

IMF Publication

Review Of Charges And The Surcharge Policy—Reform Proposals

INTERNATIONAL MONETARY FUND



IMF POLICY PAPER

REVIEW OF CHARGES AND THE SURCHARGE POLICY— REFORM PROPOSALS

October 2024

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 views of the Executive Board as expressed during its October 11, 2024 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on September 27, 2024 for the Executive Board's consideration on October 11, 2024.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Concludes the Review of Charges and the Surcharge Policy, and Approves Reforms

FOR IMMEDIATE RELEASE

- The IMF Executive Board reached consensus on reforms of charges, surcharges, and commitment fees that will substantially reduce the cost of borrowing from the General Resources Account (GRA) at a time of high global interest rates, while safeguarding the IMF's financial capacity to support its members in need.
- The reform package is expected to lower IMF borrowing costs for members by about US\$1.2 billion annually and reduce payments on the margin of charges and surcharges on average by 36 percent. The number of surcharge payers is expected to decline from 20 to 13 countries (in FY2026).
- The IMF will reduce the margin paid over the SDR interest rate and the time-based surcharge rate, and increase the borrowing thresholds above which level-based surcharges and commitment fees apply. These changes will take effect on November 1, 2024.

Washington, DC – October 21, 2024: The Executive Board of the International Monetary Fund (IMF) on October 11, 2024 concluded the Review of Charges and the Surcharge Policy, which for the first time jointly covered charges, surcharges, and commitment fees. The review is part of a continuous effort to ensure the IMF's lending policies remain fit for purpose and the IMF is able to support its members in a challenging global environment.

The Executive Board reached consensus on a comprehensive package of measures to meaningfully reduce the cost of borrowing for members, preserve incentive mechanisms for prudent and temporary borrowing, and safeguard the strength of the IMF's balance sheet.

The reform package is expected to lower borrowing costs by about US\$1.2 billion (SDR 880 million) annually. It will reduce payments on the margin of the rate of charge as well as surcharges on average by 36 percent. The number of surcharge payers is expected to decline from 20 to 13 countries (in FY2026).

Charges and surcharges are important elements of the IMF's cooperative lending and risk management framework. They provide incentives for prudent and temporary borrowing that help underpin the revolving nature of IMF resources and allow for the accumulation of reserves to mitigate financial risks. This supports the IMF's financial foundation, enabling it to play its role as a lender at the center of the global financial safety net.

The Executive Board approved the following changes:

- Lowering the margin paid over the SDR interest rate by 40 percent, to 60 basis points from 100 basis points;
- Increasing the borrowing threshold above which surcharges apply by 60 percent, to 300 percent of quota from 187.5 percent of quota;

- Aligning the thresholds above which commitment fees apply to the overall annual and cumulative access limits under the GRA (200 and 600 percent of quota, respectively); and
- Reducing the time-based surcharge rate by 25 percent, to 75 basis points from 100 basis points.

These changes will become effective on November 1, 2024.

The Board also approved the following: (i) setting a regular review cycle for the surcharge policy to allow for timely assessments and updates to the surcharge policy framework, every five years or earlier if warranted; (ii) strengthening disclosures and operational procedures to ensure that the authorities have adequate information on the cost of Fund borrowing earlier in negotiations of GRA financing; and (iii) allocating net income after distributions to the Special Reserve until it reaches the Precautionary Balances (PB) floor of SDR 20 billion. The formal decision to place net income after distributions to the Special Reserve is to be taken by the Board at the annual reviews of the Fund's income position starting at end-FY2025.

Executive Board Assessment¹

Executive Directors welcomed the Review of Charges and the Surcharge Policy. They considered that charges and the surcharge policy are integral parts of the Fund's multilayered risk management framework, providing price-based incentives for prudent and temporary borrowing, helping to accumulate reserves to protect the Fund's balance sheet against financial risks, and thus preserving the Fund's cooperative lending model at the center of the global financial safety net. They noted that the review is an important part of a broader ongoing effort to ensure that the Fund's lending policies continue to meet the needs of the membership in the current complex global context and agreed that the proposed reforms will meaningfully contribute to these efforts.

Directors noted that borrowing costs for members have increased considerably. The sharp rise in global interest rates in recent years pushed up the floating SDR interest rate and, as a result, the basic rate of charge. Meanwhile, Fund lending income increased notably, driven by an expansion of credit to near historical peaks, and the Fund reached its medium-term target for Precautionary Balances of SDR 25 billion in late FY2024, buttressing the strength of its balance sheet.

Directors agreed that policy changes should be guided by four principles: (i) meaningfully lowering the cost of borrowing for members; (ii) sustaining effective incentive mechanisms; (iii) preserving adequate income generation capacity; and (iv) maintaining policy simplicity. They broadly agreed that the proposed reforms were consistent with these four guiding principles.

Directors broadly supported the reform package outlined in the staff report. They noted that the package balances the interests of creditors and debtors by meaningfully reducing borrowing costs while preserving the price-based incentive mechanism and income generation capacity. They welcomed the expected 36 percent average reduction in borrowers' costs on account of the lowering of the margin for the basic rate of charge and surcharges, which would

¹ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

help create additional policy space and improve their capacity to repay the Fund. At the same time, they noted that the income outlook after implementation of the proposed measures remained robust, providing for a continued capacity to accumulate reserves, even after possible income distributions to members and under adverse lending and/or investment income scenarios.

Directors broadly supported the proposal to reduce the margin for the basic rate of charge from 100 basis points to 60 basis points under Rule I 6(4). A number of Directors expressed their preference for a larger reduction in the margin to further lower the cost for GRA borrowers while being consistent with the relevant rules. A few others would have favored a smaller reduction to safeguard the Fund's strong financial position, which underpins its capacity to support member countries.

