

# Notes to the Financial Statements for the Financial Years Ended April 30, 2022, and 2021

## 1. Nature of operations

The International Monetary Fund (IMF) is an international organization with 190 member countries. The IMF's fundamental mission is to ensure the stability of the international monetary system. It does so in three ways: surveillance of the global economy and the economies of member countries; lending to countries with balance of payments difficulties; and giving practical help by providing technical assistance to members. It is headquartered in Washington, DC, USA.

The IMF conducts its operations and transactions through the General Department. The General Department comprises three accounts: (i) the General Resources Account (GRA); (ii) the Investment Account (IA); and (iii) the Special Disbursement Account (SDA).

### 1.1 General Resources Account

The financial operations of the IMF with its members are primarily conducted through the GRA. The assets and liabilities in the GRA reflect the payment of member quota subscriptions, use and repayment of GRA credit, borrowings and repayments to lenders, collection of charges from borrowers, payment of remuneration on creditor positions and interest to lenders, and other operations.

A core responsibility of the IMF is to provide financial assistance to member countries experiencing actual or potential balance of payments problems. Upon the request of a member country, GRA resources are made available either under a financing arrangement or in the form of outright purchases (disbursements). An arrangement is a decision by the IMF's Executive Board (Executive Board) that gives a member the assurance that the IMF stands ready to provide resources to the member during a specified period and up to a specified amount, in accordance with the terms of the relevant financing instrument.

The Stand-By Arrangement (SBA) is designed for members with balance of payments problems expected to be resolved in the short to medium term. The Extended Fund Facility (EFF) is a special facility in the GRA for members with longer-term balance of payments problems, the resolution of which would require structural and more comprehensive economic reforms. Resources under the SBA and the EFF are made available in phased installments as the member implements economic policies and measures specified under

the arrangement, subject to periodic reviews by the Executive Board.

The Flexible Credit Line (FCL) is available for members with very strong fundamentals, policies, and track records of policy implementation and is intended for both crisis prevention and resolution. The Short-term Liquidity Line (SLL) is designed to provide liquidity support and has several innovative features, including revolving access. It has the same qualification criteria as the FCL but is available only for members facing potential moderate short-term balance of payments needs arising due to capital account pressures. The Precautionary and Liquidity Line (PLL) is available for members with sound economic fundamentals but with some remaining vulnerabilities that preclude them from meeting the qualification criteria for the FCL and the SLL.

The financing instrument for outright purchases is the Rapid Financing Instrument (RFI), which is used by members facing an urgent balance of payments need without the necessity or capacity for a full-fledged program.

### 1.2 Investment Account

The IA holds resources transferred from the GRA, which are invested to broaden the IMF's income base. The Rules and Regulations of the IA adopted by the Executive Board provide the framework for the implementation of the expanded investment authority authorized under the Fifth Amendment of the IMF's Articles of Agreement, which became effective in February 2011. The IA comprises two subaccounts: the Fixed-Income Subaccount and the Endowment Subaccount.

The Fixed-Income Subaccount holds resources transferred from the GRA that are not related to profits from gold sales. With a view to generating income while protecting the IMF's balance sheet, the investment objective of the Fixed-Income Subaccount is to produce returns in Special Drawing Rights (SDRs) terms in excess of the three-month SDR interest rate (see Notes 2.1 and 2.2) over time while minimizing the frequency and extent of negative returns and underperformance over an investment horizon of three to four years. During financial year ended April 30, 2022, the Executive Board concluded its 5-yearly review of the Fixed-Income Subaccount's investment strategy and effective January 12, 2022, set the investment objective to achieve, over time, returns that exceed the SDR interest rate by a margin of 50 basis points.