

May 18<sup>th</sup>, 2021

## IMF Concludes Mid-term Review of Chile's FCL

**Santiago, May 18<sup>th</sup>, 2021.** In line with the program's requirements, the IMF's Board of Executive Directors successfully reviewed Chile's eligibility and access to the Flexible Credit Line (FCL), approximately one year after the initial approval of the instrument.

As defined by the IMF, the Flexible Credit Line is an instrument designed for crisis prevention, that provides flexibility to be drawn down at any time during the period of the arrangement (up to two years), subject to a mid-term review in the case of two-year FCLs. In contrast to other traditional IMF programs, disbursements from the FCL are not phased nor conditioned on compliance with policy targets. The availability of large, upfront access, after approval of the arrangement, without any additional conditions is approved by the IMF's Board of Executive Directors for economies that have strong track records. As such, the FCL is also designed to bolster market confidence.

In the case of Chile, the two-year FCL requested by the Central Bank of Chile was approved May 29<sup>th</sup>, 2020 with access of up to 1000 percent of Chile's quota, equivalent to roughly US\$ 23.9 billion. Access to the FCL is managed by the Central Bank of Chile, which treats the instrument as precautionary, complementing its own reserves. As such, the line is not intended to finance public spending. The Central Bank has stated its intention to exit the FCL once the 24-month period has been concluded, conditional on risks and developments. To facilitate this transition, the Central Bank began a gradual reserve accumulation program in January-2021 for US\$ 12 billion, that is expected to raise the Central Bank's reserve to roughly 18% of GDP.

More information is available at the following link:

<https://www.imf.org/en/News/Articles/2021/05/14/pr21132-chile-imf-executive-board-concludes-review-of-chiles-performance-under-fcl-arrangement>