On surcharges, Directors agreed with the proposed approach of making parametric adjustments to the current policy framework, although a few would have preferred more fundamental changes to the surcharge architecture. Directors concurred with the proposal to increase the level-based surcharge threshold from 187.5 percent of quota to 300 percent of quota.

Directors supported the proposal to reduce the time-based surcharge rate from 100 basis points to 75 basis points. Some Directors, however, saw scope for further reductions in the time-based rate, including in future reviews, while a few others would have preferred to maintain the current rate.

Directors welcomed the proposal to align the commitment fee thresholds to the overall annual and cumulative access limits under the GRA (200 and 600 percent of quota, respectively). They noted that these alignments would broadly offset the erosion in recent years and simplify the overall GRA lending policy framework.

Directors welcomed the proposal to conduct reviews of the surcharge policy on a regular five-year cycle going forward, which would allow for more timely assessments and updates to the surcharge policy framework and help enhance predictability for members and markets. They noted that reviews could be conducted earlier than every five years if warranted, for instance, by unexpected developments in the Fund's income and reserves outlook. Some Directors would have preferred to agree now for the next review to take place in three years, followed by reviews on a five-year cycle.

Directors welcomed the proposed strengthening of procedures to ensure an earlier and more comprehensive disclosure of charges and surcharges in the negotiation of financial arrangements, to better inform country authorities' borrowing decisions.

Directors stressed the importance of a strong balance sheet to support the IMF's lending to members with financing needs. To further strengthen the backstop provided by Precautionary Balances for the absorption of possible losses, they agreed with the staff proposal, going forward, to align the level of resources placed in the Special Reserve of the General Resource Account (net of pension adjustments and the endowment) with the SDR 20 billion floor of the Precautionary Balances. Directors noted that this could be achieved by allocating net income after any distributions in future financial years exclusively to the Special Reserve until it reaches the level of the Precautionary Balances floor. Decisions to this effect would be taken by the Board at the annual reviews of the Fund's income position starting at end FY2025.

Directors underscored the need to carefully communicate to a wide range of stakeholders the purpose of the policies, the reform measures, and their impact on member countries and the IMF.

Additional links:

[FAQs](#) on the Review of Charges and the Surcharge Policy

Factsheet on [IMF Lending](#)



September 27, 2024

REVIEW OF CHARGES AND THE SURCHARGE POLICY— REFORM PROPOSALS

EXECUTIVE SUMMARY

The review of charges and the surcharge policy is taking place against the backdrop of important developments in the global economy and the Fund.

Borrowing costs for members have increased considerably, reflecting a sharp rise in global interest rates in recent years, which have pushed up the basic rate of charge through the floating SDR interest rate while surcharge rates and margin have remained stable. Meanwhile, amid successive adverse shocks, Fund credit outstanding returned to the record levels reached during the Global Financial Crisis, boosting lending income. As a result, the Fund's precautionary balances reached their medium-term target of SDR 25 billion in late FY2024, buttressing the strength of the Fund's balance sheet. This led to calls from members to review the frameworks for charges and the surcharge policy of the General Resources Account (GRA) to ensure that they remain fit for purpose in the current complex global context. This review is part of a broader ongoing effort to ensure that the IMF's lending policies continue to meet the needs of the membership.

Building on feedback from Executive Directors at informal sessions in July and September, this paper puts forward a package of reforms for consideration and approval by the Executive Board. Specifically, it proposes: (i) setting the margin for the basic rate of charge at 60 basis points for the remainder of FY2025 and FY2026; (ii) increasing the level-based surcharge threshold to 300 percent of quota to address erosion against relevant macroeconomic and financial metrics; (iii) aligning the commitment fee thresholds to the overall annual and cumulative access limits under the GRA (currently 200 and 600 percent of quota); and (iv) reducing the time-based surcharge rate by 25 basis points. In addition, staff proposes: (i) setting a regular five-year cycle for reviews of the surcharge policy; (ii) strengthening disclosures and operational procedures to ensure that authorities have adequate information on the cost of Fund borrowing during negotiations of GRA financing; and (iii) allocating net income after distributions exclusively to the Special Reserve until it reaches the Precautionary Balances (PBs) floor of SDR 20 billion. It is proposed that these changes become effective on November 1, 2024, with the formal decisions to place net income after distributions to the Special Reserve to be taken by the Board at the annual reviews of the Fund's income position starting at end-FY2025.

The proposed package seeks to achieve various objectives. It would meaningfully reduce the cost of borrowing for all GRA borrowers, safeguard effective incentive mechanisms for prudent borrowing, preserve the ability to generate adequate income and reserves and thus further buttress the strength of the Fund's balance sheet, and maintain the simplicity of the policy framework for charges and surcharges. The estimated reduction in the Fund's annual lending income is about SDR 880 million (FY2026 basis) compared to the status quo. In effective terms, the package would reduce by about 36 percent the payments of borrowers on account of the margin for the basic rate of charge and of surcharges, while the projected number of members subject to surcharges in FY2026 would decline from twenty to thirteen. Enterprise risks for the Fund associated with the proposed reforms are judged to be limited and lower than those from inaction. Continuous close monitoring of the Fund's finances by staff, as well as regular reviews of the adequacy of PBs, the margin for the basic rate of charge and the surcharge policy provide key mitigants for any remaining risks.

This short paper describes the proposed reform package and includes the related legal decisions. An assessment of the experience with the surcharge policy since the last review in 2016 and more detailed analysis and discussion of the components of the proposed reform package as well as other policy options are provided in the staff papers circulated for the informal sessions in July and September (*Initial Considerations for the Review of Charges and the Surcharge Policy* and *Review of Surcharges and the Surcharge Policy—A Possible Reform Package*).

