Annex 9. Positions and Transactions with the IMF

(Update to Annex 7.1, *BPM6*)

A. Introduction

References:

A9.1 A core responsibility of the IMF is to make financing available to member countries experiencing actual, potential, or prospective balance of payments problems, including when the country cannot find sufficient financing on affordable terms to meet its net international payments (for example, for imports or external debt redemptions). The three channels of IMF lending are: General Resources Account (GRA) that provides non-concessional lending available to all Fund members;[1] the Poverty Reduction and Growth Trust (PRGT),[2] which provides concessional lending to low-income countries; and the Resilience and Sustainability Trust (RST) that also provides lending to low-income and vulnerable middle-income countries, as well as small states.[3]

A9.2 This section provides a brief overview of the IMF lending and borrowing operations at the time of writing this *Manual,* to facilitate proper understanding of how to record these arrangements in external accounts.

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[1] While non-concessional lending offers loans at market-based interest rates, loans under concessional lending are well below market interest rates.

[2] In October 2024, a new interest rate mechanism was introduced to better reflect the heterogeneity among Low-Income Countries (LICs) and focus further concessional resources to the poorest countries. These countries (31 LICs at the time of drafting the *Manual*) will continue to benefit from an interest-free lending under the PRGT, while other LICs will be charged a modest, and still concessional, interest rate. See 2024 Review Of The Poverty Reduction And Growth Trust Facilities And Financing — Reform Proposals for more details. PRGT loans often have a grant element that is below 35 percent.

[3] A tiered interest structure differentiates financing terms across country groups, with low-income members benefitting from more concessional terms. Refer to RST Factsheet for additional details.

1. Non-Concessional (GRA) Lending

A9.3 The non-concessional lending channels are (i) the Stand-By Arrangement (SBA); (ii) the Extended Fund Facility (EFF); (iii) the Flexible Credit Line (FCL); (iv) the Precautionary and Liquidity Line (PLL); (v) the Rapid Financing Instrument (RFI); and (vi) the Short-term Liquidity Line (SLL). See Table 2.5 *IMF Financial Operations, fourth edition* for a brief description of the facilities (i)-(v). For additional details on SLL, refer to the *IMF COVID-19 Response—A New Short-Term Liquidity Line to Enhance The Adequacy Of The Global Financial Safety Net* and *Review of the Flexible Credit Line, The Short Term Liquidity Line and the Precautionary and Liquidity Line, and Proposals for Reform.*

A9.4 Resources (borrowing by the IMF): Quota subscriptions are the primary source of the IMF's financing. The IMF can supplement its quota resources through borrowing if it believes that resources may fall short of members' needs. Borrowing can be conducted under its main standing borrowing arrangements, namely the New Arrangements to Borrow (NAB) and Bilateral Borrowing Agreements (BBAs).

2. Concessional (PRGT) Lending

A9.5 The IMF's financial assistance for low-income countries is composed of concessional loans and grants for debt relief. The concessional lending facilities are the Extended Credit Facility (ECF), the Standby Credit Facility (SCF), and the Rapid Credit Facility (RCF). See Table 3.2 *IMF Financial Operations, fourth edition* for a brief description of these facilities.[4]

A9.6 Resources for the IMF's concessional lending operations are provided through contributions by a broad segment of the membership, as well as by the IMF.

3. Debt Relief Assistance

A9.7 Debt relief assistance is administered under the Trust for Special Poverty and Growth

[4] Also refer to the 2023 Handbook of IMF Facilities for Low-Income Countries and 2024 Review Of The Poverty Reduction And Growth Trust Facilities And Financing — Reform Proposals.

Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations (PRG-HIPC Trust) and the Catastrophe Containment and Relief Trust (CCRT) for debt relief. The IMF in its capacity as trustee for both trusts is responsible for mobilizing and managing their resources.

4. RST Lending

A9.8 The IMF established a trust in 2022 called the RST to help low-income, small states, and vulnerable middle-income countries tackle long-term structural challenges including climate change and pandemic preparedness. RST resources are mobilized based on voluntary contributions from IMF members with strong external positions, including those wishing to channel SDRs for the benefit of eligible members.

