

**STATEMENT BY MR HENG SWEE KEAT, MINISTER FOR FINANCE,
AT THE GLOBAL FINANCIAL SAFETY NET (GFSN) SESSION OF
THE G20 FINANCE MINISTERS' AND CENTRAL BANK
GOVERNORS' MEETING, WASHINGTON D.C. ON 15 APRIL 2016**

1 Last night, we spent a great deal of time talking about the importance of instilling confidence, and a strong and credible global financial safety net is an important part of this confidence. But as several members pointed out earlier, there are some gaps. So let me highlight three areas.

2 First, we need effective mechanisms that can make liquidity available in a more timely and reliable manner. But as several members pointed out, the take-up of IMF's precautionary facilities has been limited, in part due to uncertainty over which countries pre-qualify and the associated stigma. So I suggest that the IMF review the pre-qualification criteria to provide greater certainty and signal that it is a strength, and not a weakness, of a country's fundamentals and policies.

3 Second, we need to address the issue of stigma, because stigma has been associated with members' reluctance to tap on IMF's facilities, which is not ideal from a crisis prevention perspective. So we can perhaps draw lessons from central banks' discount windows, where financial institutions borrow from central banks to meet short-term liquidity needs.

4 So some possible learning points include: first, announcing the availability of a standing facility geared towards groups of countries that

may be affected by specific shocks; second, where needed, proactive pushing out of liquidity through gatekeeper economies. This is not unlike central banks disbursing liquidity through primary dealers.

5 Now, the third area is to promote closer coordination and cooperation between the IMF and regional financing arrangements. In Shanghai, I suggested we need to develop expertise on how the regional layer can be integrated into the global financial safety net and to reduce uncertainty. But let me add one more point.

6 Bilateral FX swaps are a quick and effective tool to provide access to financing. But with the rollback of key US dollar bilateral swaps, it is all the more important to work out how the various other layers need to be integrated, in order to maintain the strength of the global financial safety net. So in this regard, I welcome the test run between the Chiang Mai Initiative and the IMF later this year to enhance collaboration.

7 To sum up, I support further work by the IMF in enhancing the effectiveness of its lending toolkit, focusing particularly on enhancing timeliness and responsiveness, and addressing stigma, and further reinforcing the interactions between the different layers of the global financial safety net.

8 Thank you Chair.

National Archives of Singapore