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INTRODUCTION

1. Charges and the surcharge policy of the General Resources Account (GRA) are an integral part of the Fund's multilayered credit risk management framework. Together they generate income to cover intermediation expenses, help accumulate reserves to protect the IMF's balance sheet against financial risks and provide price-based incentives for prudent and temporary borrowing, thereby enabling the Fund to effectively play its role as a global crisis lender (Box 1). The most recent review of the surcharge policy took place in 2016, against the backdrop of the implementation of the 14th General Review of Quotas (GRQ).

Box 1. Structure of Charges, Surcharges, and Commitment Fees

Borrowing from the IMF's GRA is subject to charges, surcharges, and commitment fees.¹

Charges

The basic rate of charge is levied on all GRA credit outstanding and is determined as the SDR interest rate plus a fixed margin that is set by the Executive Board every two years in accordance with Rule I-6(4). Under that rule, the margin should be set at a level that is adequate to cover the IMF's lending-related intermediation costs and allow for a buildup of reserves (i.e., precautionary balances (PBs)). In addition, the rule includes a cross-check to ensure that the rate of charge remains reasonably aligned with long-term credit market conditions. The level of the margin has been unchanged at 100 basis points since the current rule for setting the margin was first applied on May 1, 2012.

Surcharges

There are two types of surcharges: (i) Level-based surcharges of 200 basis points are applied on the portion of GRA credit outstanding greater than 187.5 percent of quota; and (ii) Time-based surcharges of 100 basis points are applied on the portion of GRA credit exceeding the level-based threshold for more than 36 months (or 51 months in the case of borrowings under the Extended Arrangements under the Extended Fund Facility (EFF)). Concessional Fund lending to low-income countries under the Poverty Reduction and Growth Trust (PRGT) and lending under the Resilience and Sustainability Trust (RST) are not subject to surcharges.

Commitment fees

Commitment fees help contain risks to the Fund's liquidity and compensate the Fund for the cost of establishing and monitoring arrangements while also setting aside resources for potential purchases. They are charged on undrawn amounts available under all GRA arrangements and refunded when purchases are made in proportion to the drawings.

The fee structure is upward sloping: (i) 15 basis points for committed amounts up to 115 percent of quota; (ii) 30 basis points for committed amounts above 115 percent and up to 575 percent of quota; and (iii) 60 basis points for committed amounts exceeding 575 percent of quota. This tiered structure was established in 2009 and the thresholds were adjusted in 2016 from 200 percent and 1,000 percent of quota to 115 and 575 percent of quota, respectively.

¹ The IMF also levies a fixed service charge of 50 basis points on each disbursement from the GRA. The charge has been in place at the current level for many decades. While it is not affected by the review, its revenue is considered in the setting of the margin under Rule I-6(4).

2. The review of charges and the surcharge policy is part of a broader ongoing effort to ensure that the IMF’s lending policies remain fit for purpose in today’s challenging global environment. The global economy has been subject to successive adverse shocks, including the COVID-19 pandemic and Russia’s invasion of Ukraine. As a result, demand for Fund credit increased steeply to levels not seen since the Global Financial Crisis. The sharp increase in global interest rates over the past few years considerably raised the cost of borrowing from the Fund by pushing up the basic rate of charge through the floating SDR interest rate while the surcharge rates and margin have remained stable, and the number of members paying surcharges reached historical highs. Meanwhile, with Fund credit outstanding returning to near historic peaks, lending income increased notably, and the Fund reached its medium-term target for Precautionary Balances (PBs) of SDR 25 billion in late FY2024, buttressing the strength of its balance sheet. Against this background, the Fund’s charges and the surcharge policy have come into greater focus, highlighting the case for a comprehensive review.

3. An initial informal engagement with Executive Directors in July provided a forum for the analytical assessment of charges and the surcharge policy and helped delineate the contours of a possible reform package. Overall, Directors welcomed the review and considered that the surcharge policy remains relevant as a risk management tool. At the same time, there was a widely shared sentiment that the implementation experience, the sharp rise in the SDR interest rate, and improvements in the Fund’s financial position warranted some policy adjustments to lower the cost to borrowers. Directors generally favored parametric adjustments within the current framework of charges and surcharges and agreed that policy changes should be guided by four principles: (i) meaningfully lowering the cost of borrowing for members in a balanced manner, without excessively favoring large borrowers; (ii) sustaining effective incentive mechanisms; (iii) preserving adequate income generation capacity; and (iv) maintaining policy simplicity. Broad support emerged for three policy changes: (i) a decrease of the margin for the rate of charge; (ii) parametric modification within the current policy framework, led by higher thresholds for level-based surcharges and commitment fees to address erosion against global metrics in recent years; and (iii) the establishment of a regular review cycle for the surcharge policy. Directors also supported lowering surcharge rates, albeit views on the magnitude and scope varied.

4. At a subsequent informal engagement in September, Directors discussed a tentative reform package proposed by staff. The package consisted of lowering the margin for the basic rate of charge to 70 basis points, increasing the threshold for level-based surcharges to 300 percent of quota, aligning the thresholds for commitment fees with the overall annual and cumulative access limits under the GRA (200 and 600 percent of quota, respectively), and reducing the time-based surcharge rate by 25 basis points. The package was assessed holistically for its implications on the Fund’s balance sheet and for consistency with Fund rules and policies. In the discussion, Directors broadly agreed that the reform package proposed by staff was consistent with the four guiding principles for reforms and noted that it balances the interests of creditors and debtors by reducing borrowing costs meaningfully while preserving significant income generation capacity. However, there were differences of views on particular aspects of the package. Some Directors expressed a preference for a somewhat larger reduction in borrowing costs through a lower margin for the basic

rate of charge, a higher level-based surcharge threshold, and/or a further reduction of the time-based surcharge rate. Other Directors cautioned against further reducing the Fund's income generation capacity and price-based incentives and called for a gradual alignment of the level of the Special Reserve—which cannot be distributed and can only be used to absorb financial losses—with the minimum floor of the PBs (SDR 20 billion).