5. Fiscal Agency and Depository

A9.9 The IMF conducts its financial dealings/operations with a member through the fiscal agency and the depository designated by the member. The fiscal agency may be the member's treasury (ministry of finance), central bank, official monetary agency, stabilization fund, or other similar agency. The IMF only deals with a member through the designated fiscal agency for financial operations. In addition, each member is required to designate its central bank as a depository for the IMF's holdings of the member's currency ("designated depository") or, if it has no central bank, a monetary agency or a commercial bank acceptable to the IMF. Although, most members of the IMF have designated their central bank as both the depository and the fiscal agency, the specific institutional arrangements for holdings/allocations of SDRs and/or recording liabilities to the IMF may vary among Fund members due to differences in legal and institutional frameworks. Therefore, domestic arrangements and the accounting treatment may differ across Fund members, especially for cases where not all transactions with the Fund are undertaken by the central bank. For example, the Ministry of Finance may undertake transactions with the IMF without direct central bank involvement in countries where it has been designated as the fiscal agency. [5]

B. Recording of Positions and Transactions with the IMF

References:

1. Quotas (paragraphs 7.75-76, BPM6)

~~A9.1~~A9.10 IMF member countries are assigned a quota on joining the IMF. The subscription of the quota, which is paid into the IMF's General resource Account, consists of two components:

(a) Foreign exchange component. A member is required to pay 25 percent of its quota in SDRs or in foreign currencies acceptable to the IMF. This 25 percent portion is a component of the member's reserve assets. In the balance of payments, subscribing this portion is shown as a transaction involving a reduction in other reserve assets (credit) offset by an increase in the reserve tranche position in the IMF (debit).

(b) Domestic currency component. The ~~other~~ remaining 75 percent of the quota is payable to the IMF in the member's own currency at a designated depository,~~, normally the member's central bank.~~ which holds this currency on behalf of the IMF as the beneficiary. The payment is made either in domestic currency (IMF No. 1 ~~and No. 2~~ Account~~s~~) or by issuance of a promissory note (IMF Securities Account). The IMF No. 1 Account is used for the IMF's operational transactions (e.g., purchases and repurchases~~),~~). ~~whereas the~~ The IMF may periodically instruct the designated depository to transfer domestic currency from the IMF No. 1 Account to the IMF No. 2 Account, which is used for the payment of local administrative expenses incurred by the IMF in the member's currency. ~~The promissory notes are~~ No interest is payable on either the IMF No.1 or No.2 Accounts or the note, which

[5] See Annex 4.2, *Monetary and Financial Statistics Manual and Compilation Guide* for further details.

is nonnegotiable and encashable by the IMF on demand. The domestic portion of the quota payment is not recorded in the member's balance of payments or in the IIP (see paragraph 6.85),[6] except for the balance in the IMF No. 2 account (see below). ~~No interest is payable on either the deposit account or the note.~~

~~A9.2~~A9.11 There are periodic reviews of the size of member quotas. Recording transactions that reflect a change in a member's quota is the same as the recording that takes place when the quota is initially paid.

2. Reserve Position in the IMF (paragraphs 7.77–78, *BPM6*)

~~A9.3~~A9.12 *Reserve position in the IMF of a member country ~~equals~~ includes ~~the sum of~~ the reserve tranche ~~plus~~ and any indebtedness of the IMF (under a ~~loan~~ borrowing agreement) in the General Resources Account that is readily available to the member country* (for further details, see paragraph 6.85). The reserve tranche represents the member's unconditional drawing right on the IMF~~,~~ and is created by the foreign exchange portion of the quota subscription~~,~~. ~~plus increases (decreases) through the IMF's sale (repurchase) of the members' currency to meet the demand for use of IMF resources by other members in need of balance of payments financing.~~ A member's reserve tranche can increase if its currency is used by the IMF to provide financial assistance to other members facing a balance of payments need. Conversely, it may decrease when that financial assistance is repaid. A member's reserve position in the IMF constitutes part of its reserve assets in the IIP.

~~A9.4~~A9.13 To use its reserve tranche in the IMF, a member may purchase foreign exchange from the IMF with its own currency, provided that it has a balance of payments need. The domestic currency, equal to the value of the foreign exchange, is paid into the IMF~~'s~~ No. 1 Account with the member's central bank or through the issuance to the IMF of a promissory

[6] The domestic currency component of the quota is considered in economic terms to be of a contingent nature and so is not classified as an asset or liability in the external accounts.

note recorded in the IMF~~'s~~ Securities Account. The transaction is recorded in the balance of payments as a reduction in the member's reserve tranche in the IMF, which is offset by an increase in the member's other reserve assets.

