

Guidelines for Borrowing by the Fund

As of August 29, 2016

Quota subscriptions are and should remain the basic source of the Fund's financing. However, on a temporary basis, borrowing by the Fund can provide an important supplement to its resources. The confidence of present and potential creditors in the Fund will depend not only on the prudence and soundness of its financial policies but also on the effective performance of its various responsibilities, including, in particular, its success in promoting crisis prevention, adjustment, sustainable growth, and financial stability. Against this background, the following guidelines shall apply for borrowing by the Fund.

1. Fund borrowing shall remain subject to a process of continuous monitoring by the Executive Board in the light of the above considerations. For this purpose, the Executive Board will regularly review the Fund's liquidity and financial position, taking into account all relevant factors of a quantitative and qualitative nature.

2. The Executive Board may establish at any time, in the context of circumstances prevailing at that time, limits expressed in terms of the total of Fund quotas above which the total of outstanding borrowing plus unused credit lines would not be permitted to rise.

3. Any limits that may be adopted pursuant to paragraph 2 above are not to be understood, at any time, as targets for borrowing by the Fund.

4. (a) For purposes of these guidelines, bilateral borrowing agreements concluded by the Fund as part of the 2012 borrowing exercise and consistent with the modalities approved in June 2012 are referred to as "2012 Borrowing Agreements". Bilateral borrowing agreements entered into or amended by the Fund pursuant to the borrowing framework approved in August 2016 shall be referred to as the "2016 Borrowing Agreements." The 2016 Borrowing Agreements, together with the 2012 Borrowing Agreements, shall be collectively referred to as the "Bilateral Borrowing Agreements".

(b) The Bilateral Borrowing Agreements shall be activated for use by the Fund under the terms of such agreements only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April

20, 2011, taking into account all available uncommitted resources under the New Arrangements to Borrow (the "modified FCC"), is below SDR 100 billion (the "activation threshold"); provided however that the Managing Director shall not provide such notification to the Executive Board unless:

(i) the New Arrangements to Borrow ("NAB") are activated as of the time of the notification, or there are no available uncommitted resources under the NAB as of that time; and

(ii) the activation of the 2016 Borrowing Agreements has been approved by creditors representing at least 85 percent of the total credit amount committed under the 2016 Borrowing Agreements by creditors eligible to vote on such activation. For the purposes of conducting a poll of eligible creditors on such activation, the Managing Director shall propose in writing to eligible creditors the activation of the 2016 Borrowing Agreements and request the creditors' vote on the activation. Only creditors under the 2016 Borrowing Agreements may vote on the activation, except that any such creditor shall not be eligible to vote if, at the time of the vote, its 2016 Borrowing Agreement is not effective or the relevant member is not included in the Fund's Financial Transactions Plan for transfers of its currency.

(c) If the Bilateral Borrowing Agreements are activated pursuant to paragraph 4(b) above, they shall automatically be deactivated when the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, the Bilateral Borrowing Agreements shall be deactivated if the Managing Director has notified the Executive Board that the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has risen above the activation threshold, and: (i) the Executive Board determines that activation is no longer necessary; or (ii) six months have elapsed since the date of the Managing Director's notification and, within that period, the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has not fallen below the activation threshold. If, after the deactivation of the Bilateral Borrowing Agreements under this paragraph 4(c), the modified FCC were to fall below the activation threshold, the provisions of paragraph 4(b) will apply.

5. The Fund is expected to use any quota increases under the Fifteenth General Review of Quotas to reduce and, depending on the size of the quota increases and the Fund's liquidity, eliminate its reliance on bilateral borrowing agreements.

6. In the context of approval of the Financial Transactions Plan, the Executive Board shall determine (a) the appropriate mix between borrowed resources and quota resources, and (b) the appropriate amounts to be drawn across different sources of borrowed resources. In making these determinations, the Fund shall take into account the Fund's liquidity needs and the expected availability of borrowed and quota resources, among other relevant considerations.
7. The Fund shall aim to maintain equitable burden sharing among creditors in accordance with the burden sharing rules that are applicable to each source of borrowed resources under the relevant agreements and decisions applicable to that source, including equitable burden sharing among creditors under all Bilateral Borrowing Agreements.
8. The Executive Board shall review these guidelines before December 31, 2019.