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PRESS RELEASE NO. 22/164

## Chile Receives IMF's First Short-term Liquidity Line

May 20, 2022

- The Chilean authorities have accepted an offer of a Short-term Liquidity Line (SLL) arrangement amounting to about US\$3.5 billion (145 percent of quota, the maximum amount under this arrangement) and notified the IMF of their decision to exit the Flexible Credit Line (FCL). The SLL will support Chile's economic resilience by providing a backstop for potential, moderate, short-term liquidity needs.
- This is the first SLL arrangement ever approved by the Fund. The facility, which was created in 2020, is a revolving and renewable backstop for members with very strong fundamentals and policy track records. Qualification criteria for support under the SLL are the same as for support under the FCL.
- Following a swift and wide-ranging policy response to the COVID-19 pandemic, Chile's recovery is well-entrenched, macroeconomic policies have been recalibrated, and the authorities built comfortable liquidity buffers, allowing Chile to successfully transition to the SLL.

**Washington, DC:** Chile accepted today the International Monetary Fund's (IMF) *offer* of a one-year Short-term Liquidity Line (SLL) arrangement, amounting to about US\$3.5 billion (145 percent of quota, or the equivalent of SDR 2.529 billion, the maximum amount under this arrangement). The authorities also notified the Fund on their decision to exit the current two-year Flexible Credit Line (FCL) arrangement ( [see Press Release No. 20/227](#) (<https://www.imf.org/en/News/Articles/2020/05/29/pr20227-imf-executive-board-approves-two-year-flexible-credit-line-arrangement>)).

This is the first ever arrangement under the SLL, which was established on April 21, 2020 ( [see Press Release No. 20/180](#) (<https://www.imf.org/en/News/Articles/2020/04/21/pr20180-imf-executive-board-covid-19-response-new-sll-enhance-adequacy-global-financial-safety-net>)). [1] (file:///Q:/COM/MR/Press%20Releases/2022/PR22164%20-%20Chile%20-%20Chile%20Receives%20IMF%C2%B4s%20First%20Short-term%20Liquidity%20Line.docx#\_ftn1) The facility is designed to be a liquidity backstop for members with very strong policy frameworks and fundamentals that face potential, moderate, short-term balance of payments needs. Recipients can draw from the liquidity line at any time that balance of payment

needs arise. Disbursements are not phased nor tied to compliance with policy targets as in regular IMF-supported programs. As envisaged under the SLL policy, the Chilean authorities plan to treat the SLL as precautionary.

Following a swift and wide-ranging policy response to the COVID-19 pandemic, Chile's economic recovery is well-entrenched. The authorities have successfully recalibrated macroeconomic policies and built comfortable liquidity buffers, while maintaining macroeconomic stability and fiscal sustainability. The SLL will complement existing buffers, support resilience, and provide a confidence signal on Chile's very strong fundamentals and policies.

Chile qualifies for the SLL given its very strong economic fundamentals and institutional policy frameworks, a sustained track record of implementing very strong policies, and the authorities' commitment to maintain very strong policies in the future. Qualification criteria for the SLL are the same as those for the FCL, which facilitates the transition between the two facilities.

Following the Executive Board's discussion on Chile, Mr. Bo Li, Deputy Managing Director and Acting Chair, issued the following statement:

"I am delighted that Chile has accepted the Fund's *offer* of an SLL, becoming the first user of this special and innovative instrument.

"Chile has very strong fundamentals and policy frameworks, and a sustained track record of implementing policies that have supported the country's resilience in the face of large shocks. The very strong policy frameworks are anchored in a long-standing structural fiscal balance rule, credible inflation-targeting with a free-floating exchange rate, and a sound financial system supported by effective regulation and supervision.

"Following an impressive vaccination campaign and an effective and well-coordinated policy response, the Chilean economy has rapidly recovered from the fallout of the Covid-19 pandemic. The progress made in recalibrating macroeconomic policies and building comfortable liquidity buffers facilitates the successful transition to the SLL, which will further support Chile's external resilience by providing a revolving liquidity backstop in foreign exchange."

For more information on the IMF's Short-term Liquidity Line visit:

<https://www.imf.org/en/About/Factsheets/Sheets/2020/04/17/short-term-liquidity-line>  
(<https://www.imf.org/en/About/Factsheets/Sheets/2020/04/17/short-term-liquidity-line>)

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[1] (file:///Q:/COM/MR/Press%20Releases/2022/PR22164%20-%20Chile%20-%20Chile%20Receives%20IMF%C2%B4s%20First%20Short-term%20Liquidity%20Line.docx#\_ftnref1) The Fund extends an *offer* of an SLL arrangement to those members that qualify. The IMF's Board approves the extension of the *offer*. The arrangement becomes effective once the Fund confirms receipt of the member's signed written communication, including the acceptance of the *offer* and policy commitments. For more information about the SLL process, please see [Press Release No. 20/180](https://www.imf.org/en/News/Articles/2020/04/21/pr20180-imf-executive-board-covid-19-response-new-sll-enhance-adequacy-global-financial-safety-net) (<https://www.imf.org/en/News/Articles/2020/04/21/pr20180-imf-executive-board-covid-19-response-new-sll-enhance-adequacy-global-financial-safety-net>) (<https://www.imf.org/en/News/Articles/2020/04/21/pr20180-imf-executive-board-covid-19-response-new-sll-enhance-adequacy-global-financial-safety-net>) and [Policy Paper No. 20/025](https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/04/21/IMF-COVID-19-Response-A-New-Short-Term-Liquidity-Line-to-Enhance-The-Adequacy-Of-The-Global-49356) (<https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/04/21/IMF-COVID-19-Response-A-New-Short-Term-Liquidity-Line-to-Enhance-The-Adequacy-Of-The-Global-49356>).

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