3. **Credit and Loans from the IMF** (paragraphs 7.79–81, BPM6)-paragraph 7.81 moved to sub-section 5

~~A9.5~~A9.14 The scope of this sub-section covers IMF credit through non-concessional lending arrangements discussed in Section A.1 (e.g., SBA, EFF, RFI) and concessional lending arrangements in Section A.2 (e.g, ECF/SCF/RCF funded through the PRGT). A member may make use of IMF credit or ~~Poverty Reduction and Growth Facility (~~PRG~~F)~~T loans to acquire additional foreign exchange from the IMF. Economically, the use of IMF credit and ~~PRGF~~ PRGT loans results in the same outcome—that is, the member ~~entering into these agreements~~ obtaining this financial assistance has access to foreign exchange in return for agreeing to meet a set of conditions. Both IMF (GRA) credit and PRGT loans are classified as loans under other investment,[7] although the two types of arrangements are executed in different ways:

- A ~~PRGF~~ PRGT loan results in the member borrowing foreign exchange with a commitment to repay. Such loans do not affect the IMF No. 1 Account.
- When a member country uses IMF (GRA) credit, it "purchases" foreign exchange from the IMF in return for its domestic currency. Use of IMF credit is shown as the member's liability (denominated in SDRs) in the balance of payments and IIP, whereas the ~~sale of~~ domestic currency provided in return to the IMF in the IMF No. 1 Account, or promissory note issued and reflected in the IMF Securities Account, is not shown as a balance of payments transaction or in the IIP. Liabilities under IMF credit arrangements are extinguished when the member uses foreign exchange to "repurchase" its domestic currency.

Commented [A1]: Based on FITT GN F.15

[7] For loans with concessional interest rates, no adjustment is made to the recording of the loan or of interest, nor is any transfer recorded in the core external sector statistics. However, the transfer element can be shown as a capital transfer at inception in supplementary data. See paragraphs 3.79, 12.51, and 14.33, *BPM7*.

~~A9.6~~A9.15 For use of IMF credit, if the value of the member's domestic currency changes in relation to the SDR, "~~maintenance of value payments~~currency valuation adjustments"[8] are made at least once a year in the IMF No. 1 Account or IMF Securities Account denominated and settled in domestic currency to maintain a constant liability in SDRs~~ liability~~. Because the liability is denominated in SDRs, the currency valuation adjustments~~maintenance of value payments~~ are not entered as transactions in the balance of payments.

~~A9.7 A member may also extend credit or make loans to the IMF that are not considered to be a part of the Reserve position in the IMF. Such a situation arises, for example, in the circumstance where a member's claim on the IMF is not immediately encashable at a time of balance of payments need.~~

Commented [A2]: Covered in paragraph A9.18

4. Debt Relief Through IMF Administered Trusts

A9.16 Grants from IMF administered trusts (e.g., CCRT) that are used to repay eligible IMF debt should be classified as other capital transfers under the relevant sector (central bank or general government depending on the specific country situation). Further, to the extent that the grant is provided for the purpose of financing a balance of payments need in the recipient country, it should be recorded under memorandum items—exceptional financing (within the balance of payments standard presentation) under capital transfers. Table A9.1 provides an example on the recording of CCRT debt relief in balance of payments standard presentation.

Table A9.1 Recording of CCRT Debt Relief in Balance of Payments

Recording of the debt service relief for the principal payment (SDR 100), interest (SDR 4)[1] and charges (SDR 1)[1] falling due in the specified period.

[8] Members must pay additional currency if their currency depreciates against the SDR, and the IMF refunds some of these currency holdings if a currency appreciates. Currency valuation adjustments are conducted to ensure compliance with the maintenance of value concept under Article V, Section 11 of the IMF's Articles of Agreement.

	Balance of payments standard presentation	
	Credit/revenue	Debit/expenditure
Current account		5
Services		1
Financial services		1
Investment income Other investment Interest		4 4
Capital account	105	
Capital transfers General government[2] Other capital transfers	 105	
	Net acquisition of financial assets	Net incurrence of liabilities
Financial account		-100
Other investment Loans General government[3] Credit and loans with the IMF		 -100

Notes: 1 Due to the General Resource Account (GRA), if applicable

2 It will be included under capital transfers/financial corporations if the external debt liability to the IMF is on the central bank's balance sheet

3 It will be included under loans/central bank if the external debt liability to the IMF is on the central bank's balance sheet

~~4.~~5. **Lending to IMF and IMF Managed Trust Accounts** (paragraph 7.81, *BPM6*)+updates based on IRFCL Guide

~~A9.8~~A9.17 When a member lends funds to the IMF as a participant in the NAB, or through bilateral loans/note purchase agreements, and if those claims are eligible for immediate early repayment to meet a balance of payments financing need, the member obtains a claim on the IMF that qualifies as a reserve asset (and is included as part of the member's reserve position in the IMF).

