

IMF to extend loans quickly

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By Alan Beattie in London

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The International Monetary Fund's role in the [eurozone funding facility](#), contrary to appearances, is as yet an undefined commitment rather than a specific pot of money.

But some experts said that the declaration could herald a rapid loosening of the purse strings as the IMF prepared to extend loans to western Europe quickly and with few strings attached.

The [€250bn](#) figure attached to the IMF contribution to the fund does not represent an actual lending commitment, nor even the earmarking of part of its resources to help the eurozone. "The IMF does not earmark funds for a particular purpose or region and never has," an IMF official said.

"Earmarking funds would simply give the markets something to shoot at."

Instead, Monday's announcement formalised a working relationship that the [IMF](#) has built with European authorities during successive IMF rescues, where the European Union or the eurozone provide the bulk of the finance but the conditions for lending are largely set by the fund.

"This agreement essentially recognises that, starting with the Latvia and Hungary agreements, the fund has worked out a mechanism for co-operating with the European authorities with which it is increasingly comfortable," the official said. "The choreography has got better and better." Experts on the IMF, however, said that to avoid a repeat of the Greece predicament, where the money took weeks to arrive amid worsening market conditions, the fund might be forced to turn to other lending facilities that give money rapidly and with few conditions.

Eswar Prasad, a former senior IMF official and professor at Cornell University, said that the IMF was considering using its so-called flexible credit line, a lending programme intended to get money quickly to well-run countries that had been hit by financial contagion.

"They need a facility which can agree a loan in a weekend," Mr Prasad said. The traditional standby arrangement, such as the package given to Greece, required intense negotiations and a detailed policy programme that took too long to thrash out, he said.

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Asian states hold back on dollar swaps with Fed

Monetary authorities in several Asian nations see no need to reinstate [currency swaps](#) with the US Federal Reserve because the turmoil in the eurozone has so far caused little disruption to the region's markets, **write FT Reporters**.

Neither the Reserve Bank of Australia nor the Hong Kong Monetary Authority plan to set up dollar swaps with the Fed at present. The [Bank of Japan](#) (BoJ) is participating, but its deputy governor said the dollar liquidity position was "relatively calm" compared with that in 2008.

The Monetary Authority of Singapore said it was not involved in the resumption of swap arrangements between Washington and some central banks.

There has been little sign of capital flight from emerging Asian economies, and most countries have a comfortable dollar liquidity. Nor have Asia's banks declared any significant exposure to the debt of countries such as Portugal and Greece.

The shortage of dollars in Europe has caused some knock-on effects in Japan, with an increased demand for yen borrowing as a substitute. That prompted the BoJ to repeat last Friday's offer of [2,000bn yen](#) (\$21bn, €17bn, £14bn) in overnight loans to banks. But only Y595bn worth of bids were accepted.

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