b) on the Fund’s combined holdings of a member’s currency in excess of ~~{185}~~ percent of the member’s quota in the Fund resulting from purchases in the credit tranches and under the Extended Fund Facility

~~i. ——— 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 a threshold of 300 percent shall apply until the earlier of (i) the effectiveness date of the quota increase under the 14th General Review of Quotas for that member, or (ii) February 26, 2016; and~~
and shall include an additional 100 basis points per annum, as adjusted for purposes of burden sharing, on such holdings in any case where they are outstanding for more than 36 months in the case of purchases in the credit tranches, or 51 months in the case of purchases under the Extended Fund Facility, ~~provided that the.~~

2. The relevant threshold in paragraph 1 shall be 300 percent instead of 185 percent: (i) for all members until [February 17, 2016]; and (ii) for members whose quota increase under the 14th Review was not effective on [February 17, 2016] until the period prior to the effectiveness of a member's date their quota increase under the 14th General Review becomes effective, or February 26, 2016, whichever is earlier, ~~and provided further that if. If,~~ during the period of February 1 through ~~[February 17, 2016],~~ the Fund's combined holdings of a member's currency subject to charges resulting from purchases in the credit tranches and under the Extended Fund Facility fell below 300 percent of the member's quota, such interruption shall not be taken into account for purposes of calculating the 36 and 51 month periods.

23. A member with credit outstanding in the credit tranches or under the Extended Fund Facility, or with an arrangement in effect on [February 17, 2016], may notify the Fund by February 25, 2016 that it elects to have 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 effective arrangement, to be based on the threshold of 300 percent member's quota in effect prior to its quota increase under the 14th General Review of Quotas, instead of the threshold of ~~{185}~~ percent under paragraph 1 above. Absent such notification, the rate of charge shall be computed pursuant to paragraphs 1 and 2 above. If a member has made an election under this paragraph 2, such election shall cease to apply as of the date of the Fund's approval of any new access to the Fund's general resources for that member, including an augmentation of an arrangement in effect on [February 17, 2016], and the rate of charge under this Decision shall be computed for all holdings of the member's currency in the credit tranches or under the Extended Fund Facility pursuant to paragraph 1 above.

~~34.~~ This Decision shall be reviewed on an as needed basis in accordance with Decision No. 13814-(06/98), adopted November 15, 2006, and Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews."

Decision IV: Commitment Fees

Rule I-8 shall be amended to read as follows:

"The following provisions shall apply to all GRA arrangements:

- (a) Subject to paragraphs (e) and (f) below, 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 115 percent of the member's

quota that could be purchased during the relevant period; and

(ii) 3/10 of 1 percent per annum on amounts in excess of 115 percent and up to 575 percent of the member's quota that could be purchased during the relevant period; and

(iii) 3/5 of 1 percent per annum on amounts in excess of 575 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 under subparagraph (a) above 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 115 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 115 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 115 percent but do not exceed 575 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 115 percent but not exceeding 575 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 575 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 575 percent of the member's quota that could be purchased during the relevant period.

- (c) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period remaining unexpired at the date of cancellation for the amount that could still be purchased under the arrangement at the date of cancellation for which the member has paid a charge.
- (d) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.
- (e) Instead of the thresholds of 115 percent and 575 percent referred to in subparagraphs (a) and (b) above, the thresholds of 200 percent and 1000 percent, respectively, shall be used in computing charges and refunds for a member until the earlier of (i) the effective date of that member's quota increase under the 14th General Review of Quotas, or (ii) February 26, 2016.
- (f) A member with an arrangement in effect on [February 17, 2016] may notify the Fund by February 25, 2016 that it elects to have the charges and refunds applicable to such arrangement to be based on the thresholds of 200 percent and 1000 percent of the member's quota in effect prior to the effectiveness of the quota increase for that member under the 14th General Review of Quotas, instead of the thresholds of 115 percent and 575

percent, respectively, under subparagraphs (a) and (b) above. Absent such notification, the relevant charges and refunds shall be determined under subparagraphs (a), (b), (c) and (d) above. If a member has made an election under this subparagraph (f), such election shall cease to apply as of the date of the Fund's approval of any augmentation of an arrangement in effect for that member ~~prior to~~ on [February 17, 2016]. The member shall then be subject to the relevant charges and refunds as determined under subparagraphs (a), (b), (c) and (d). New arrangements approved by the Fund after [February 17, 2016] are not eligible for the election under this subparagraph (f)."

Decision V: Article IV Consultation Cycles

In Decision No. 14747-(10/96), as amended, paragraph 1(c) shall be amended to read as follows:

"1(c) the member has outstanding credit to the Fund under all facilities above one hundred and forty-five percent (145%) of the member's quota."

Decision VI: Post-Program Monitoring

In Decision No. 13454-(05/26), as amended, the references to "200 percent of quota" shall be replaced with "100 percent of quota".