~~A9.9~~A9.18 A member may also extend credit or make loans to the IMF that are not considered to be a part of the r~~R~~eserve position in the IMF. Such a situation arises, for example, if a member's claim on the IMF is not immediately encashable at a time of balance of payments need. Such lending to IMF should be recorded as other investment assets/loans.

A9.19 Lending to the IMF administered trusts, such as the PRGT and RST, if readily available to meet a balance of payments financing need, should be included in official reserve assets. These claims are to be recorded as other financial claims/other reserve assets and not to be included under reserve position in the IMF as claims on the IMF administered trusts are not claims on the IMF.

A9.20 Lending to the IMF administered trusts that is not readily available to meet a balance of payments financing need does not qualify as official reserve assets and should be recorded under the appropriate functional category (most frequently, other investment).

~~5.~~6. Remuneration (paragraphs 7.82, *BPM6*)

~~A9.10~~A9.21 The IMF pays its members "remuneration" quarterly on the basis of their reserve tranche position, except for a small portion related to prior quota payments in gold that are interest-free resources to the IMF. This remuneration is classified on an accrual basis as investment income–reserve assets–interest (credit), which is offset by an increase in reserve assets (debit).

~~6.~~7. IMF No.2 Account (paragraphs 7.83, *BPM6*)

~~A9.11~~A9.22 As discussed above, the IMF No. 2 Account is used by the IMF for administrative payments. Unlike the IMF No. 1 Account, it is reflected in the balance of payments of a member as a liability. Transactions involving the IMF No. 2 Account are recorded as increases or decreases in this liability and are offset by the source of funds (in the case of an increase) or the use of funds (in the case of a decrease). For example, when the IMF transfers funds from the IMF No. 1 Account to the IMF No. 2 Account in a member economy, the member's balance of payments shows an increase in its reserve tranche (debit). The increase reflects the reduction in IMF holdings of the member's currency in the IMF No. 1 Account and is offset by an increase in the member's other investment liabilities relating to currency and deposits (credit). When the IMF uses funds from the IMF No. 2 Account to pay for the acquisition of goods and services, the balance of payments of the member shows a reduction in this account (debit) and an offset (credit) under government goods and services n.i.e.

~~7.~~8. Special Drawing Rights (paragraph 7.84, *BPM6*) +updates

~~A9.12~~A9.23 The SDR is an international reserve asset created by the IMF in 1969. It is administered by the SDR Department of the IMF, which is required by the IMF's Articles of Agreement to keep its accounts strictly separate from the General Resources Account. The SDR is not a claim on the IMF. Rather, the membership of the SDR Department incurs the asset or liability position. Further information is covered in other chapters:

- SDRs are instruments as defined in paragraphs 5.34–5.35.
- SDR allocations received by a country are reported as liabilities under other investment (paragraph 6.61) and reserve-related liabilities (paragraph 6.116). They are not included in short-term foreign currency drains, implying that the net international reserves (NIR) would increase with the new SDR allocation. See Box 6.6 for additional details on the standard statistical definition of NIR.
- SDR holdings are classified as reserve assets (paragraph 6.84).
- SDR-related interest is recorded on a gross basis. Members earn interest on their SDR holdings (income on reserve assets) and pay interest on their cumulative allocation at the SDR interest rate (income under other investment liabilities) (paragraph 12.110, *BPM7*).
- Recording of SDR allocations/holdings in the balance of payments/IIP of a member economy of a decentralized or centralized currency union is no different from that of any other country (paragraph A3.39).

Table A9.2 Summary Recording of Positions and Transactions with the IMF

This table provides a summary recording of different lending/borrowing arrangements in the balance of payments/IIP of the member economy.

Lending/borrowing arrangement	**Balance of payments/IIP of member economy**
Loans (readily available to meet a balance of payments financing need) to the IMF under NAB and BBAs	Reserve position in the IMF
Loans (not readily available to meet a balance of payments financing need) to the IMF under NAB and BBAs	Other investment assets/loans
Lending to IMF administered trusts (readily available to meet balance of payments financing needs)	Other reserve assets/ Other financial claims
Lending to IMF administered trusts (not readily available to meet balance of payments financing needs)	Other investment assets/loans
Credit and loans with the IMF	Other investment liabilities/loans
Cash grants from IMF trusts (e.g., CCRT) for repaying debt	Capital transfers/Other capital transfers credit
SDR allocations Interest on cumulative SDR allocations	Other investment liabilities Investment income/Other investment/interest (debit)
SDR holdings Interest on SDR holdings	Reserve assets Investment income/reserve assets/interest