PROPOSED REFORM PACKAGE

5. Reflecting the feedback received in the July and September informal meetings, this paper puts forward a reform package for formal consideration and approval by Executive Directors. The package consists of:

- **Reducing the margin for the basic rate of charge by 40 basis points to 60 basis points.** As illustrated in the two earlier staff papers, the proposed margin is consistent with Rule I-6(4) because it: (i) covers intermediation costs; (ii) generates an appropriate amount of net income for reserves; and (iii) ensures that the cost of Fund credit is neither too high nor too low relative to long-term market conditions.¹
- **Increasing the level-based surcharge threshold from 187.5 percent of quota to 300 percent of quota.** The proposed increase addresses erosion compared with global metrics in recent years and reduces borrowing costs while broadly maintaining the surcharge structure, thus preserving price-based incentives for prudent and temporary borrowing from the Fund.
- **Aligning the commitment fee thresholds to the overall annual and cumulative access limits under the GRA (currently 200 and 600 percent of quota).** These adjustments broadly offset erosion and simplify the overall GRA lending policy framework.
- **Reducing the time-based surcharge rate by 25 basis points to 75 basis points.** This measure reduces the effective surcharge rate while maintaining significant price incentives.

6. In addition to these changes affecting the cost of borrowing from the Fund, staff proposes some changes related to the implementation of the surcharge policy and the allocation of Fund reserves:

- **Conducting reviews of the surcharge policy on regular five-year cycles going forward.** This will move the timing of surcharge policy reviews from an “as needed” basis to a regular frequency, which will allow for more timely assessments and possible updates of the surcharge policy framework and help enhance predictability for members and markets. Reviews could be conducted earlier than every five years if warranted, for instance in case of unexpected developments in the outlook for the Fund's income and reserves. The margin for the rate of

¹ The proposed margin of 60 basis points is also broadly consistent with the average difference between the Fund's margin and the median EMBIG spread of the bottom quartile over the past five years of around 30 basis points (see the analysis in *Review of Surcharges and the Surcharge Policy—A Possible Reform Package*).

charge will continue to be set every two years, with an intervening review after one year, as envisaged under Rule I-6(4).

- **Strengthening of disclosures on charges and the surcharge policy.** Building on guidance provided by Directors, going forward staff will provide at an earlier stage more granular data on the cost of Fund borrowing (including surcharges) and improved capacity to repay projections to the authorities when discussing new GRA financing, which will help inform their borrowing decisions. Staff guidance will be prepared upon the conclusion of this review as an update to the [Operational Guidance Note On Program Design and Conditionality](#).
- **Aligning the level of the Special Reserve with the minimum floor of the PBs.** To further strengthen the backstop provided by PBs for the absorption of possible losses, staff proposes to align the Special Reserve with the floor of the PBs (SDR 20 billion). This objective could be achieved in a gradual manner by allocating annually net income after distributions exclusively to the Special Reserve, until the Special Reserve (net of pension adjustments and the endowment) reaches the PB floor.²

It is proposed that all changes in this package of reforms become effective on November 1, 2024, with the formal decisions to place net income after distributions to the Special Reserve to be taken by the Board at the annual reviews of the Fund's income position starting at end FY2025.

7. Consistent with the principles set forth at the outset of the review, the proposed package would:

- **Meaningfully reduce the cost of borrowing:** The proposed package would reduce the payments of borrowers on account of the margin for the basic rate of charge and surcharges by about 36 percent on average and benefit all GRA borrowers (Table 1). The projected number of members subject to surcharges in FY2026 would decline from twenty to thirteen. This would help create some additional policy space for GRA borrowers and improve their capacity to repay the Fund.
- **Maintain effective price-based incentives:** The proposed package would largely preserve the current price-based incentive structure, with the proposed threshold adjustments broadly aligning the pricing structure of GRA lending to account for erosion caused in recent years by increases in relevant global macroeconomic and financial metrics.

² In recent years, the Executive Board has generally allocated net income in equal parts to the General and Special Reserve, after isolating pension-related rereasurement gains and losses in the Special Reserve. At end-FY 2024, the Special Reserve (net of pension adjustments and the endowment) was approximately SDR 10 billion. Under the IMF's Articles of Agreement, no distribution may be made from the Special Reserve. Distributions of the General Reserve could be made to all members in proportion to their quota with an Executive Board decision adopted by a 70 percent majority of the total voting power. Given the non-distributable nature of the Special Reserve, the proposed approach would limit the practical scope of the Executive Board in the future to lower the PB target to less than SDR 20 billion.

- Preserve adequate income-generating capacity:** The proposed package assuming that the proposed policies are maintained through FY2029 would retain a substantial capacity to generate income after accounting for the estimated lending income loss of about SDR 880 million annually (on a FY2026 basis) and about SDR 4 billion cumulatively during FY2025–29 relative to a no-policy change scenario (Table 2). Residual net income would be generated even in case of sizeable distributions and could be retained for some further build-up of reserves (see below).
- Keep the policy framework simple:** The proposed reform package would preserve and, in some aspects, enhance the simplicity of the GRA lending policy framework.