March 28, 2016

REVIEW OF ACCESS LIMITS AND SURCHARGE POLICIES— REVISIONS TO SURCHARGE CALCULATIONS AND CLARIFICATION OF DECISION ON COMMITMENT FEES

Approved By
Sean Hagan,
Siddharth Tiwari, and
Andrew Tweedie

Prepared by Finance, Legal, and Strategy, Policy and Review
Departments.

CONTENTS

INTRODUCTION	2
REVISIONS TO SURCHARGE CALCULATIONS	2
APPLICATION OF THE COMMITMENT FEES DECISION	3
TABLE	
Projected Fund Income from Surcharges under Various Thresholds	4
APPENDIX TABLE	
Projected Fund Income from Surcharges under Various Thresholds	5

INTRODUCTION

1. This supplement addresses an error in the calculation of the impact on the Fund's income of extending the time-based surcharge threshold from 36 to 51 months for credit arising from purchases under the Extended Fund Facility (EFF) presented in previous papers for the *Review of Access Limits and Surcharge Policies*.¹ The supplement also clarifies how the amended Rule I-8 on commitment fees has been applied to members whose quota increase under the 14th Review had become effective before the adoption of the new thresholds on February 17, 2016.²

REVISIONS TO SURCHARGE CALCULATIONS

2. After the adoption of the surcharge decision, staff became aware that the impact on the Fund's income position of the extension of the trigger for the time-based surcharge from 36 months to 51 months for purchases under the EFF had been underestimated in Table 1 of Supplement 1 due to an incorrect application of the proposed grandfathering regime. Specifically, the calculations assumed that grandfathering would be applied to ensure that no member would be made worse off relative to existing quotas and thresholds as a result of the combined effect of the policy changes (i.e., the extension of the time-based surcharge trigger for members with EFF arrangements and the new level-based surcharge thresholds and quotas). This followed the more typical approach of grandfathering policy changes, where a member is permitted to choose between having either the old policies applied as a package or being subject to the new policies as a package. However, it did not conform to the actual policy proposal in the staff paper and the decision, which were both clear that the extension of the time-based trigger for EFF purchases would apply to all members and become effective immediately, and that grandfathering would be limited to the change in the level-based surcharge thresholds. As a result, the numbers reported in the paper understate the projected cost to the Fund of the change in policies.

3. The projected cost to the Fund of the Decision to establish the surcharge threshold of 187.5 percent of quota and lengthen the time-based threshold to 51 months for credit arising from extended arrangements is SDR 489 million over FY 2016-FY 2025 (bottom panel of Table).³ The methodology used in previous papers (top panel of Table) would have shown a loss of SDR 410 million over the same period, a difference of about SDR 79 million. This error was discovered before any impact on members' charges and therefore it did not have any operational consequences.

4. The Appendix provides a detailed comparison between the original and corrected calculations. Panel A restates Table 1 from the Supplement, with the addition of columns showing

¹ *Review of Access Limits and Surcharge Policies* (1/20/2016) and Supplement 1 (2/15/2016).

² Supplement 3 (2/16/2016).

³ Based on a comparison between projected surcharges under the agreed policy, and surcharges calculated on the basis of a threshold of 150 percent of quotas, which would fully offset the impact of the doubling of aggregate quotas given the previous threshold of 300 percent of quota, and maintaining the 36 month time-based threshold.

the impact of a surcharge threshold of 187.5 percent of quota. Panel B presents a correction of the projections shown in Panel A.

5. The error does not change the staff's assessment that the decision on surcharges adopted on February 17, 2016, remains appropriate. Staff is reviewing its internal work practices to avoid similar mistakes in the future.

APPLICATION OF THE COMMITMENT FEES DECISION

6. As noted in the staff paper, the new commitment fee thresholds under Rule I-8 became effective on a rolling basis from the date of the Board decision (i.e., February 17, 2016) as quota increases under the 14th Review became effective but no later than February 26.⁴ For members whose quota increase had become effective before February 17, the commitment fee would be calculated based on the old thresholds and their new quotas for the interim period from the effectiveness of the quota increase to February 17—the new thresholds would not apply retroactively to such members. Although the non-retroactivity is not explicitly reflected in the amended Rule I-8(e), it is mandated under the Fund's general legal framework, which does not permit retroactive increases of charges outside of a system of pre-determined and objectively defined criteria. Accordingly, for members whose quota increases became effective before February 17, the new thresholds are being applied only prospectively from the date of the decision.⁵

⁴ *Review of Access Limits and Surcharge Policies*, Sup. 1 paragraph 5.

⁵ For members who paid their quota increases before February 17, refunds of commitment fees were paid on the basis of the old thresholds and new quotas for the interim period, consistent with the staff proposal.

Table. Projected Fund Income from Surcharges under Various Thresholds

(In Millions of SDRs: FY 2016 to FY 2025)

Panel A: Supplement 1 (with addition of 187.5 percent scenario) 1/

	Pre-14th Review quotas		Quota increase February 1, 2016 2/					
	Old Thresholds 3/		Full Off-set		Amount with grandfathering			
			150% of quota		185% of quota		187.5% of quota	
			36m	51m	36m	51m	36m	51m
EU members	2,735		2,679	2,677	2,411	2,408	2,393	2,390
Other members	1,635		1,631	1,623	1,539	1,526	1,533	1,510
Total	4,371		4,309	4,300	3,950	3,934	3,926	3,899

1/ Includes actual surcharge income for the first six months of FY 2016.

