FACTSHEET

Short-term Liquidity Line (SLL)

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The Short-term Liquidity Line (SLL) is designed to be a liquidity backstop for members with very strong policy frameworks and fundamentals, who face potential, moderate, short-term liquidity needs because of external shocks that generate balance of payment difficulties.

The SLL was established by the IMF in Spring 2020 as part of its COVID-19 response, amid heightened global uncertainty and growing demand for liquidity at the onset of the pandemic. This liquidity backstop complements the IMF's lending toolkit and other elements of the global financial safety net. It aims to minimize the risk of shocks evolving into deeper crises and spilling over to other countries.

Liquidity backstop

- The SLL is designed for **potential, moderate, short-term balance of payment needs** related to capital account pressures that could arise from external developments (rather than "home-grown" shocks). Access is capped at **145 percent of quota** (normal annual access limit).
- Individual SLL arrangements are approved for a **period of 12 months**. Successor arrangements could be approved for as long as a member country continues to qualify and has a special balance of payments need.
- The SLL has **revolving access**, which enables repeated (partial or full) purchases and repurchases within and across SLL arrangements. Repurchases would **reconstitute** the member's right to purchase up to the maximum access approved.

Low cost, especially when used on a precautionary basis

- The SLL has a special fee structure, which includes a non-refundable commitment fee of 8 basis points (bps) and a service charge of 21 bps.
- The SLL is cheaper than the Flexible Credit Line (FCL) at the same access level when used on a purely **precautionary basis**.

- If a member **draws on** the SLL, the normal charges and level-based surcharges apply. If the member draws the arrangement twice (repeated use is envisaged given the nature of the shock that the SLL is designed to address), costs are comparable to the cost of the FCL at similar access levels.
- There would be also cost savings relative to reserves, and likely benefits from lower yields on public debt given the positive signal on policy strength.

More innovative features to meet countries' needs

- The SLL requires no ex-post conditionality (similar to the FCL) and no reviews.
- The Board approves **the extension of an *offer*.** The *offer* is contingent on the authorities' "acceptance" with a signed written communication within two weeks.
- **Sole signatory of the Central Bank** in the written communication is possible, if certain requirements are met. Since balance of payments needs are expected to be limited in scale and require only a fine-tuning of policies, the Central Bank is typically the agency in control of relevant policy levers (such as exchange rate adjustments, foreign exchange intervention, and/or interest rate changes).

For members with very strong policies and fundamentals

- The SLL is for members with very strong fundamentals and policy frameworks, with the **same qualification criteria as the FCL**. The core qualification assessment is whether the member (a) has very strong economic fundamentals and institutional policy frameworks; (b) is implementing—and has a sustained track record of implementing—very strong policies; and (c) remains committed to maintaining such policies in the future. (For details, see FCL - Operational Guidance Note (https://www.imf.org/~/media/Files/Publications/PP/2018/pp080618-flexible-credit-line-operational-guidance-note.ashx)).
- Having the same qualification criteria as the FCL **facilitates the transition from the FCL to the SLL**, if the special balance of payment need requirement is met (and vice-versa, if needed and warranted). (See Table 1 for a comparison of the SLL and the FCL, and the key features of the SLL. For details refer to Adequacy of the Global Financial Safety Net--Review of the Flexible Credit Line and Precautionary and Liquidity Line, and Proposals for Toolkit Reform (https://www.imf.org/~/media/Files/Publications/PP/2017/pp121917-adequacyofgfsn-proposalsfortoolkitreform.ashx) and IMF COVID-19 Response—A New Short-Term Liquidity Line to Enhance the Adequacy of the Global Financial Safety Net (https://blogs.imf.org/2020/04/22/the-short-term-liquidity-line-a-new-imf-tool-to-help-in-the-crisis/)).

Table 1. Comparison of the Key Features of the SLL and FCL

	SLL **Short-term Liquidity Line**	**FCL** **Flexible Credit Line**
Facility	Special facility	Credit tranches
Objective	Provide "swap-like" liquidity support to very strong members for special BOP needs	Allow very strong members to deal with any type of BOP needs
BOP need	Potential, moderate, short-term BOP difficulties reflected in pressure on the capital account and the member's	Any

	reserves resulting from volatility in international capital markets	
Qualification	Based on an assessment of: • Very strong fundamentals and institutional policy frameworks • Very strong policies: in the past, currently, and commitment to maintaining them	
Repurchase period	12 months	3¼–5 years
Access	Up to 145 percent of quota; revolving access	No access limit
Duration of arrangement	12 months	1 or 2 years
Charges and fees	A special fee structure would apply: • Nonrefundable commitment fee (8 bps) • Service charge (21 bps) • Normal rate of charge • Normal schedule for level-based surcharges. SLL does not count towards time-based surcharges	The usual charges and fees that apply under the credit tranches: • Normal schedule for commitment fees that are refundable on drawings (15 bps up to 115 percent of quota, 30 bps from 115 to 575, and 60 bps above 575) • Normal service charge (50 bps) • Normal rate of charge • Normal surcharge schedule
Activation	Board approves the "extension of an *offer,*" and the arrangement enters into effect upon the Fund confirming receipt of the signed written communication from the member, including the acceptance of the *offer* and policy commitments; no prior informal Board meeting required	Upon Board approval of the request for the arrangement; prior informal Board meeting required
Signatory	Given the more limited anticipated adjustment (if needed), sole central bank signatory of the written communication possible in certain cases	Both the central bank and the government generally sign the written communication given the broad nature of BOP needs that can be addressed under the FCL
Ex-post conditionality	None	None
Reviews	None	Annual review to assess qualification for two-year arrangements
Successor arrangements	No restrictions, upon Board assessment of continued qualification and existence of special potential BoP need	Exit expected as external risks decline