Table 1. Country-by-Country Incidence Under the Proposed Reform Package, FY2026^{1,2}

Members	Surcharges and margin payment reduction (SDR million)	Share in total reduction (percent)	Reduction of margin and surcharge payments in percentage of those payments under no policy change (percent)	Ratio of share in total reduction to share in credit outstanding	Surcharge payments under proposed reform package (SDR million)
Members paying surcharges	842.5	97.2	36.1	1.0	1014.6
Of which:					
Angola	36.5	4.2	57.4	1.4	11.3
Argentina	291.1	33.6	26.5	0.9	614.7
Barbados	4.7	0.5	56.3	1.4	1.6
Benin	3.2	0.4	61.9	1.0	0.0
Costa Rica	13.4	1.5	56.1	1.1	3.0
Côte d'Ivoire	15.7	1.8	61.0	0.9	0.0
Ecuador	62.6	7.2	26.8	0.9	129.7
Egypt	108.5	12.5	48.4	1.3	64.9
El Salvador	2.2	0.3	43.2	0.5	0.0
Gabon	1.7	0.2	42.6	0.4	0.0
Georgia	1.4	0.2	40.1	0.4	0.0
Jordan	19.3	2.2	44.0	1.2	15.1
Kenya	19.4	2.2	57.9	1.1	3.4
Moldova, Republic of	4.0	0.5	60.3	0.9	0.0
Pakistan	100.0	11.5	57.8	1.4	29.8
Senegal	8.4	1.0	62.1	1.0	0.0
Seychelles	1.1	0.1	46.8	1.1	0.6
Sri Lanka	20.1	2.3	60.3	1.1	2.2
Suriname	4.6	0.5	57.2	1.1	0.9
Ukraine	124.5	14.4	37.9	1.1	137.5
Members not paying surcharges	24.1	2.8	40.0	0.4	0.0
Total	866.5	100.0	36.2	1.0	1014.6

Source: IMF staff calculations.

¹ The projected payments and credit outstanding are based on existing arrangements and a staff desk survey conducted in June 2024. 20 members are projected to pay surcharges in FY2026 under no policy change while 13 members are projected to pay surcharges under the proposed package. 28 members are not projected to pay surcharges in FY2026 under no policy change while 35 members are not projected to pay surcharges in FY2026 under the proposed package.

² This table does not include the incidence of adjustments in commitment fee thresholds, which is projected to reduce lending income by an additional SDR 16 million in FY2026.

Table 2. Lending Income and Incidence Under the Proposed Reform Package, FY2025–29¹

	FY25	FY26	FY27	FY28	FY29	Total during FY25-29
A. No policy changes						
Margin income (SDR million)	903	859	873	866	823	4,324
Commitment fee income (SDR million)	143	159	106	140	86	634
Surcharge income (SDR million)	1,502	1,537	1,582	1,585	1,495	7,701
Total lending income (SDR million)	2,627	2,600	2,605	2,622	2,433	12,887
Number of surcharge payers	23	20	21	21	20	
B. Proposed Package						
Margin income (SDR million)	722	515	524	520	494	2,775
Commitment fee income (SDR million) ²	142	144	96	112	76	570
Surcharge income (SDR million)	1,248	1,015	1,043	1,043	946	5,295
Total lending income (SDR million)	2,191	1,719	1,707	1,706	1,545	8,868
Lending income loss compared with A. (SDR million)	436	882	897	915	888	4,019
Number of surcharge payers	23	13	15	16	15	
Share of lending income loss attributable to top three surcharge payers (percent)	60.7	54.2	53.5	52.3	52.4	

Source: IMF staff calculations.

¹ Includes projected credit outstanding based on staff desk survey conducted in June 2024. All projections are based on unchanged policies throughout the projection horizon.

² Includes commitment fee income for the two-year Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL) arrangements that is recognized in income at the end of the two-year period, and that assume no purchases are made. Projections include the impact of refunds to members (with FCL/PLLs) of the excess portion of commitment fees already paid when the new thresholds become effective. Commitment fees received or expected to be received from other arrangements projected are not included since this is expected to be refunded as purchases from these arrangements materialize.

8. The proposed package would preserve a considerable net income generation capacity.

This paper provides updated baseline projections for the GRA's net income and reserves. These projections:

- Reflect the impact of the proposed margin (assuming that it is maintained through FY 2029), commitment fee, and surcharge reform package on lending income assuming unchanged policies throughout the projection horizon;³
- Illustratively incorporate all GRA-relevant policy proposals and assumptions made by staff in the context of the ongoing *Review of the Poverty Reduction and Growth Trust Facilities and Financing—Reform Proposals*, in particular the suspension of the GRA's reimbursement of PRGT administrative expenses for another five years beyond FY2026, which reduces non-lending income, and cumulative distributions of net income totaling SDR 6.9 billion over FY2025–29 (around SDR 1.38 billion each year);⁴ and

³ In particular, the reform package proposed in this paper includes a reduction in the margin for the basic rate of charge from 100 to 60 basis points, which is 10 basis points lower than the reduction in the basic margin assumed in the baseline projections for the informal meeting in September (*Review of Surcharges and the Surcharge Policy—A Possible Reform Package*). This change lowers lending income by about SDR 86 million annually (FY2026 basis) and about SDR 0.4 billion cumulatively over FY2025–29. While the projection assumes that the margin of 60 basis points will be maintained through FY 2029, the margin will be reviewed every 2 years (and in the interim if warranted).

⁴ The cumulative nominal distributions of SDR 6.9 billion over FY2025–29 reflect the latest estimate of the annual amounts consistent with the NPV-based financing projections underlying the staff proposals in the *Review of the Poverty Reduction and Growth Trust Facilities and Financing—Reform Proposals*, assuming uniform distributions.

- Include modest revisions in assumptions underlying the projections of investment income and commitment fees relative to the paper for the September informal meeting.⁵

Under this baseline (Table 3), projected cumulative net operating income for the period FY2025-29 would reach about SDR 8.5 billion, leaving room for further reserve accumulation of about SDR 1.6 billion (after the illustrative cumulative distributions of SDR 6.9 billion) and resulting in projected PBs of around SDR 26.7 billion at end-FY2029.