2/ Members that are subject to higher surcharges following the quota increases and adjustment of thresholds are assumed to be grandfathered under old quotas and thresholds.

3/ Projections are based on existing active GRA arrangements, pre-14th Review quotas, and old surcharges policy. It is assumed that Portugal makes early repurchases of SDR 1.2 billion in March 2016.

Panel B: Revised Implementation of Grandfathering 1/

	Pre-14th Review quotas		Quota increase February 1, 2016 2/					
	Old Thresholds	EFF time- based moved to 51m 3/	Full Off-set		Amount with grandfathering			
			150% of quota		185% of quota		187.5% of quota	
			36m	51m	36m	51m	36m	51m
EU members	2,735	2,731	2,679	2,674	2,411	2,408	2,393	2,390
Other members	1,635	1,521	1,631	1,516	1,539	1,436	1,533	1,431
Total	4,371	4,252	4,309	4,190	3,950	3,843	3,926	3,820

1/ Includes actual surcharge income for the first six months of FY 2016.

2/ Members that are subject to higher surcharges following the quota increases and adjustment of thresholds are assumed to be grandfathered under old quotas and thresholds. As opposed to Panel A, under the 51 month scenario, the EFF time-based extension is implemented prior to the separate calculation of the impact of the combination of new quotas and the new level-based thresholds.

3/ Projections are based on existing active GRA arrangements, pre-14th Review quotas, old level-based surcharges threshold of 300%, and the new time-based surcharge trigger of 51 months for EFF and 36 months for non-EFF arrangements. It is assumed that Portugal makes early repurchases of SDR 1.2 billion in March 2016.

Appendix Table 1. Projected Change in Fund Income from Surcharges under Various Thresholds

(In millions of SDRs; FY 2016 to FY 2025)

Panel A: Table 4 as in Supplement 1 (with addition of 187.5 percent scenario and costs of time-based surcharge trigger extension) 1/

	Pre-14th Review quotas		Lower income due to EFF time-based extension	Quota increase February 1, 2016 2/								
	Old Thresholds 3/	Full Off-set 150% of quota		Difference in income versus 150% 4/								
		36m		51m	175% of quota		185% of quota		187.5% of quota		200% of quota	
EU members	2,735	2,679	2,677	-2	-193	-195	-267	-269	-286	-287	-377	-378
Other members	1,635	1,631	1,623	-7	-66	-66	-92	-97	-97	-114	-121	-193
Total	4,371	4,309	4,300	-9	-259	-260	-359	-366	-383	-401	-497	-571

1/ Includes actual surcharge income for the first six months of FY 2016.

2/ Members that are subject to higher surcharges following the quota increases and adjustment of thresholds are assumed to be grandfathered under old quotas and thresholds.

3/ Projections are based on existing active GRA arrangements, pre-14th Review quotas, and the old surcharges policy. It is assumed that Portugal makes early repurchases of SDR 1.2 billion in March 2016.

4/ Reduction of surcharge income relative to halving the thresholds (150% of quota) as a result of the changes in the thresholds and the time-based trigger for EFF arrangement following the quota increase.

Panel B: Revised Table 1/

	Pre-14th Review quotas		Lower income due to EFF time-based extension	Quota increase February 1, 2016 2/									
	Old Thresholds	EFF time-based moved to 51m 3/		Full Off-set 150% of quota		Difference in income versus 150% 4/							
				36m	51m	175% of quota		185% of quota		187.5% of quota		200% of quota	
EU members	2,735	2,731	2,679	2,674	-5	-193	-192	-267	-266	-286	-285	-377	-375
Other members	1,635	1,521	1,631	1,516	-114	-66	-59	-92	-81	-97	-85	-121	-107
Total	4,371	4,252	4,309	4,190	-119	-259	-251	-359	-347	-383	-370	-497	-482
Combined impact of level and time-based surcharge policy changes					-259	-361	-359	-457	-383	-480	-497	-592	
Difference versus Panel A					-110	-	-101	-	-90	-	-79	-	-21

1/ Includes actual surcharge income for the first six months of FY 2016.

2/ Members that are subject to higher surcharges following the quota increases and adjustment of thresholds are assumed to be grandfathered under old quotas and thresholds. As opposed to Panel A, under the 51 month scenario, the EFF time-based extension is implemented prior to the separate calculation of the impact of the combination of new quotas and the new level-based thresholds.

3/ Projections are based on existing active GRA arrangements, pre-14th Review quotas, old level-based surcharges threshold of 300%, and the new time-based surcharge trigger of 51 months for EFF and 36 months for non-EFF arrangements. It is assumed that Portugal makes early repurchases of SDR 1.2 billion in March 2016.

4/ Reduction of surcharge income relative to halving the thresholds (150% of quota) as a result of the changes in the thresholds and the time-based trigger for EFF arrangement following the quota increase.