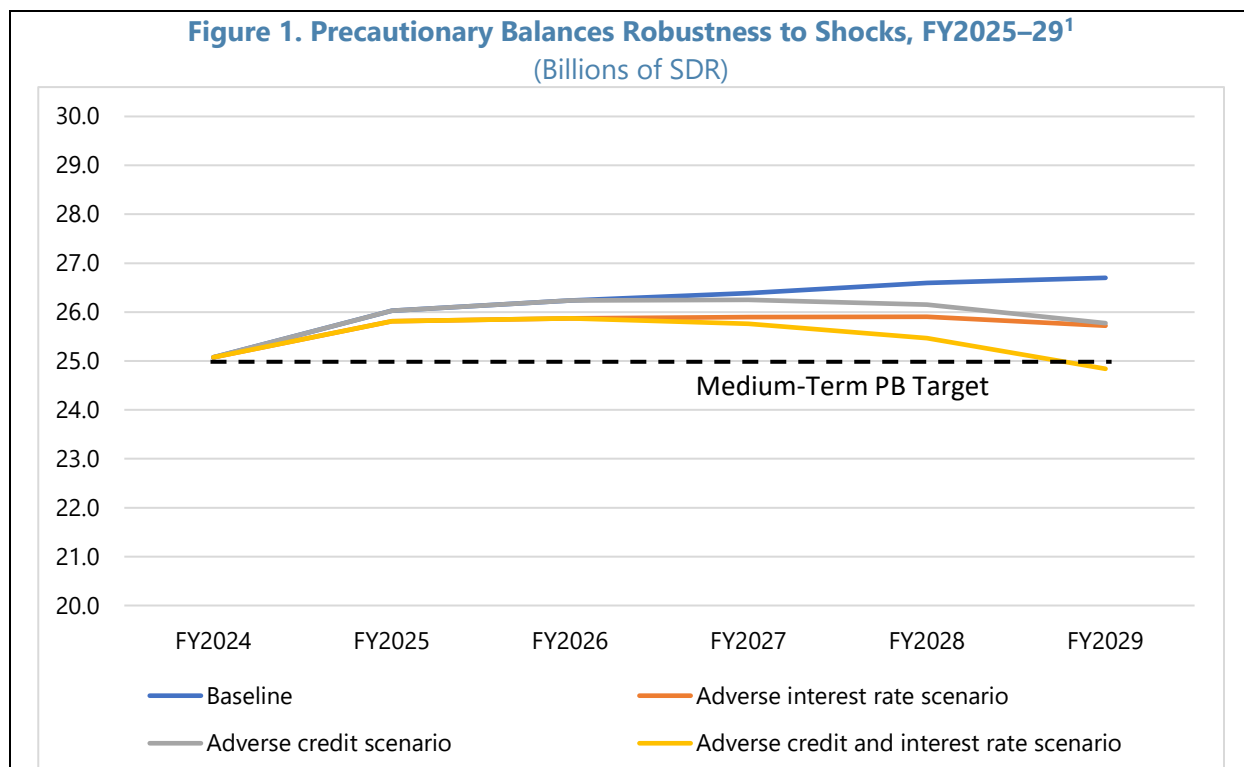
	No policy changes without distribution						Proposed reform package with distribution					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total (FY25-29)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total (FY25-29)
Operational Income	4,008	3,776	3,838	4,028	3,990	19,640	3,563	2,842	2,814	2,894	2,783	14,896
Lending income	2,627	2,600	2,605	2,622	2,433	12,887	2,191	1,719	1,707	1,706	1,545	8,868
Margin for the rate of charge	903	859	873	866	823	4,324	722	515	524	520	494	2,775
Service charge and other income	79	45	44	31	29	228	79	45	44	31	29	228
Commitment fees	143	159	106	140	86	634	142	144	96	112	76	570
Surcharges	1,502	1,537	1,582	1,585	1,495	7,701	1,248	1,015	1,043	1,043	946	5,295
Investment income	1,279	1,118	1,179	1,351	1,504	6,431	1,279	1,087	1,080	1,162	1,215	5,823
Interest-free resources	90	45	40	41	39	255	81	23	13	12	9	138
Reimbursements	12	13	14	14	14	67	12	13	14	14	14	67
PRG Trust	0	0	0	0	0	0	0	0	0	0	0	0
Expenses	1,229	1,258	1,281	1,306	1,332	6,406	1,229	1,258	1,281	1,306	1,332	6,406
Net administrative budget	1,128	1,159	1,184	1,202	1,226	5,899	1,128	1,159	1,184	1,202	1,226	5,899
Net Operational Income	2,779	2,518	2,557	2,722	2,658	13,234	2,334	1,584	1,533	1,588	1,451	8,490
Less: Distribution	0	0	0	0	0	0	-1,380	-1,380	-1,380	-1,380	-1,380	-6,900
Net Operational Income after distribution	2,779	2,518	2,557	2,722	2,658	13,234	954	204	153	208	71	1,590
Net Operating Income Loss compared with No Policy Change without distribution (SDR millions)							-1,825	-2,314	-2,404	-2,514	-2,587	-11,644
Precautionary Balances as of end-FY (SDR billions)	27.9	30.4	32.9	35.7	38.3		26.0	26.2	26.4	26.6	26.7	
<i>Memorandum Items:</i>												
Average Credit Outstanding (SDR billion)	90.3	85.9	87.3	86.6	82.3		90.3	85.9	87.3	86.6	82.3	
SDR interest rate (in percent)	3.8	3.2	3.0	3.1	3.2		3.8	3.2	3.0	3.1	3.2	

Source: IMF staff calculations.

¹ See paragraph 8 for a description of the main changes compared to the projections in the paper for the September informal meeting (*Review of Surcharges and the Surcharge Policy—A Possible Reform Package*).

⁵ The revisions provide for greater internal consistency of the scenario assumptions and alignment with the baseline nature of the projection. Commitment fee projections for the last year of the projection horizon (FY2029) have been updated based on a more realistic projection of precautionary arrangements, consistent with the gradual path of decline assumed for other lending arrangements, which is intended to reflect that members will likely continue to require some lending support in a shock-prone world (see Box 2, *Review of Surcharges and the Surcharge Policy—A Possible Reform Package*). In contrast, the projections in the September paper assumed a single round of successor precautionary arrangements with the same access level. In addition, following further assessment of the likely payout from the Endowment Subaccount (EA) to the GRA, the assumed annual rate has been adjusted to 1.75 percent, the midpoint of the expected range of 1.5 to 2 percent, from 1.5 percent in the second informal paper (see Box 3, *Review of Surcharges and the Surcharge Policy—A Possible Reform Package*). The cumulative positive five-year income impact of these adjustments is modest at about SDR 0.1 billion each.

9. The updated medium-term income and PB projections remain robust to the adverse shocks considered in the September staff paper.⁶ In low-lending or low investment return scenarios, cumulative net income (after the projected distributions of SDR 1.38 billion each year) would decline by about SDR 1 billion over FY2025–29 horizon, with PBs reaching about SDR 25.7 to 25.8 billion in FY2029, still above the current medium-term target. Under a joint shock of low lending and low investment returns, net income would be about SDR 1.9 billion lower than under the baseline, leaving PBs at end-FY2029 at about SDR 24.8 billion, marginally below the medium-term target (Figure 1).⁷



Source: IMF Staff calculations.

¹ This figure reports the projected PBs for FY2025–29 after an illustrative net income distribution of SDR 1.38 billion per year, assuming that all residual net income will be retained. The adverse investment return scenario assumes lower investment income than the baseline. The adverse credit scenario assumes no new Fund lending beyond the arrangements projected until FY2026 under the baseline. See Table 3 and Box 2 of Review of Surcharges and the Surcharge Policy—A Possible Reform Package for further details.

⁶ See Boxes 2 and 3 of *Review of Surcharges and the Surcharge Policy—A Possible Reform Package* for detailed explanations of the assumptions underlying the adverse scenarios.

⁷ The slightly lower income profile in the baseline and adverse scenarios compared to the September informal paper is largely due to the expected extension of the suspension of the PRGT reimbursement to the GRA (see Table 3, Footnote 1).

10. Enterprise risks for the Fund associated with the proposed reforms are limited and lower than those from inaction.⁸ Inaction—i.e., no changes to the current structure of charges, surcharges, and commitment fees of the GRA—could undermine the ability of the Fund to facilitate economic recovery, lead to the perception of lacking alignment with members’ needs, trigger member disengagement, and hinder communication with members, increasing business, strategic, and reputational risks. The proposed reforms would lower these risks. At the same time, the package would moderately increase financial risks and carry some business, operational and reputational risks. Risks to the adequacy and liquidity of GRA lending resources could increase but the extent would be limited by the relatively price-inelastic demand for Fund credit of large borrowers. Credit outstanding could rise due to slightly higher borrower demand and reduced early repurchases, typically from smaller economies that face moderate financing stress, but credit risks would be mitigated by an improved capacity to repay due to the lower cost of borrowing. Income risks also appear contained, as the projected income and PB accumulation paths after reform implementation are broadly resilient to adverse lending and investment return shocks. Continuous close monitoring of the Fund’s finances by staff, as well as regular reviews of the adequacy of PBs (every two years or less if warranted), margin for the basic rate of charge (every two years, with a possibility of adjustment in the intervening year if warranted), and the surcharge policy (every five years or less if warranted) provide key mitigants for any remaining risks.

IMPLEMENTATION OF THE PROPOSED REFORM PACKAGE

11. Implementation of the proposed reform package requires three formal decisions while the other proposed policy changes and commitments would be reflected in the Summing Up of the Executive Board meeting. The decisions—which may be adopted by 70 percent majority of the total voting power—will set the margin for the basic rate of charge at 60 basis points for the remainder of FY2025 and FY2026 (Proposed Decision 1), increase thresholds for the level-based surcharges and reduce the time-based surcharge rate (Proposed Decision 2), and amend Rule I-8 to align the thresholds for commitment fees with those under the GRA access limits (Proposed Decision 3). All three decisions (and other policy changes and commitments outlined below) will become effective on November 1, 2024.⁹ Furthermore, Proposed Decisions 2 and 3 define automatic adjustments that would be triggered by the implementation of the 16th GRQ. Specifically, the proposed threshold for surcharges, and the proposed thresholds for commitment fees, would be mechanically divided by 1.5 for each individual member when a member pays its

⁸ See *Review of Surcharges and the Surcharge Policy—A Possible Reform Package* for a more granular discussion of enterprise risks.

⁹ As in previous cases where commitment fee thresholds have been changed, for GRA arrangements in effect at the time at which the thresholds are changed, members whose commitment fees are lower under the new thresholds would be refunded the difference between the relevant commitment fee under the old thresholds vis-à-vis under the new thresholds on or around November 1, the reform implementation date. Given the nature of the proposed modifications, it is not expected that any commitment fee would increase solely due to the proposed changes in thresholds.

quota increase under the 16th GRQ, or at the end of 35 days after the general conditions for the effectiveness of the 16th GRQ have been met, whichever is earlier. As a result, the threshold for the level-based surcharges would be set at 200 percent of quota while the lower and upper commitment fees thresholds would be at 133.33 percent and 400 percent of quota, respectively. If supported by Directors, the proposed move to regular five-yearly review cycles for the surcharge policy, strengthening of operational procedures for the disclosure of charges and surcharges in the negotiation process of financial arrangements and guidance to align the level of the Special Reserve (net of pension adjustments and the endowment) with the minimum floor of the PBs (SDR 20 billion) would be reflected in the Summing Up of the Board meeting.¹⁰ A redlined version setting out the proposed changes to the surcharges and Rule I-8 is also attached (Annex I).

¹⁰ Operationally, based on the guidance provided in the Summing Up by the Executive Board on aligning the Special Reserve with the PB target, and as part of the disposition decisions of the annual reviews of the Fund's income position, staff would propose that all net income after distributions be allocated to the Special Reserve until it reaches SDR 20 billion (after pension adjustments and excluding the endowment).

Proposed Decisions

The following decisions, which may be adopted by 70 percent majority of the total voting power, are proposed for adoption by the Executive Board:

Decision 1 - The Rate of Charge on the Use of Fund Resources

Pursuant to Rule I-6(4)(a), last sentence of the Fund's Rules and Regulations, the rate of charge for the remaining period of FY 2025 from November 1, 2024 and for FY 2026 shall be 60 basis points over the SDR interest rate under Rule T-1 of the Fund's Rules and Regulations.

Decision 2 – Surcharges

With effect from November 1, 2024, Decision No. 12346-(00/117), November 28, 2000, as amended, shall be further amended to read as follows:

“Surcharge on Purchases in Credit Tranches and Under Extended Fund Facility and SLL

1. Subject to paragraph 2, 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 percent of the member's quota in the Fund resulting from purchases in the credit tranches, under the Short-Term Liquidity Line 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 for the Fund's combined holdings resulting from purchases in the credit tranches and under the Extended Fund Facility, it shall also include an additional 75 basis points per annum 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 change to 200 percent instead of 300 percent for any member from the first occurring of (i) its quota increase under the Sixteenth General Review of

Quotas becoming effective; or (ii) 35 days after the Executive Board has determined that the general effectiveness conditions for the Sixteenth General Review of Quota have been met.”

Decision 3 – Commitment Fees

With effect from November 1, 2024, Rule I-8 shall be amended to read as follows:

“I-8. The following provisions (a) – (e) shall apply to all General Resources Account (“GRA”) arrangements, except Short-Term Liquidity Line (“SLL”) arrangements, in which case provision (f) shall apply:

(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 200 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 200 percent and up to 600 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 600 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 200 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 200 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 200 percent but do not exceed 600 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 200 percent but not exceeding 600 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 exceed 600 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 600 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 200 percent and 600 percent referred to in subparagraphs (a) and (b) above, the thresholds of 133.33 percent and 400 percent, respectively, shall be used in computing charges and refunds for a member from the first occurring of (i) the effective date of that member's quota increase under the Sixteenth General Review of Quotas, or (ii) 35 days after the

Fund determines that the general effectiveness conditions for the Sixteenth General Review of Quotas have been met.

(f) With respect to SLL arrangements, a charge of 8/100 of 1 percent per annum on the total amount of access approved by the Fund for a member under a SLL arrangement shall be payable at the beginning of the arrangement. This charge shall not be refunded against purchases made during the course of the arrangement. If the member notifies the Fund that it wished to cancel an SLL arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the prorated amount of the charge that corresponds to the period remaining unexpired at the date of cancellation. Such repayment shall be made in the media selected by the Fund.”

Annex I. Redline Version: Proposed Modification to Existing Decisions

Surcharge on Purchases in Credit Tranches and Under Extended Fund Facility and SLL

1. Subject to ~~paragraphs~~paragraph 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 ~~187.5~~300 percent of the member's quota in the Fund resulting from purchases in the credit tranches, under the Short-Term Liquidity Line 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 for the Fund's combined holdings resulting from purchases in the credit tranches and under the Extended Fund Facility, it shall also include an additional ~~100~~75 basis points per annum 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 change to 200 percent instead of 300 percent for any member from the first occurring of (i) its quota increase under the Sixteenth General Review of Quotas becoming effective; or (ii) 35 days after the Executive Board has determined that the general effectiveness conditions for the Sixteenth General Review of Quota have been met. ~~be 300 percent instead of 187.5 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 187.5 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.~~

Rule I-8

I-8. The following provisions (a) – (f) shall apply to all General Resources Account (“GRA”) arrangements, except Short-Term Liquidity Line (“SLL”) arrangements, in which case provision (g) shall apply:

(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 115200 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 115200 percent and up to 575600 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 575600 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 115200 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 115200 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~~200 percent but do not exceed ~~575~~600 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~~200 percent but not exceeding ~~575~~600 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~~600 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~~600 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~~200 percent and ~~575~~600 percent referred to in subparagraphs (a) and (b) above, the thresholds of ~~200~~133.33 percent and ~~1000~~400 percent, respectively, shall be used in computing charges and refunds for a member ~~until~~from the ~~earlier~~first occurring of (i) the effective date of that member's quota increase under the ~~14th~~Sixteenth General Review of Quotas, or (ii) ~~February 26, 2016~~35 days after the Fund determines that the general effectiveness conditions for the Sixteenth General Review of Quotas have been met.

~~(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).~~

(gf) With respect to SLL arrangements, a charge of $\frac{8}{100}$ of 1 percent per annum on the total amount of access approved by the Fund for a member under a SLL arrangement shall be payable at the beginning of the arrangement. This charge shall not be refunded against purchases made during the course of the arrangement. If the member notifies the Fund that it wished to cancel an SLL arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the prorated amount of the charge that corresponds to the period remaining unexpired at the date of cancellation. Such repayment shall be made in the media selected by the Fund.